EIGHTEENTH ANNUAL STATEWIDE

ETHICS SYMPOSIUM

GOLDEN GATE UNIVERSITY, SAN FRANCISCO

- **Defending a Charles Ponzi or Bernie Madoff**
- **Complex Conflicts Issues Deciphered**
- **Trial Ethics: Don't Risk Your Soul to Win a Point**
- **"Disruptive" Ethics? Innovative Models of Providing Legal Services**

April 2014

This program is presented by The State Bar of California
Committee on Professional Responsibility and Conduct.

EIGHTEENTH ANNUAL STATEWIDE ETHICS SYMPOSIUM
SATURDAY, APRIL 12, 2014
GOLDEN GATE UNIVERSITY SCHOOL OF LAW

Program Schedule

Registration	8:30	–	9:30 am
Welcoming Remarks	9:30	–	9:45 am
Panel 1	9:45	–	11:15 am
Break	11:15	–	11:30 am
Panel 2	11:30	–	1:00 pm
Lunch	1:00	–	1:40 pm
Keynote Address	1:40	–	2:00 pm
Panel 3	2:00	–	3:30 pm
Break	3:30	–	3:45 pm
Panel 4	3:45	–	5:15 pm

WELCOMING REMARKS

Wendy Wen Yun Chang: Chair, Committee on Professional Responsibility and Conduct
Rachel Van Cleave: Dean, Golden Gate University School of Law
Luis J. Rodriguez: President, State Bar of California

- **PANEL ONE**

  DEFENDING A CHARLES PONZI OR BERNIE MADOFF

- **PANEL TWO**

  COMPLEX CONFLICTS ISSUES DECIPHERED

LUNCH

KEYNOTE ADDRESS

- **PANEL THREE**

  TRIAL ETHICS: DON'T RISK YOUR SOUL TO WIN A POINT

- **PANEL FOUR**

  "DISRUPTIVE" ETHICS? INNOVATIVE MODELS OF PROVIDING LEGAL SERVICES

Written materials can be downloaded at:
http://www.calbar.org/ethics-symposium/2014_materials.html

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Connect to the wireless network: GGU-Guest

Open a web browser and you will be redirected to a login authentication page.

Username: ethicssymp (Note: case-sensitive)

Password: y0rEmE (Note: case-sensitive)

Eighteenth Annual Statewide Ethics Symposium

Keynote Address

"Utopian Legal Ethics in 2020"

James J. Brosnahan

Senior Trial Counsel, Morrison & Foerster LLP

James Brosnahan is named among the top 30 trial lawyers in the United States, according to the Legal 500 US. A lion of the trial bar, James Brosnahan is one of the most respected and recognized trial lawyers in the United States. Mr. Brosnahan has more than 50 years of experience in both civil and criminal trial work. He regularly undertakes complex cases that are about to go to trial. He has tried, to conclusion, 150 cases. The cases have ranged from anti-trust to wire fraud and from patent litigation to white collar crime and murder.

Mr. Brosnahan has received numerous awards and recognition throughout his distinguished career. In 1996, he was inducted into the State Bar of California's "Trial Lawyers Hall of Fame" and was awarded the Samuel E. Gates Award by the American College of Trial Lawyers in 2000 for his "significant, exceptional lasting contribution to the improvement of the litigation process." In 2001, Mr. Brosnahan was named "Trial Lawyer of the Year" by the American Board of Trial Advocates, and the following year, the San Francisco Lawyers' Club honored Mr. Brosnahan with its "Legend of the Law" award. In 2006, he was named one of America's most influential trial lawyers by the National Law Journal. In 2007, he received the American Inns of Court Lewis F. Powell Award for Professionalism and Ethics to recognize a "lifetime devoted to the highest standards of ethical practice, competence, and professionalism." In 2011, he received the Judge Learned Hand Award from the American Jewish Committee. He was recently recognized as a 2012 Lifetime Achiever by The American Lawyer which recognizes outstanding professional success and a devotion to public service. He was also a National Institute of Trial Advocacy (NITA) Teacher of the Year.

Mr. Brosnahan has been recommended as a leading lawyer by Chambers USA every year since its launch. He is also ranked by PLC Which Lawyer?, The Best Lawyers in America (for the past 29 years), The Legal 500 US 2013, Benchmark Litigation, The Lawdragon Top 3000, The Best of the Best USA Litigation 2013, Euromoney's Expert Guides, and the top ten in Northern California Super Lawyers since its launch in 2004.

Mr. Brosnahan is active in professional activities and is a past president of the Bar Association of San Francisco, whose Volunteer Lawyers Service Program he founded.

Mr. Brosnahan has served as special counsel to the California Legislature's Joint Subcommittee on Crude Oil Pricing, the lawyer representative to the Ninth Circuit Judicial Conference and Chairman of the Delegation. Mr. Brosnahan also serves as Master Advocate on the faculty and member of the Board of Trustees of the National Institute for Trial Advocacy.

Mr. Brosnahan authored the "Trial Handbook for California Lawyers."

STATE BAR OF CALIFORNIA
COMMITTEE ON PROFESSIONAL RESPONSIBILITY AND CONDUCT
2013-2014 OFFICERS

Wendy Wen Yun Chang, Chair **Los Angeles, CA**

Wendy Wen Yun Chang, Partner, Hinshaw & Culbertson LLP, Los Angeles, represents businesses in all types of business litigation, with particular emphasis in high exposure complex litigation, trials and appeals. She also represents lawyers in all types of complex matters that involve the practice of the law, including risk management counseling, ethics, crises management, fee related issues, and litigation defense. Ms. Chang is Chair of the State Bar of California Standing Committee on Professional Responsibility & Conduct (COPRAC). Ms. Chang is a Certified Specialist in Legal Malpractice Law by the State Bar of California's Board of Legal Specialization. Ms. Chang also serves as Co-Chair of the Judiciary Committee for the National Asian Pacific American Bar Association. In addition, Ms. Chang serves on the Professional Responsibility and Ethics Committee (PREC) and the State Appellate Judicial Evaluation Committee for the Los Angeles County Bar Association. Ms. Chang received her J.D. from Loyola Law School, Los Angeles, and her B.A. from the University of California, at Los Angeles.

Scott B. Garner, Vice-Chair **Irvine, CA**

Scott Garner is a partner in the Irvine office of Morgan, Lewis & Bockius LLP, where he serves as the leader of the Irvine Litigation Group and as one of the firm's loss prevention partners. His practice focuses on complex business litigation, with an emphasis on attorney liability defense. He also has significant experience in the areas of securities litigation, patent litigation, corporate governance, and hospital and health care law. Mr. Garner currently serves as Vice Chair of the State Bar's Committee on Professional Responsibility and Conduct and is the Co-Chair of the Orange County Bar Association's Professionalism and Ethics Committee. He also serves as a member of the Board of Directors of the Orange County Bar Association. He is a frequent author of ethics-related articles. Mr. Garner graduated cum laude from Harvard Law School in 1991, and received his B.A. degree with distinction from Stanford University in 1988.

Neil J Wertlieb, Advisor **Los Angeles, CA**

Neil Wertlieb is a Partner in the Los Angeles office of Milbank, Tweed, Hadley & McCloy LLP. Mr. Wertlieb's practice focuses on corporate transactions and restructurings. Mr. Wertlieb is a member and current Advisor of the State Bar of California Standing Committee on Professional Responsibility and Conduct (COPRAC). He is also the Chairman of his firm's Ethics Group for its California practices, and the author of a series of articles on ethical issues published in the Business Law News. Mr. Wertlieb is an Adjunct Professor of Law at the UCLA School of Law, and the former chairman of both the Business Law Section of the California State Bar and its Corporation Committee. Mr. Wertlieb is the General Editor of the legal treatise "Ballantine & Sterling: California Corporation Laws," and has been recognized in *The Legal 500* for his M&A work. He was recognized as one of the top 100 most influential lawyers in California (California Law Business, October 30, 2000). Mr. Wertlieb received his law degree from the UC Berkeley School of Law, and graduated with honors in Management Science from the UC Berkeley School of Business Administration. Mr. Wertlieb also served as a Judicial Extern for Associate Justice Stanley Mosk on the California Supreme Court. For additional details, go to: http://www.milbank.com/attorneys/neil-j-wertlieb.html.

SPECIAL GUESTS

***Luis J. Rodriguez,* President, State Bar of California** **Los Angeles, CA**

Luis J. Rodriguez is the 89th President of the State Bar of California. He is the first Latino and the first active Public Defender to serve as President of the State Bar. Luis graduated from Santa Clara University in 1989. Upon graduation, Luis was honored with the Nobili Award which is given by the faculty and the provost to the male graduate judged outstanding in academic performance, personal character, school activities, and constructive contribution to the University. After graduation, Luis went on to Santa Clara Law School. In 1994, Luis joined the Los Angeles County Public Defender's Office where he has worked fighting for the rights of indigent adults and children charged with criminal offenses. Additionally, he served as Special Counsel to then Public Defender, Michael P. Judge. In that role, he was key to advancing Mr. Judge's commitment to diversifying the Office. Luis was instrumental in assuring that the Office was representative of the diverse population in Los Angeles County. Luis has taken leadership roles throughout the years as President of the L.A. County Mexican American Bar Assoc., President of the California La Raza Lawyers Assoc., and Chair of the State Bar of California's Council on Access and Fairness. He also served on the California State Board of Education.

The commitment to social justice can be traced back to Luis' family and childhood struggles. Both of his parents were Mexican immigrants. Neither parent had an education past high school. His father had a third grade education and his mother a high school education. Although Luis was born in Los Angeles, at the age of 2, his parents moved back to Mexico to Ciudad Juarez in the state of Chihuahua. He lived in Juarez until the Fifth Grade, which is when the family moved back to Los Angeles. Because of the obstacles that he faced and the support that he received from many, Luis forever committed himself to being a voice for those who have no voice. Luis has established a number of entities within the State Bar to help those without a voice. The Task Force on Civil Justice Strategies was established to address the "civil justice gap" and student loan debt; the Unauthorized Practice of Law (UPL) Oversight Committee was established to pursue the civil violations of UPL violators; the State Bar also has led a major campaign against immigration fraud prevention. As President of the State Bar of California, Luis is driven to continue to serve the community in a broader scale.

***Rachel Van Cleave,* Dean of Golden Gate University School of Law and Professor of Law** **San Francisco, CA**

Rachel Van Cleave is Dean Golden Gate University School of Law. She began at GGU Law as a professor in 2004 and served as Associate Dean of Academic Affairs from 2008-2012.

Dean Van Cleave earned her BA at Stanford and JD at UC Hastings College of the Law. She clerked at Baker and McKenzie and served as a federal clerk for Fifth Circuit Judge Sam Johnson. In addition to early roles as a legal research and writing instructor at Santa Clara and a Teaching Fellow at Stanford Law School, where she also earned her JSM, Van Cleave was a Visiting Professor at the University of Richmond School of Law and UC Hastings. As a Fulbright Fellow, she conducted research at the Italian Constitutional Court on changes to the Italian criminal justice system, and later returned to Italy to research reforms in Italian rape law. She has published 15 law review articles and four book chapters.

A professor who has earned awards for her dedicated teaching, Dean Van Cleave designed and taught original seminars that integrate research and writing with addressing real-world problems—courses like her Katrina and Disaster Law Seminar. Dean Van Cleave is a dedicated veterans' advocate, working with veterans' advocacy groups as well as spearheading the Veterans Law Advocacy Center at GGU Law. In addition to her scholarship and teaching, she has published articles in leading legal publications exploring the ethics and future of legal education and the profession.

TAB 1

Defending A Charles Ponzi Or Bernie Madoff

DEFENDING A CHARLES PONZI OR BERNIE MADOFF

Scott B. Garner, Panel Moderator — Irvine, CA

Scott Garner is a partner in the Irvine office of Morgan, Lewis & Bockius LLP, where he serves as the leader of the Irvine Litigation Group and as one of the firm's loss prevention partners. His practice focuses on complex business litigation, with an emphasis on attorney liability defense. He also has significant experience in the areas of securities litigation, patent litigation, corporate governance, and hospital and health care law. Mr. Garner currently serves as Vice Chair of the State Bar's Committee on Professional Responsibility and Conduct and is the Co-Chair of the Orange County Bar Association's Professionalism and Ethics Committee. He also serves as a member of the Board of Directors of the Orange County Bar Association. He is a frequent author of ethics-related articles. Mr. Garner graduated cum laude from Harvard Law School in 1991, and received his B.A. degree with distinction from Stanford University in 1988.

Jennifer A. Becker — San Francisco, CA

Jennifer Becker is an experienced trial lawyer with over 25 years of practice handling professional liability matters involving attorneys, architects, engineers and accountants. She is Certified as a Legal Malpractice Specialist by the State Bar of California. She began her career as a plaintiffs' lawyer focusing on legal malpractice claims. Ms. Becker joined Long & Levit in 1999 where her unique perspective has served to effectively defend attorneys in legal malpractice actions. She has also expanded her practice to include the defense of construction defect, personal injury, commercial litigation, and other professional liability claims. Ms. Becker is skilled as both a litigator and negotiator. Ms. Becker also provides risk management advice to her attorney and architect clients based on her many years of handling professional liability disputes. Ms. Becker enjoys speaking and writing about Professional Liability issues. She presents on the topic of risk management at local bar associations, and has been Editor-In-Chief of the firm's Professional Liability Update publications since 2001. Ms. Becker was appointed to the California State Bar's Committee on Professional Rules and Conduct for a three year term commencing October 2012. Ms. Becker became the co-chair of the Legal Malpractice Committee of the Bar Association of San Francisco in 2014.

Sean M. SeLegue — San Francisco, CA

Sean SeLegue, a partner at Arnold & Porter LLP in San Francisco, was formerly Chair and Vice-Chair of the State Bar of California Committee on Professional Responsibility and Conduct. He also served on the State Bar Commission for the Revision of the Rules of Professional Conduct. Mr. SeLegue defends attorneys in legal malpractice and malicious prosecution cases, handles disqualification motions and represents attorneys in disciplinary proceedings. He maintains an active appellate practice in a wide range of subject-matter areas. He is ranked by Chambers in its "California Appellate" category, is certified as an appellate specialist by the State Bar of California Board of Legal Specialization and is a member of the California Academy of Appellate Lawyers. A graduate of Boalt Hall School of Law at the University of California, Berkeley, Mr. SeLegue clerked for the Honorable Cynthia Holcomb Hall of the United States Court of Appeals for the Ninth Circuit before entering practice. He has authored numerous articles on legal ethics, and he has taught legal ethics at Boalt Hall School of Law at the University of California, Berkeley.

John R. Sheller — Los Angeles, CA

John Sheller was admitted to the California Bar in 1975. Since 1977 he has focused his trial practice on the defense of attorneys and other professionals. He has tried over 60 jury trial representing professionals. Mr. Sheller is a Certified Specialist in Legal Malpractice Law by the State Bar of California's Board of Legal Specialization and is the current leader of the Lawyers for the Profession group in Hinshaw & Culbertson which includes Counselors for the Profession, the current US News Law Firm of the Year in Ethics, and professional responsibility law.

DEFENDING A CHARLES PONZI OR BERNIE MADOFF

LIST OF WRITTEN MATERIALS

1. Panel Outline

2. Scott B. Garner, *Secrets in a Google World: Understanding the Differences Between the Attorney-Client Privilege and the Duty of Confidentiality* (July 2013) 55 Orange County Lawyer 42

3. Scott B. Garner, *A Tale of Two Privilege Rules* (March 2011) 53 Orange County Lawyer 40

4. Scott B. Garner and Isabelle M. Carrillo, *Ethically Speaking: U.S. V. Rueble: An Example of the Frailty of California's Presumption of Attorney-Client Confidentiality* (December 2009) 51 Orange County Lawyer 29

Written materials can be downloaded at:
http://www.calbar.org/ethics-symposium/2014_materials.html

Defending a Charles Ponzi or Bernie Madoff

I. Introduction of Panel

II. Introduction of Topic

- A. Types of financial shenanigans
- B. What is a Ponzi Scheme
- C. Examples of Ponzi and other schemes that led to claims against law firms
  - 1. Enron
  - 2. Bernie Madoff
  - 3. Allen Stanford
  - 4. Edward Okun (Silicon Valley Law Group)
  - 5. Donziger case
- D. What do plaintiffs lawyers look for as juicy facts in a malpractice action?
  - 1. Examples or war stories

III. Summary of ethical duties of lawyers representing these bad actors

IV. Introduction of hypothetical – Cool or Creepy?

V. Ethical Duties

- A. Reporting misconduct
  - 1. Within an organization (Rule 3-600(B))
  - 2. Importance of defining who "client" is.
- B. Duty of confidentiality/attorney-client privilege
  - 1. Outside an organization
    - a. Duty of confidentiality, attorney-client privilege
    - b. Enron exception in other states
    - c. Discuss Sarbanes-Oxley
  - 2. Public statements (press, etc.)

a. Trial publicity

3. Internal investigations

a. Who is the client?

b. *U.S. v. Ruehle*, 583 F.3d 600 (9th Cir. 2009)

c. *Upjohn* warnings, *Upjohn Co. v. U.S.*, 449 U.S. 383 (1981)

4. How does lawyer defend himself when he becomes a target or defendant?

a. Context

(i) Client sues lawyer

(ii) Third party (e.g., investor) sues lawyer

b. *In pari delicto*, or unclean hands, defense

c. Advice of counsel defense

d. Due process

(i) *McDermott, Will & Emery v. Super. Ct.*, 83 Cal. App. 4th 378 (2000).

(a) Contrast with federal approach in *Garner v. Woffinbarger*, 430 F.2d 1093 (5th Cir. 1970)

(b) Discuss *Deitz v. Meisenheimer & Herron*, 177 Cal. App. 4th 771 (2009).

5. Compulsory disclosure pursuant to subpoena

a. Waiver of attorney-client privilege and/or attorney work product

(i) Evidence Code sections 912 (a), 952

(ii) Must assert the privilege. Discuss *In re Pacific Pictures Corp.*, 679 F.3d 1121 (9th Cir. 2012)

(iii) Finding of waiver when voluntary disclosure to government agency. Discuss *McKesson HBOC, Inc. v. Super. Ct.*, 115 Cal. App. 4th 1229 (2004).

C. Is there a duty to investigate own client when lawyer suspects something is amiss?

1. Discuss *FDIC v. O'Melveny & Myers*, 969 F.2d 744 (9th Cir. 1992)

D. Duty to withdraw

1. When is there a duty to withdraw?

a. Discuss Rule 3-600(C)

b. When would withdrawal be permissive?

(i) Discuss Rules 3-700(B) and (C)

2. How is the engagement letter relevant?

3. Must comply with 3-700 to minimize prejudice to client

E. Conflicts of interest

1. Examples

a. When both lawyer and client are actual or potential defendants in a civil litigation

b. When the SEC or other public agency investigates both client and lawyer

c. When client hints of a failure to advise

2. Duties

a. Can lawyer continue representing client?

(i) Is a mere third party threat to sue a lawyer enough to create a conflict?

(ii) Can a non-party successfully move to disqualify an attorney?

3. Insurance context (*Cumis* counsel, etc.)

4. In-house counsel

a. *Yanez v. Plummer*, 221 Cal. App. 4th 180 (2013)

F. Duty of Competence

1. Rule 3-110 and the duty to supervise

VI. Takeaways

Scott B. Garner
Ethically Speaking

Secrets in a Google World:

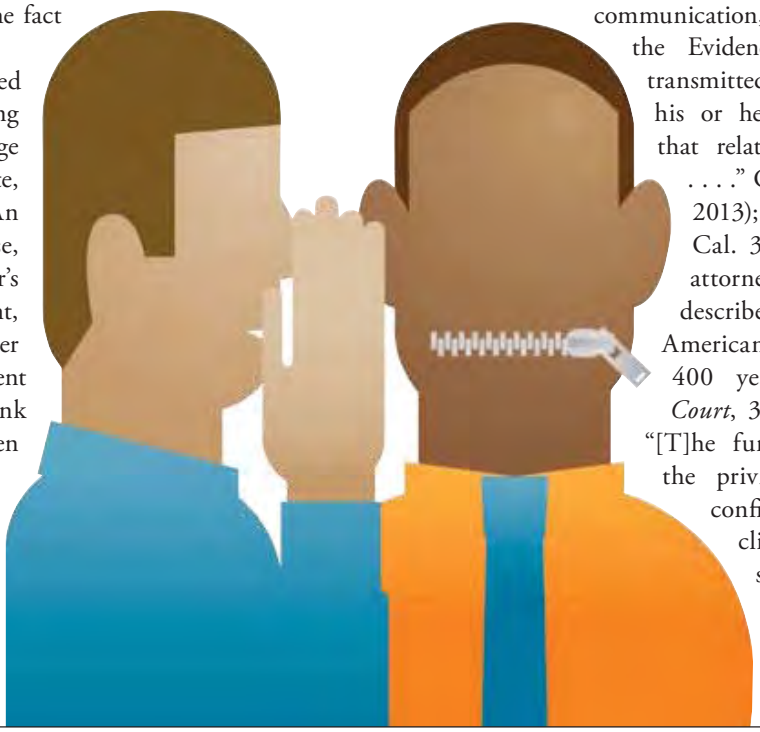
Understanding the Differences Between the Attorney-Client Privilege and the Duty of Confidentiality

What is told into the ear of a man is often heard a hundred miles away. ~ Chinese Proverb

One of our most sacred duties as lawyers is the duty of confidentiality, statutorily described as the duty "to maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client." Cal. Bus. & Prof. Code § 6068(e) (2013). But what exactly is a "secret" in this context? According to Webster's online dictionary, one definition of a secret is "something kept from the knowledge of others or shared only confidentially with a few." *Merriam-Webster.com*., http://www.merriam-webster.com/dictionary/secret (last visited May 7, 2013).

In the legal ethics arena, however, a "secret" may be known to many, yet still be considered a secret. This counterintuitive principle often confuses even the most careful lawyers, who may wrongly assume that once a fact loses its secretive status—for example, by appearing on the Internet—he no longer must protect the fact against disclosure.

This confusion may be caused by the common confounding of the attorney-client privilege with the related, but separate, duty of confidentiality. An example might help. Suppose, in the course of a lawyer's representation of his client, the client tells the lawyer that three years ago the client was arrested for being drunk in public. The lawyer then does a Google search and, indeed, finds a story about the client's arrest. Is this information subject to the attorney-client privilege? Is it protected by the lawyer's duty of confidentiality? Suppose the client did not tell the lawyer about his prior arrest, but instead the lawyer found it on his own after running a Google search? Does that change the analysis? The short answer is that, whether the client first told the lawyer about the arrest, or the lawyer first learned the fact on his own, the fact of the prior arrest likely is not protected by the attorney-client privilege. Nonetheless, the lawyer still has an obligation not to disclose this information absent his client's consent. In other words, despite not being protected by the attorney-client privilege, the information falls within the duty of confidentiality, and the lawyer is ethically obligated to keep it secret.



The Attorney-Client Privilege

Three may keep a secret, if two of them are dead. ~ Benjamin Franklin

The attorney-client privilege in California is a statutorily created evidentiary rule that protects from disclosure "confidential communications" between a lawyer and his client. Cal. Evid. Code § 954 (West 2013); *see also Solin v. O'Melveny & Myers*, 89 Cal. App. 4th 451, 456-57 (2001). "Confidential communication," in turn, is defined in the Evidence Code as "information transmitted between a client and his or her lawyer in the course of that relationship and in confidence . . . ." Cal. Evid. Code § 952 (West 2013); *see also In re Jordan*, 7 Cal. 3d 930, 939-40 (1972). The attorney-client privilege has been described as "a hallmark of Anglo-American jurisprudence for almost 400 years." *Mitchell v. Superior Court*, 37 Cal. 3d 591, 599 (1984). "[T]he fundamental purpose behind the privilege is to safeguard the confidential relationship between clients and their attorneys so as to promote full and open discussion of the facts and tactics surrounding individual legal matters." *Id.*; *see also Upjohn Co. v.*

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United States, 449 U.S. 383, 389 (1981).

Notwithstanding the importance of protecting confidential communications between a client and his or her lawyer, there are some important and not insubstantial limits on the application of the attorney-client privilege. For example, to the extent otherwise confidential information is revealed to someone other than the lawyer, the privilege may be waived. *See* Cal. Evid. Code § 912 (West 2013).[1] In *In re Jordan*, an inmate sent communications to his lawyer, knowing that the mailroom guard was going to read those communications. Because the inmate/client's communication was "knowingly disclosed to a third person whose presence is not required to advance the client's interest," the communications were not protected by the attorney-client privilege. *In re Jordan*, 7 Cal. 3d at 939-40.

In one of the scenarios of the hypothetical above, the lawyer learns the information about his client from some source other than his client—*i.e.*, from a Google search. Thus, the information about the client's prior arrest was not transmitted from the client to the lawyer, or vice versa, and thus does not meet the requirements of Evidence Code § 954. Even in the scenario where the client did tell the lawyer about the prior arrest, however, the information still is not protected by the attorney-client privilege because it is not confidential within the meaning of Evidence Code § 952. Accordingly, under either scenario, this publicly available information is not protected by the attorney-client privilege.[2] This result should not be a surprise.

What may be surprising to some is that this public information about the client's prior arrest—while not privileged—still may be considered confidential, thereby precluding the lawyer from disclosing it without the client's consent. In other words, some things a lawyer learns about his client, even if he learns them from a public source like the Internet, still must be guarded as secrets.

The Duty of Confidentiality

To keep your secret is wisdom; but to expect others to keep it is folly. ~ Samuel Johnson

Authorities both in and out of California repeatedly have held that a lawyer's duty of confidentiality is broader than his duty under the attorney-client privilege. *See Dietz v. Meisenheimer & Herron*, 177 Cal. App. 4th 771, 786 (2009) (citing *Goldstein v. Lees*, 46 Cal. App. 3d 614, 621 (1975)); *In re Gonzalez*, 773 A.2d 1026, 1031 (D.C. 2001). As stated by the District of Columbia Court of Appeals, the ethical duty to protect client confidences and secrets, "unlike the evidentiary privilege, exists without regard to the nature or source of information or the fact that others share the knowledge." *In re Gonzalez*, 773 A.2d at 1031 (internal quotations and emphasis omitted).

[S]ome things a lawyer learns about his client, even if he learns them from a public source like the Internet, still must be guarded as secrets.

In California, the mandate to keep a client's confidences is found in the State Bar Act and, thus, has the force not only of legal ethics, but also of California law. Specifically, as quoted above, Business and Professions Code § 6068(e) provides, it is the duty of an attorney "[t]o maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client." Rule of Professional Conduct 3-100 incorporates § 6068(e) into a lawyer's ethical requirements: "A member shall not reveal information protected from disclosure by Business and Professions Code § 6068, subdivision (e)(1) without the informed consent of the client . . . ."

The question then becomes: what are considered the "confidences" and "secrets" of a client? The State Bar's Standing Committee on Professional Responsibility and Conduct (COPRAC) addressed this question in its Formal Opinion No. 1986-87. That Opinion addressed the hypothetical situation where a criminal defendant disclosed to his lawyer a prior criminal conviction, which was relevant to the sentencing phase of the client's trial. The conviction, however, was a matter of public record, and thus was not subject to the attorney-client privilege. The Committee stated that the term "secrets" is not defined in the Rules of Professional Conduct, but then noted the definition in the ABA Code of Professional Responsibility (as it then existed), DR 4-101(a): "Information gained in the professional relationships . . . the disclosure [of] which would be embarrassing and would be likely to be detrimental to the client." The Committee ultimately concluded that the client's past conviction constituted a client "secret" that could not be disclosed absent client consent.

Courts throughout California similarly have drawn distinctions between a lawyer's duty to protect attorney-client privileged communications and a lawyer's duty to keep his client's secrets. *In re Johnson*, 2000 Calif. Op. LEXIS 10 (Cal. State Bar Ct. Oct. 26, 2000), for example, has facts similar to those in Formal Opinion No. 1986-87 and the hypothetical above. In that case, the attorney told one of his clients, in the presence of others, about another client's earlier felony conviction. That conviction, of course, was a matter of public record, but it was not easily discovered. *Id.* at 28. The court found that the disclosure constituted a violation of the lawyer's ethical duty to keep his client's confidences: "This ethical duty of confidentiality is much broader in scope and covers communications that would not be protected under the evidentiary attorney-client privilege. It prohibits an attorney from disclosing facts and even allegations that might cause a client or a former client public embarrassment." *Id.* at 29; *see also In re Gonzalez*, 773 A.2d at 1031 (relying on fact that disclosure of information about the client "might be embarrassing or likely to be detrimental to the client"); *Dixon v. State Bar*, 32 Cal. 3d 728, 735 (1982) (finding that the lawyer violated Business and Professions Code § 6068(e) by including in a declaration

"gratuitous" and "embarrassing" information about his former client and her sister, even though the declaration was filed in response to a lawsuit the former client filed against the lawyer).

California certainly is not alone in making this distinction. Comment 3 to ABA Model Rule 1.6 states, "The confidentiality rule . . . applies not only to matters communicated in confidence by the client but also to all information relating to the representation, *whatever its source*." ABA Model Rule 1.6, cmt 3 (emphasis added). In *Lawyer Disciplinary Board v. McGraw*, 194 W. Va. 788 (1995), the West Virginia Supreme Court of Appeals applied its state equivalent of Model Rule 1.6 to find an attorney violated his duty to maintain his client's confidences. There, the lawyer had disclosed to a third party certain information which, in his defense, the lawyer characterized as public and, thus, not privileged. The court was not impressed. It stated the now-familiar rule that confidentiality of client information "is not nullified by the fact that the circumstances to be disclosed are part of a public record, or that there are other available sources for such information, or by the fact that the lawyer received the same information from other sources." *Id.* at 798. The court based its decision on Rule 1.6 and on its observation that "the essence of the attorney-client relationship is that of trust, reliance, and loyalty." *Id.* (internal citations omitted). The court also made the point that "[t]he ethical duty of confidentiality protects more than just 'confidences' and 'secrets' of a client in that Rule 1.6, entitled Confidentiality of Information, prohibits disclosures of '*information* relating to representation of a client[.]'" *Id.* at 799.

Like the West Virginia court in *McGraw*, other courts and bar associations have found that the duty to protect a client's secrets—even if not actually "secret" in the common understanding of that term—arises at least in part from the duty of loyalty. For example, in its 1983 opinion, the Los Angeles County Bar Association concluded that a public defender representing in a high-profile trial an entertainment industry client charged with a felony could not disclose to the media confidential information he had learned about his client, even after the trial was over. Los Angeles County Bar Association Formal Op. No. 409. The Opinion stated, "Both the duty of loyalty and the duty to maintain client confidences remain *after* termination of the attorney-client relationship." *Id.* It further stated that the duty to a former client forbids "use against the former client of any information acquired during such relationship." *Id.* (quoting *Yorn v. Superior Court*, 90 Cal. App. 3d 669, 675 (1979)).

AT A GLANCE

IN CALIFORNIA, the mandate to keep a client's confidences is found in the **State Bar Act** and, thus, has the force not only of legal ethics, but also of **California law**.

It is clear, then, that a lawyer's duty to maintain the confidences and secrets of his client requires far more than merely protecting non-public information disclosed to him by the client in private. "Confidences" and "secrets," as those terms are used in Business and Professions Code § 6068(e) and other equivalent authorities simply do not mean what we generally think they mean. This is particularly important in our Google world, where true secrets are becoming increasingly rare, and most people can learn just about anything with a few strokes on their keyboard. Lawyers, then, must get used to the reality that maintaining a client's secrets and confidences means not sharing any information about that client that could be embarrassing or harmful to the client, or, even more generally, any information that the client would not want to be shared. The best advice: Don't talk about your client unless it is to further the goals of your client and/or if you have your client's consent.

ENDNOTES

(1) One exception to this waiver rule, expressly stated in Evidence Code § 952, is where the third party "is present to further the interest of the client in the consultation [or] . . . [where disclosure to the third party] is reasonably necessary for the transmission of the information or the accomplishment of the purpose for which the lawyer is consulted . . . ."

(2) Even though the underlying information about the client's prior arrest is not confidential within the meaning of Evidence Code § 952, where the client communicated the information to the lawyer (as opposed to the lawyer finding it for himself on the Internet), the fact that the client communicated the information to the lawyer itself could be privileged. *See Mitchell v. Superior Court*, 37 Cal. 3d 591, 600 (1984) (finding that the privilege covers the transmission of documents otherwise available to the public); *In re Jordan*, 7 Cal. 3d at 580 (finding that lawyer's transmission to client of a public document constituted a confidential communication under Evidence Code § 952, and therefore was privileged). Of course, just because the fact of the communication is privileged does not necessarily make the underlying information itself privileged.

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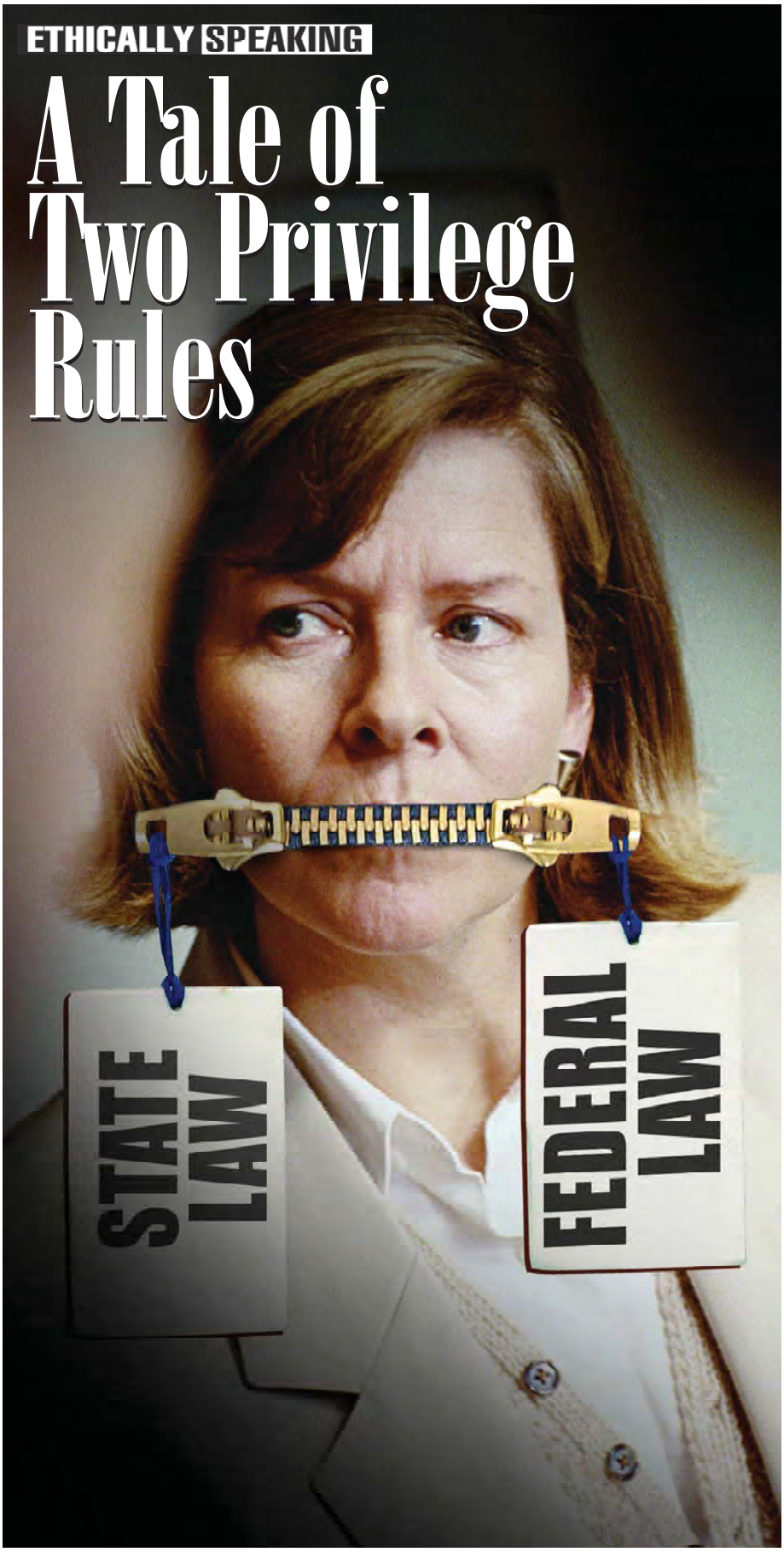
ETHICALLY SPEAKING

A Tale of Two Privilege Rules



by Scott B. Garner

Under California law, the attorney-client privilege is nearly sacrosanct, to be circumvented only under narrow, statutorily expressed circumstances. But how can a lawyer—even one practicing in California—be confident that California's privilege rules even will apply? Suppose, for example, that a lawyer is in a federal, or even a state, court in Orange County, litigating both federal and state law issues. Will the court apply state privilege laws or federal common law, and does it matter?

While the answer to the first question will depend on the issues underlying the dispute, the answer to the second question likely is a resounding "yes." That was made clear recently in the case of *United States v. Ruehle*, 583 F.3d 600, 608 (9th Cir. 2009), where the Ninth Circuit reversed the District Court on an important privilege issue because the District Court committed a "fundamental flaw" by applying state privilege law rather than federal common law. As the court pointed out, in contrast to California state law, which aggressively protects privileged communications between a lawyer and his client, under federal common law,

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"'[t]he attorney-client privilege is strictly construed.'" *Id.* at 607. Moreover, "[t]he party asserting the privilege bears the burden" of proof. *Id.* at 608.

Indeed, a recent Fourth Appellate District case bluntly captured the federal common law attitude toward the attorney-client privilege through the following quote from a Fourth Circuit federal case: "[T]he privilege remains an exception to the general duty to disclose. Its benefits are all indirect and speculative; its obstruction is plain and concrete. It is worth preserving for the sake of a general policy, but it is nonetheless an obstacle to the investigation of the truth. It ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle." *Regents of Univ. of Cal. v. Super. Ct.*, 165 Cal.App.4th 672, 680 n.5 (2008) (internal citations omitted). With this summary of the attitude taken by some federal courts toward the attorney-client privilege, it would be difficult to argue that a determination of whether a communication is privileged would not be impacted by whether state or federal law were applied.

One area where these important differences between state and federal privilege laws have played out is shareholder derivative actions.

In the corporate setting, a lawyer's client is the corporation itself, and not the shareholders. In the case of a shareholder derivative action, however, a shareholder is seen as standing in the shoes of the corporation, seeking recovery on the corporation's behalf. For that reason, federal courts generally have found that the attorney-client privilege may not be asserted by a corporation or its lawyer to block disclosure to a shareholder asserting a derivative claim.

The seminal federal case on this issue is *Garner v. Wolfinbarger*, 430 F.2d 1093 (5th Cir. 1970). Although a Fifth Circuit case decided over 40 years ago, *Garner* remains good law and is cited approvingly by federal courts throughout the country. In *Garner*, applying federal law, the court held that a shareholder asserting a derivative claim against a corporation or its lawyer could gain access to otherwise privileged communications upon a showing of good cause. *Id.* at 1103–04. *Garner* has been applied by many courts in a number of different contexts to overcome the attorney-client privilege. *See, e.g.*, *Arcuri v. Trump Taj Majal Assocs.*, 154 F.R.D. 97, 105–06 (D.N.J. 1994); *Addington v. US Airline Pilots Ass'n*, No. CV08-1633-PHX-NVW, 2009 U.S. Dist. LEXIS 14939, at **3–4 (D.Az. Feb.11, 2009). It has been flatly rejected, however, by California state courts.

Most recently, a state court reaffirmed California's rejection of the *Garner* doctrine in *Favila v. Katten Muchin Rosenman LLP*, 188 Cal.App.4th 189 (2010). In *Favila*, the estate of a corporation's founder and shareholder sued, among others, the corporations' outside corporate counsel for professional malpractice and related causes of action. Unlike in *Garner* and similar federal decisions, the attorney-client privilege between the lawyer and the corporation could not be waived by the shareholder-plaintiff; thus, absent a waiver by the corporate client itself—which was not given—the lawyer-defendant could not disclose his confidential advice to his client (the corporation) as part of his defense of the malpractice action. *Id.* at 218. ("The corporation, not the shareholder, is the holder of the privilege and the only party that can waive the privilege. Thus, the filing of a derivative action against outside counsel does not result in a waiver of the corporation's attorney-client privilege.") (internal citation omitted). This left the lawyer without the ability to testify about advice he gave to the corporation, which he claimed was central to his defense in the malpractice action.

Faced with this dilemma—that is, a defendant potentially unable to defend himself without disclosing attorney-client privileged communications—the court sided with preservation of the privilege, disallowing a claim of waiver based on the filing of the derivative action. *Id.* at 221–22. The result, however, turned out to be not so bad for the lawyer. In ruling on the lawyer's demurrer, the court conditionally stayed the action against him until the shareholder-plaintiff could demonstrate that the attorney-client privilege had been waived by some other means (*e.g.*, by the crime-fraud exception). *Id.* If the shareholder could not establish a waiver, he could not proceed in his lawsuit against the corporation's counsel. *Id.*

This seemingly harsh result is hardly an outlier, but rather is consistent with California precedent. In *McDermott, Will & Emery v. Super. Ct.*, 83 Cal.App.4th 378 (2000), for example, the court issued a peremptory writ of mandate directing the trial court to grant judgment on the pleadings in favor of the law firm defendant because, absent a waiver of the attorney-client privilege by the law firm's corporate client, the law firm could not fairly defend itself against a shareholder derivative action. *Id.* at 383–85. The court expressly rejected *Garner* and similar federal cases that have created judicial exceptions to the attorney-client privilege, stating that, "[u]nlike some courts, California courts have refused to carve out a shareholder exception to the attorney-client privilege, even in a derivative action." *Id.* at 385; *see also Dickerson v. Super. Ct.*, 135 Cal.App.3d 93, 99 (1982) (rejecting *Garner* rule because that court was empowered by Federal Rule of Evidence 501, whereas California courts may not create new privileges or exceptions).

The shareholder derivative lawsuit context is just one of many in which state and federal law differs significantly on application of the attorney-client privilege. Lawyers and clients alike need to be aware of which set of rules is likely to be applied in a given case, as the choice of law very well could be determinative of whether a confidential attorney-client communication ultimately is kept confidential, or disclosed for the world to hear.

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Ethically Speaking: U.S. v. Ruehle: An Example of the Frailty of California's Presumption of Attorney-Client Confidentiality

by Scott B. Garner and Isabelle M. Carrillo*
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The recent decision in *United States v. Ruehle* (No. 09-50161, 2009 U.S. App. LEXIS 21450 (9th Cir. Sept. 30, 2009)) is a reminder that federal common law, and not California law, determines whether, in federal question cases, a communication between a lawyer and his client is protected as privileged. Because California takes a more client-friendly view of confidentiality – presuming that communications made in the course of the attorney-client relationship are confidential – while federal common law takes a stricter view that places the burden on the client of proving a communication was confidential, whether federal law or California law is applied can be critical to the determination of whether a communication is covered by the privilege or not. This distinction is evident in decisions like *Ruehle*, where California's public policy of protecting client interests even at the expense of a lawyer's or a third party's contrary interests may be frustrated.

Indeed, even as the Ninth Circuit was issuing the *Ruehle* opinion, a Commission appointed by the State Bar of California was releasing for public comment proposed new rules regarding, among other things, the safeguarding of client confidences. In the face of the Ninth Circuit's ruling, the confidentiality rules California ultimately adopts may be largely irrelevant in many circumstances.

One of the purposes of the appointment of the Commission is to redraft California's ethics rules – currently contained in the California Rules of Professional Conduct – so that they are more consistent with the ABA Model Rules and, thus, more in conformity with other states. This would seem a worthy goal in a time when California lawyers routinely practice across state lines. Included within the rules to be re-written are the confidentiality rules that require lawyers to maintain their clients' confidences, even in the face of outside pressures to divulge those confidences. Because of California's strong public policy protecting client confidences, however, the confidentiality rule contained in the Commission's Proposed Rule 1.6 deviates in significant ways from the parallel ABA Model Rule 1.6, which allows a lawyer to divulge his client's confidences under various enumerated circumstances.

For example, like the ABA Model Rules, California ethics rules historically have allowed a lawyer to disclose client confidences if necessary to save another person from death or substantial bodily harm. (Cal. Bus. & Prof. Code §6068(e)(2) (2009); Cal. R. of Prof'l Conduct 3-100(B) (2009); ABA Model Rule 1.6(b)(1) (2009)). The ABA Model Rules, however, and the many states that follow them, take this concept a step further, allowing lawyers to disclose client confidences if necessary to prevent another from suffering financial harm – the so called "Enron exception" to the client confidentiality rules. (See, e.g., ABA Model Rule 1.6(b)(2) and (3)). California, however, so far has declined to adopt the Enron exception, and the Commission's proposed rules also decline to adopt it, calling it a "misguided attempt to protect the public that ultimately [is] more harmful to the public." (Commission for the Revision of the Rules of Prof'l Conduct, Proposed Rule 1.6, Explanation of Changes (Discussion Draft, Sept. 2009)).

The Commission provides the following two reasons for refusing to allow disclosure of client confidences in some of the same situations allowed by the ABA Model Rules, like, for example, to prevent financial harm to a third party: (1) Unlike in many states, California lawyers' duty of

confidentiality is based on legislative statute, Business & Professions Code section 6068(e)(1), and not just on state bar-enacted ethics rules; and (2) ABA "Model Rule 1.6 and its numerous exceptions are based on policy decisions that are inimical to California's traditional emphasis on client protection." (*Id*. at Introduction). In other words, in the Commission's view, California historically has placed a higher premium on the confidential nature of the attorney-client relationship than the ABA has, and it intends to maintain this premium. Thus, the Commission has proposed a confidentiality rule in California "that more closely adheres to current rule 3-100, a rule that affords clients substantially more notice and protections than the Model rule." (*Id*).

The Ninth Circuit's recent decision, however, has exposed the frailty of California's stand against what appears to be a national trend favoring third party rights over a client's right of confidentiality – particularly in the face of financial harm suffered by third parties. *Ruehle* arises of out the stock-option backdating scandals that permeated the news in the mid 2000s. While those scandals placed in the spotlight the conduct of in-house counsel, as well as officers and directors, the aftermath of these scandals also has placed the relationship between outside attorneys and their clients under a microscope. And, while *Ruehle* on its face may appear only to be relevant to attorneys who conduct internal investigations, the reality is that this opinion is instructional for all attorneys.

Although *Ruehle* addressed a number of important ethical issues, what is perhaps most interesting about the opinion is the effect on the attorney-client privilege of the application of differing burdens of proof under California and federal law. The sharply contrasting conclusions by the district court and the Ninth Circuit, each placing the burden of proof on a different party, highlight the importance of who bears the burden of proof to the ultimate conclusion about whether a communication is privileged.

In *Ruehle*, the Ninth Circuit reversed and remanded the district court's order in the criminal stock options backdating case against former Broadcom CFO William J. Ruehle; the district court had suppressed statements made by Ruehle to attorneys at Irell & Manella during an internal investigation of Broadcom's stock options practices. The district court had ruled that the Government could not use these statements, which already had been disclosed to Broadcom's Board, its auditors Ernst & Young, and the Government, as evidence against Ruehle, as they were protected by Ruehle's attorney-client privilege. (*United States v. Nicholas*, 600 F. Supp. 2d 1109, 1121 (C.D. Cal. 2009)). The district court found that, because Irell represented Ruehle individually in two shareholder actions related to the alleged stock option wrongdoing, Ruehle had an attorney-client relationship with Irell, notwithstanding that Irell only represented the company, and not Ruehle individually, in connection with the internal investigation. (*Id*. at 1115 ("There is no serious question in this case that when Mr. Ruehle met with the Irell lawyers on June 1, 2006, Mr. Ruehle reasonably believed that an attorney-client relationship existed,…")). A finding of an attorney-client relationship, however, does not necessarily mean that any communications between the client and the lawyer are privileged.

The district court held a three-day evidentiary hearing to resolve whether Ruehle's statements to the Irell attorneys indeed were privileged communications. The Irell attorneys testified that, during the relevant meeting with Ruehle in his office on June 1, 2006, they had provided Ruehle with an *Upjohn* (or corporate Miranda) warning to make clear that he understood Irell represented only Broadcom, and not him, in the internal investigation. Thus, according to the testimony of the Irell attorneys, Ruehle was informed that any statements he made to Irell would be protected only by Broadcom's, and not Ruehle's, attorney-client privilege, and thus only could be waived by Broadcom, and not by Ruehle. Ruehle, on the other hand, disputed that Irell had provided him an *Upjohn* warning, and argued that he had an individual attorney-client

relationship with Irell, and that only he, and not Broadcom, could waive the attorney-client privilege as it pertained to his June 1, 2006 interview with Irell.

Applying California law and, in particular, California Evidence Code section 917(a), the district court stated that "communications made in the course of an attorney-client relationship are presumed confidential," and accordingly found that Ruehle's statements to Irell in the June 1, 2006 interview were confidential and protected by Ruehle's attorney-client privilege. (*Nicholas*, 600 F. Supp. 2d at 1115). Specifically, the district court determined that Ruehle "reasonably believed that an attorney-client relationship existed, he was communicating with his attorneys in the context of this relationship for the purpose of obtaining legal advice, and that any information he provided to Irell would remain confidential." (*Id*). Thus, the district court suppressed all evidence reflecting Ruehle's statements to Irell regarding the stock options backdating, including those statements made in the June 1, 2006 interview.

The Government filed an interlocutory appeal of the suppression order, and the Ninth Circuit, considering it on an expedited basis, reversed the order. In analyzing the privilege issue, the Ninth Circuit – like the district court – evaluated the parties' arguments with the premise that Ruehle reasonably believed Irell represented him in the civil lawsuits when they met on June 1, 2006, and, thus, Ruehle had an individual attorney-client relationship with Irell. (*Ruehle*, 2009 U.S. App. LEXIS 21450, at **17-18). But that was the end of the two courts' agreement. Whereas the district court applied California statutory law to determine whether the communications at issue were privileged, the Ninth Circuit concluded that the issue must be determined by federal common law. That proved to be a potentially decisive distinction.

Unlike under California law, where a communication between a client and his lawyer is presumed to be privileged, with the burden of defeating that privilege falling squarely on the party challenging it, under federal law no such presumption of privilege exists; it is the "party asserting the attorney-client privilege [who] has the burden of establishing the relationship and the privileged nature of the communication." (*Id*. at *18 (quoting *United States v. Bauer*, 132 F.3d 504, 507 (9th Cir. 1997))). Thus, the Ninth Circuit found the district court's application of California's presumption to be a "critical" legal error. (*Id*. at *24). "At the outset we note a fundamental flaw in the district court's analysis.'Issues concerning application of the attorney-client privilege in the adjudication of federal law are governed by federal common law.'" (*Id*. at *22 (quoting *Bauer*, 132 F.3d at 510)).

Because, like the district court, the Ninth Circuit accepted that Ruehle reasonably believed he had an attorney-client relationship with Irell, it had to determine whether Ruehle also had a reasonable expectation that his statements made in the interview with Irell were confidential and, accordingly, protected by his individual attorney-client privilege. Recognizing that under federal law the privilege is "strictly construed" – which is contrary to California law, which takes a more liberal view of the privilege – the Ninth Circuit applied an eight-part test to determine if the attorney-client privilege covers the information sought to be withheld:

(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) unless the protection be waived. (*Id*. at **20, 24 (quoting *In re Grand Jury Investigation*, 974 F.2d 1068, 1071 n.2 (9th Cir. 1992))).

Placing the burden on Ruehle to establish the privileged nature of his statements to the Irell attorneys, the Ninth Circuit found that Ruehle had failed to "identify with particularity which of his

communications to the Irell attorneys are within his claim of privilege,…" which "weighs in favor of disclosure; . . ." (*Ruehle*, 2009 U.S. App. LEXIS 21450, at *25). In particular, the Court held that Ruehle did not meet the fourth factor of the eight-part test: that the statements were "made in confidence." (*Id*). Rather, it found that Ruehle made those statements with the knowledge and purpose that those statements would be disclosed to Ernst & Young as part of the stock option backdating investigation. The Ninth Circuit expressly rejected the opposite finding by the district court that Ruehle intended that the statements be maintained as confidential and had no reason to believe that they would be disclosed, determining that the factual finding was "clearly erroneous." (*Id*. at *27).

In the end, the Ninth Circuit held that Ruehle had not met his burden under federal law that the statements he made to Irell attorneys in June 2006 were covered by his individual attorney-client privilege.

The Ninth Circuit's opinion begs the question – if the district court had applied federal common law and the eight-part factor test, would it have held that the statements were privileged? Stated differently, if the Ninth Circuit had applied California law, including the presumption of privilege, would it have affirmed the district court's suppression order? While admittedly each court interpreted the facts of the June 1, 2006 meeting, including Ruehle's perceptions at that meeting, differently, it remains less than clear whether the different factual findings were more or less significant than the disparate applications of the burden of proof.

While the different factual findings may be limited to the facts of the Ruehle case, the issue of which burden to apply is far more universal. It certainly would be an unfortunate result if the difference in burdens as applied under California law and under federal law could result in the same communication being covered by the privilege in one case and not covered in another. Yet that appears to be a very likely scenario, given the holding in Ruehle. In many situations, clients and attorneys may not know at the time they have communications whether the privileged nature of their communications will end up being adjudicated in a state or federal court. Indeed, even in the context of an internal investigation – which certainly could end up in federal court in a securities lawsuit or SEC proceeding – the privilege also could be adjudicated by a state court judge in a state law shareholder derivative lawsuit. And, to add to the uncertainty, a state court's determination easily could be overturned – if not legally than practically.

For example, suppose under facts similar to those described above in Ruehle, a state court determined in a breach of fiduciary duty lawsuit against Ruehle that the plaintiff failed to meet its burden of defeating the privileged nature of Ruehle's communications with Irell. While a federal court in a parallel proceeding may not actually overturn that ruling, it could find that the same communications between Ruehle and Irell were not privileged because Ruehle could not meet his burden to prove an expectation of confidentiality. Once those communications were disclosed in a federal action by order of the federal judge, they would be forever waived in all contexts, including in the state court action. This is not the kind of certainty lawyers and clients want and need, not only from the privilege rules, but also from court orders adjudicating those privilege rules. Given the different application of burdens by state and federal courts, however, certainty may continue to be elusive, as it was for Ruehle and his Irell attorneys. Moreover, California may find itself with an uphill battle trying to preserve its historical emphasis on maintaining client rights even in the face of financial danger to third parties.

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TAB 2

Complex Conflicts Issues Deciphered

COMPLEX CONFLICTS ISSUES DECIPHERED

William K. Mills, Panel Moderator — Los Angeles, CA

William Mills is a founding partner of Parker Shumaker Mills LLP, and is a Certified Specialist, Legal Malpractice Law, by the State Bar of California Board of Legal Specialization. He also practices in the areas of complex business litigation, including insurance coverage, products liability, real estate, corporate governance, intellectual property and general corporate and governmental representations. Mr. Mills graduated from Harvard College in 1979, with a concentration in American Government, and from UCLA Law School in 1982, where he served as Articles Editor for the National Black Law Journal. Mr. Mills has tried numerous jury and non-jury trials and arbitrations, has served as lead or co-counsel in numerous state and federal complex business case arbitrations, appeals, and mediations, has served as an expert witness, consultant and frequent speaker in legal malpractice risk management, billing, litigation and law firm best practices. Mr. Mills, as general counsel, has represented numerous public and private business entities in various stages of development. Mr. Mills has authored or contributed to numerous articles, and has frequently lectured on paperless office best practices, law firm management, attorney fees, ethics and risk management in public and private seminars for law firms, legal departments, bar associations, and other professional and business groups. He is a member of the State Bar Committee on Professional Responsibility and Conduct (COPRAC), the Board of Directors for the Constitutional Rights Foundation, and the Governing Board of the Pilgrim School (Los Angeles).

Dan L. Carroll — Sacramento, CA

Dan Carroll is a partner in the law firm of Downey Brand LLP (www.downeybrand.com), where he has practiced in the firm's Sacramento office since 1983. Mr. Carroll is the firm's General Counsel and in that role advises the firm as to professional responsibility, professional liability, and risk management issues. Mr. Carroll is a former chair of the firm's Natural Resources department and a current member of the Energy, Land Use, and Minerals practice group. Mr. Carroll specializes in representing clients with respect to public utility regulatory issues related to electricity, natural gas, water, and transportation. He has extensive experience representing parties before the California Public Utilities Commission, and has also represented clients in energy and water matters in civil court litigation and transactional matters. Mr. Carroll also advises attorneys outside the firm and other non-attorney clients on issues related to professional responsibility. Mr. Carroll was a member of the State Bar's Standing Committee on Professional Responsibility and Conduct from 2007 until 2011. He is a past president of the Sacramento chapter of the Federal Bar Association. Mr. Carroll graduated from the University of California, Davis (A.B. 1974; JD 1982), and clerked for Justice Warren W. Matthews of the Supreme Court of Alaska from 1982 to 1983.

Robert K. Sall — Laguna Beach, CA

Robert Sall is president and founding shareholder of Sall Spencer Callas & Krueger, a Law Corporation in Laguna Beach, California. He is a Certified Specialist in Legal Malpractice Law by the State Bar of California Board of Legal Specialization. Mr. Sall practices in the areas of complex business litigation with emphasis in both prosecution and defense of legal malpractice, fee disputes, lawyer conduct and fiduciary duty cases, and the counseling of lawyers and law firms in billing practices, conflicts management and legal ethics. He serves frequently as an expert witness in matters involving lawyer conduct. Mr. Sall is a 1975 magna cum laude graduate of UCLA, with majors in speech and political science, and obtained his Juris Doctor degree in 1978 from UC Hastings College of the Law. He has taught law school courses in Professional Responsibility, Legal Malpractice and Fee Disputes, and is a frequent speaker on topics of legal ethics and practice management. He served as co-chair of the Orange County Bar Association (OCBA) Mandatory Fee Arbitration program; served as member and chair of the Mandatory Fee Arbitration Committee of the State Bar of California; served as a member of the State Bar of

Continued…

California Committee on Professional Responsibility; and Conduct of the State Bar of California, has served as a member on the Client Relations, Judiciary and Mandatory Fee Arbitration committees of the Orange County Bar Association. He currently serves on the Professional Responsibility and Ethics Committee of the Los Angeles County Bar Association, and the Professionalism and Ethics Committee of the Orange County Bar Association. Mr. Sall has published over twenty articles on topics relating to legal ethics, fee disputes and avoiding malpractice. Mr. Sall has been an arbitrator for the Mandatory Fee Arbitration program for many years. He has also presented arbitrator training programs for MFA arbitrators for the State Bar program and for numerous counties throughout the state. Mr. Sall also serves on a volunteer basis as a Special Deputy Trial Counsel for the State Bar of California.

Michele K. Trausch **San Francisco, CA**

Michele Trausch is a partner and the General Counsel of Hanson Bridgett, LLP. She provides ethics and conflicts advice for her firm's 165 attorneys as well as for other attorneys and firms. She also serves as an expert witness. Michele's practice includes trust and fiduciary litigation as well as general commercial litigation. She is a frequent speaker on ethics issues for the Bar Association of San Francisco and has published on risk management topics. Her latest article on the intra-firm privilege appeared in California Lawyer in December of 2013.

COMPLEX CONFLICTS ISSUES DECIPHERED

LIST OF WRITTEN MATERIALS

1. Panel Outline
2. California Rule 3-300
3. California Rule 3-310
4. Proposed California Rule 1.7
5. Proposed California Rule 1.8.1
6. Proposed California Rule 1.9

Written materials can be downloaded at:
http://www.calbar.org/ethics-symposium/2014_materials.html

I. INTRODUCTION

A. The Panel: **William K. Mills:** Moderator: COPRAC Member; Partner, Parker Shumaker Mills LLP, Los Angeles
Dan L. Carroll: Partner, Downey Brand LLP, Sacramento
Robert K. Sall: Shareholder, Sall Spencer Callas & Krueger, Laguna Beach
Michele K. Trausch: Partner, Hanson Bridgett LLP, San Francisco

B. Overview.

II. ADVANCE CONSENTS AND UNWAIVABLE CONFLICTS

A. Defining Adversity: What is an Unwaivable Conflict?

1. *Flatt* v. *Superior Ct.*, 9 Cal.4th 275 (1994) ("…one in which the attorney is confronted with a mandatory and unwaivable duty *not* to represent the second client in light of an irremediable conflict with the existing client and acts promptly to terminate the relationship after learning of the conflict.")

2. COPRAC, Formal Opinion No. 2011-182 (Conducting discovery against a current client).

3. *Hernandez* v. *Paicius*, 109 Cal.App.4th 452 (2003) (cross-examination of expert witness who was also a firm client held improper).

B. Circumstances That May Create Mandatory, Unwaivable Conflicts:

1. When an affected client lacks the capacity or ability to consent;

2. When a lawyer is unable to adequately disclose the relevant circumstances or the reasonably foreseeable adverse consequences because the duty of confidentiality owed to one client may prevent the necessary explanation to the other;

3. When the lawyer would be unable to provide competent representation;

4. Where the lawyer would be placed in the position of advocating conflicting legal positions, such as for or against the same legal or factual position;

5. Where the representation is prohibited by law (i.e., Bus. & Prof. Code Section 6131(b), prohibiting certain representations by a former prosecutor).

6. Where risk management issues make adequate disclosure difficult or impossible, such as where the necessary facts are not yet fully developed, but future conflict is reasonably foreseeable

C. What is Necessary to Achieve an Adequate Advance Consent?

1. **Purpose of the disclosure**:

   (a) To avoid disciplinary consequence?

   (b) To avoid future disqualification?

   (c) To preserve the ability to profit from future business?

   (d) To avoid malpractice or breach of fiduciary duty liability?

2. **When are you picking sides between favored and disfavored clients?**

   (a) The delicate balance of loyalty and confidentiality;

   (b) Information you have learned about one client that is useful to another;

   (c) Crafting the waiver to permit continued representation of the favored joint client, to the potential disadvantage of the less favored client.

3. **Disclosures that are too general?**

   (a) **How much disclosure is enough**?

      (i) *Zador* v. *Kwan*, 31 Cal.App.4th 1285 (1995);

      (ii) *Visa U.S.A., Inc.* v. *First Data Corporation*, 241 F.Supp.2d 1100 (ND CA 2003);

      (iii) *Cal West Nurseries* v. *Superior Court*, 129 Cal.App.4th 1170 (2005).

   (b) **Unique disqualification issues.**

      (i) Adversity to a current client;

      (ii) Agreements or court orders limiting the role of the counsel;

      (iii) Withdrawn consents.

   (c) **Proposed New Rules.**

D. Clearing Conflicts

1. Subsidiaries and related entities.

(a) Normal rule is that a corporation is the client, not its constituents (including shareholders). (*Brooklyn Navy Yard Cogeneration Partners* v. *Superior Court*, 60 Cal.App.4th 248, 254, 255 (1997); Rule 3-600(A) & (D).)

(b) COPRAC Formal Opinion 1989-113;

(c) *Morrison Knudsen Corp.* v. *Hancock, Rothert & Bunshoft*, 69 Cal.App.4th 223 (1999);

(d) How does one deal with parent, subsidiary and corporate family conflicts, for purposes of clearing conflicts and obtaining informed consent?

2. Longstanding relationships.

(a) The family attorney/family office concept;

(b) Disclosure of pre-existing relationships with a party or witness – Rule 3-310(B);

(c) Past representation of the family members and extended family, corporate constituents, etc.

3. Joint representations.

(a) What disclosures should be considered in joint client representations?

(b) Is divorce or bankruptcy ever foreseeable?

(c) Is inability of one client to pay a foreseeable event?

(d) COPRAC, Formal Opinion 1999-153;

(e) A pre-existing relationship with one client that may adversely affect the lawyer's independent judgment as to the other client;

(f) Conflicting demands for the original file, when the representation ends;

(g) The ATM Machine scenario – application of Rule 3-310(F);

(h) Joint clients where only one is the payor, and fracture occurs between the payor-client and the non-paying client;

California Rule 3-300 Avoiding Interests Adverse to a Client

A member shall not enter into a business transaction with a client; or knowingly acquire an ownership, possessory, security, or other pecuniary interest adverse to a client, unless each of the following requirements has been satisfied:

(A) The transaction or acquisition and its terms are fair and reasonable to the client and are fully disclosed and transmitted in writing to the client in a manner which should reasonably have been understood by the client; and

(B) The client is advised in writing that the client may seek the advice of an independent lawyer of the client's choice and is given a reasonable opportunity to seek that advice; and

(C) The client thereafter consents in writing to the terms of the transaction or the terms of the acquisition.

Discussion:

Rule 3-300 is not intended to apply to the agreement by which the member is retained by the client, unless the agreement confers on the member an ownership, possessory, security, or other pecuniary interest adverse to the client. Such an agreement is governed, in part, by rule 4-200.

Rule 3-300 is not intended to apply where the member and client each make an investment on terms offered to the general public or a significant portion thereof. For example, rule 3-300 is not intended to apply where A, a member, invests in a limited partnership syndicated by a third party. B, A's client, makes the same investment. Although A and B are each investing in the same business, A did not enter into the transaction "with" B for the purposes of the rule.

Rule 3-300 is intended to apply where the member wishes to obtain an interest in client's property in order to secure the amount of the member's past due or future fees.

California Rule 3-310 Avoiding the Representation of Adverse Interests

(A) For purposes of this rule:

(1) "Disclosure" means informing the client or former client of the relevant circumstances and of the actual and reasonably foreseeable adverse consequences to the client or former client;

(2) "Informed written consent" means the client's or former client's written agreement to the representation following written disclosure;

(3) "Written" means any writing as defined in Evidence Code section 250.

(B) A member shall not accept or continue representation of a client without providing written disclosure to the client where:

(1) The member has a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; or

(2) The member knows or reasonably should know that:

(a) the member previously had a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; and

(b) the previous relationship would substantially affect the member's representation; or

(3) The member has or had a legal, business, financial, professional, or personal relationship with another person or entity the member knows or reasonably should know would be affected substantially by resolution of the matter; or

(4) The member has or had a legal, business, financial, or professional interest in the subject matter of the representation.

(C) A member shall not, without the informed written consent of each client:

(1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or

(2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or

(3) Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.

(D) A member who represents two or more clients shall not enter into an aggregate settlement of the claims of or against the clients without the informed written consent of each client.

(E) A member shall not, without the informed written consent of the client or former client, accept employment adverse to the client or former client where, by reason of the representation of the client or former client, the member has obtained confidential information material to the employment.

(F) A member shall not accept compensation for representing a client from one other than the client unless:

(1) There is no interference with the member's independence of professional judgment or with the client-lawyer relationship; and

(2) Information relating to representation of the client is protected as required by Business and Professions Code section 6068, subdivision (e); and

(3) The member obtains the client's informed written consent, provided that no disclosure or consent is required if:

(a) such nondisclosure is otherwise authorized by law; or

(b) the member is rendering legal services on behalf of any public agency which provides legal services to other public agencies or the public.

Discussion:

Rule 3-310 is not intended to prohibit a member from representing parties having antagonistic positions on the same legal question that has arisen in different cases, unless representation of either client would be adversely affected.

Other rules and laws may preclude making adequate disclosure under this rule. If such disclosure is precluded, informed written consent is likewise precluded. (See, e.g., Business and Professions Code section 6068, subdivision (e).)

Paragraph (B) is not intended to apply to the relationship of a member to another party's lawyer. Such relationships are governed by rule 3-320.

Paragraph (B) is not intended to require either the disclosure of the new engagement to a former client or the consent of the former client to the new engagement. However, both disclosure and consent are required if paragraph (E) applies.

While paragraph (B) deals with the issues of adequate disclosure to the present client or clients of the member's present or past relationships to other parties or witnesses or present interest in the subject matter of the representation, paragraph (E) is intended to protect the confidences of another present or former client. These two paragraphs are to apply as complementary provisions.

Paragraph (B) is intended to apply only to a member's own relationships or interests, unless the member knows that a partner or associate in the same firm as the member has or had a relationship with another party or witness or has or had an interest in the subject matter of the representation.

Subparagraphs (C)(1) and (C)(2) are intended to apply to all types of legal employment, including the concurrent representation of multiple parties in litigation or in a single transaction or in some other common enterprise or legal relationship. Examples of the latter include the formation of a partnership for several partners or a corporation for several shareholders, the preparation of an ante-nuptial agreement, or joint or reciprocal wills for a husband and wife, or the resolution of an "uncontested" marital dissolution. In such situations, for the sake of convenience or economy, the parties may well prefer to employ a single counsel, but a member must disclose the potential adverse aspects of such multiple representation (e.g., Evid. Code, §962) and must obtain the informed written consent of the clients thereto pursuant to subparagraph (C)(1). Moreover, if the potential adversity should become actual, the member must obtain the further informed written consent of the clients pursuant to subparagraph (C)(2).

Subparagraph (C)(3) is intended to apply to representations of clients in both litigation and transactional matters.

In *State Farm Mutual Automobile Insurance Company v. Federal Insurance Company* (1999) 72 Cal.App.4th 1422 [86 Cal.Rptr.2d 20], the court held that subparagraph (C)(3) was violated when a member, retained by an insurer to defend one suit, and while that suit was still pending, filed a direct action against the same insurer in an unrelated action without securing the insurer's consent. Notwithstanding State Farm, subparagraph (C)(3) is not intended to apply with respect to the relationship between an insurer and a member when, in each matter, the insurer's interest is only as an indemnity provider and not as a direct party to the action.

There are some matters in which the conflicts are such that written consent may not suffice for non-disciplinary purposes. (See *Woods v. Superior Court* (1983) 149 Cal.App.3d 931 [197 Cal.Rptr. 185]; *Klemm v. Superior Court* (1977) 75 Cal.App.3d 893 [142 Cal.Rptr. 509]; *Ishmael v. Millington* (1966) 241 Cal.App.2d 520 [50 Cal.Rptr. 592].)

Paragraph (D) is not intended to apply to class action settlements subject to court approval.

Paragraph (F) is not intended to abrogate existing relationships between insurers and insureds whereby the insurer has the contractual right to unilaterally select counsel for the insured, where there is no conflict of interest. (See *San Diego Navy Federal Credit Union v. Cumis Insurance Society* (1984) 162 Cal.App.3d 358 [208 Cal.Rptr. 494].)

Proposed California Rule 1.7 Conflict of Interest: Current Clients

(a) Except as provided in paragraph (b), 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 the 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 written consent.

COMMENT

General Principles

[1] Undivided Loyalty and independent professional judgment are essential elements in the lawyer's relationship to a client. Concurrent conflicts of interest can arise from the lawyer's responsibilities to another client, a former client or a third person or from the lawyer's own interests. See Comments [6] - [7], [8], [9], [10] - [12]. This Rule and the other conflict rules (1.8 through 1.8.11, 1.9, 1.10, 1.11, 1.18) seek to protect a lawyer's ability to carry out the lawyer's basic fiduciary duties to each client. In addition to the duty of undivided loyalty and the duty to exercise independent professional judgment, the conflict rules are also concerned with (1) the duty to maintain confidential client information; (2) the duty to disclose to the client all material information and significant developments; and (3) the duty to represent the client competently and diligently within the bounds of the law. See Rule 1.2(a) regarding the allocation of authority between lawyer and client. For specific rules regarding certain concurrent conflicts of interest, see Rules 1.8.1 through 1.8.11. For former client conflicts of interest, see Rule 1.9. For conflicts of interest involving prospective clients, see Rule 1.18. For definitions of "informed consent" and "informed written consent," see Rule 1.0.1(e) and (e-1), and Comments [6] and [7] to that Rule.

[2] Resolution of a conflict of interest under this Rule requires the lawyer to: (1) clearly identify the client or clients; (2) determine the scope of each relevant representation of a client or proposed representation of a client; (3) determine whether a conflict of interest exists; (4)

decide whether the representation may be undertaken despite the existence of a conflict, i.e., whether lawyer has the ability to obtain the client's consent to the conflict; and (5) if so, consult with the clients affected under paragraph (a) and obtain their informed written consent. The clients affected under paragraph (a) include both of the clients referred to in paragraph (a)(1) and the one or more clients whose representation might be materially limited under paragraph (a)(2).

[3] A conflict of interest may exist before representation is undertaken, in which event the representation must be declined, unless the lawyer obtains the informed written consent of each client under the conditions of paragraph (b). To determine whether a conflict of interest exists, a lawyer should adopt reasonable procedures, appropriate for the size and type of firm and practice, to determine in both litigation and non-litigation matters the persons and issues involved. See also Comment to Rule 5.1. Ignorance caused by a failure to institute such procedures will not excuse a lawyer's violation of this Rule. Whether a lawyer-client relationship exists or, having once been established, is continuing, is beyond the scope of these Rules.

[4] If a conflict arises after representation has been undertaken, the lawyer ordinarily must withdraw from the representation, unless the lawyer has obtained the informed written consent of the client under the conditions of paragraph (b). See Rule 1.16. Where more than one client is involved, whether the lawyer may continue to represent any of the clients is determined both by the lawyer's ability to comply with duties owed to a client who becomes a former client and by the lawyer's ability to represent adequately the remaining client or clients, given the lawyer's duties to the former client. See Rule 1.9. See also Comment [29].

[5] [RESERVED]

Paragraph (a)(1): Identifying Conflicts of Interest: Directly Adverse

[6] The duty of undivided loyalty to a current client prohibits undertaking representation directly adverse to that client without that client's informed written consent. Thus, absent consent, a lawyer may not act as an advocate in one matter against a person the lawyer represents in some other matter, even when the matters are wholly unrelated. The client as to whom the representation is directly adverse is likely to feel betrayed, and the resulting damage to the lawyer-client relationship is likely to impair the lawyer's ability to represent the client effectively. In addition, the client on whose behalf the adverse representation is undertaken reasonably may fear that the lawyer will pursue that client's case less effectively out of deference to the other client, i.e., that the representation may be materially limited by the lawyer's interest in retaining the current client. Thus, a directly adverse conflict arises, for example, when a lawyer accepts representation of a client that is directly adverse to another client the lawyer currently represents in another matter. See *Flatt v. Superior Court* (1994) 9 Cal.4th 275 [36 Cal.Rptr.2d 537]. Similarly, a directly adverse conflict under paragraph (a)(1) occurs when a lawyer, while representing a client, accepts in another matter the representation of a person or organization who, in the first matter, is directly adverse to the lawyer's client. Similarly, direct adversity can arise when a lawyer cross-examines a non-party witness who is the lawyer's client in another matter, if the examination is likely to harm or embarrass the witness. On the other hand, simultaneous representation in unrelated matters of clients whose interests are only economically adverse, such as representation of competing economic enterprises in unrelated litigation, does not ordinarily constitute a conflict of interest and thus may not require consent of the respective clients. Other instances that ordinarily would not constitute direct adversity include: (1) a representation adverse to a non-client where another client of the lawyer is interested in the financial welfare or the profitability of the non-client, as might occur, for example, if a client is the landlord of, or a lender to, the non-client; (2) working

for an outcome in litigation that would establish precedent economically harmful to another current client who is not a party to the litigation; (3) representing two clients who have a dispute with one another if the lawyer's work for each client concerns matters other than the dispute; (4) representing clients having antagonistic positions on the same legal question that has arisen in different cases, unless doing so would interfere with the lawyer's ability to represent either client competently, as might occur, *e.g.*, if the lawyer were advocating inconsistent positions in front of the same tribunal. See Comments [14] - [17A].

[7] Directly adverse conflicts can also arise in transactional matters. For example, if a lawyer is asked to represent the seller of a business in negotiations with a buyer represented by the lawyer, not in the same transaction but in another, unrelated matter, the lawyer could not undertake the representation without the informed written consent of each client. Paragraph (a)(1) applies even if the parties to the transaction have a common interest or contemplate working cooperatively toward a common goal.

[7A] If a lawyer proposes to represent two or more parties on the same side of a negotiation or lawsuit, the situation is analyzed under paragraph (a)(2), not paragraph (a)(1). See Comments [29] - [33].

Paragraph (a)(2): Identifying Conflicts of Interest: Material Limitation

[7B] Conflicts of interest that create a significant risk that a lawyer's representation of one or more clients will be materially limited as provided in paragraph (a)(2) can arise from: (1) duties owed a former client or a third person (see Comment [9]); (2) a lawyer's personal interests (see Comments [10] - [12]); or (3) a lawyer's joint representation of two or more clients in the same matter (see Comments [29] - [33]).

[8] Even where there is no direct adversity, a conflict of interest exists if there is a significant risk that a lawyer's ability to consider, recommend or carry out an appropriate course of action for the client will be materially limited as a result of the lawyer's other responsibilities or interests. For example, a lawyer asked to represent two or more clients in the same matter, such as several individuals seeking to form a joint venture, is likely to be materially limited in the lawyer's ability to recommend or advocate all possible positions that each might take because of the lawyer's duty of loyalty to the other clients. The conflict in effect forecloses alternatives that would otherwise be available to each of the clients. The mere possibility of subsequent harm does not itself require disclosure and informed written consent. The critical questions are the likelihood that a difference in interests exists or will eventuate and, if it does, whether it will materially interfere with the lawyer's independent professional judgment in considering alternatives or foreclose courses of actions that reasonably should be pursued on behalf of each client. See Comments [29] - [33]. Depending on the circumstances, , various relationships a lawyer has may likewise create a significant risk that the lawyer's representation will be materially limited, for example, where (1) the lawyer has a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; (2) the lawyer knows or reasonably should know that: (i) the lawyer previously had a legal, business, financial, professional, or personal relationship with a party or witness in the same matter, and (ii) the previous relationship would substantially affect the lawyer's representation; (3) the lawyer has or had a legal, business, financial, professional, or personal relationship with another person or entity and the lawyer knows or reasonably should know that either the relationship or the person or entity would be affected substantially by resolution of the matter; (4) a lawyer or law firm representing a party or witness in the matter has a lawyer-client relationship with the lawyer, the lawyer's law firm, or another lawyer in the lawyer's law firm; and (5) a lawyer representing a

party or witness in the matter is a spouse, parent or sibling of the lawyer, or has an intimate personal relationship with the lawyer or with another lawyer in the lawyer's law firm.

Lawyer's Responsibilities to Former Clients and Other Third Persons

[9] A lawyer's duties of undivided loyalty and independence of professional judgment may be materially limited by responsibilities to former clients under Rule 1.9 or by the lawyer's responsibilities to other persons, such as fiduciary duties arising from a lawyer's service as a trustee, executor or corporate director. See, e.g., *William H. Raley Co, Inc. v. Superior Court* (1983) 149 Cal.App.3d 1042 [197 Cal.Rptr. 232].

Personal Interest Conflicts

[10] The lawyer's own interests should not be permitted to have an adverse effect on the representation of a client. For example, if the probity of a lawyer's own conduct in a transaction is in serious question, it may be difficult or impossible for the lawyer to give the client detached advice. A lawyer's legal, business, professional or financial interest in the subject matter of the representation might also give rise to a conflict under paragraph (a)(2), where, for example, (1) the lawyer is a party to a contract being litigated; (2) the lawyer represents a client in litigation with a corporation in which the lawyer is a shareholder; or (3) the lawyer represents a landlord in lease negotiations with a professional organization of which the lawyer is a member. Similarly, when a lawyer has discussions concerning possible employment with an opponent of the lawyer's client, or with a law firm representing the opponent, such discussions could materially limit the lawyer's representation of the client. In addition, a lawyer may not allow related business interests to affect representation, for example, by referring clients to an enterprise in which the lawyer has an undisclosed financial interest. See Rules 1.8.1 through 1.8.11 for specific rules pertaining to a number of personal interest conflicts, including business transactions with clients. See also Rule 3.7 concerning a lawyer as witness and Rule 1.10 (personal interest conflicts under Rule 1.7 ordinarily are not imputed to other lawyers in a law firm).

[11] When lawyers representing different clients in the same matter or in substantially related matters are closely related by blood or marriage, or when there is an intimate personal relationship between the lawyers, there may be a significant risk that client confidences will be revealed and that the lawyer's family relationship will interfere with both loyalty and independent professional judgment. As a result, each client is entitled to know of the existence and implications of the relationship between the lawyers before the lawyer agrees to undertake the representation. Thus, a lawyer who is related to another lawyer, e.g., as parent, child, sibling or spouse, or who is in an intimate personal relationship with another lawyer, ordinarily may not represent a client in a matter where that lawyer is representing another party, unless each client gives informed written consent. The prohibition on representation arising from a close family relationship is personal and ordinarily is not imputed to members of firms with whom the lawyers are associated. See Rule 1.10.

[12] A lawyer is prohibited from engaging in sexual relationships with a client unless the sexual relationship predates the formation of the lawyer-client relationship. See Rule 1.8.10.

Interest of Person Paying for a Lawyer's Service

[13] A lawyer may be paid from a source other than the client, including a co-client, if the client gives informed written consent and the arrangement does not compromise the lawyer's duty of loyalty or independent judgment to the client. See Rule 1.8.6. If acceptance of the

payment from any other source presents a significant risk that the lawyer's representation of the client will be materially limited by the lawyer's own interest in accommodating the person paying the lawyer's fee or by the lawyer's responsibilities to a payor who is also a co-client, then the lawyer must comply with the requirements of paragraph (b) before accepting the representation, including determining whether the lawyer has the ability to obtain the client's consent to the representation and, if so, whether the client has adequate information about the material risks of the representation. See Comments [14] - [17A].

Prohibited Representations

[14] Ordinarily, clients may consent to representation notwithstanding a conflict. However, as indicated in paragraph (b), in some situations a lawyer cannot properly ask for such agreement or provide representation on the basis of the client's consent. When the lawyer is representing more than one client, the question of consent must be resolved as to each client.

[15] A lawyer's ability to obtain consent is typically determined by considering whether the interests of the clients will be adequately protected if the clients are permitted to give their informed written consent to representation burdened by a conflict of interest. Thus, under paragraph (b)(1), representation is prohibited if in the circumstances the lawyer cannot reasonably conclude that the lawyer will be able to provide competent and diligent representation. See Rule 1.1.

[16] Paragraph (b)(2) describes conflicts to which a client cannot consent because the representation is prohibited by applicable law. For example, certain representations by a former government lawyer are also prohibited, despite the informed consent of the former client. See, e.g., Business and Professions Code section 6131.

[17] Paragraph (b)(3) describes conflicts for which client consent cannot be obtained because of the interests of the legal system in vigorous development of each client's position when the clients are aligned directly against each other in the same litigation or other proceeding before a tribunal. Whether clients are aligned directly against each other within the meaning of this paragraph requires examination of the context of the proceeding. See, e.g., *Woods v. Superior Court* (1983) 149 Cal.App.3d 931 [107 Cal.Rptr. 185] (the lawyer of a family-owned business organization should not represent one owner against the other in a marital dissolution action); *Klemm v. Superior Court* (1977) 75 Cal.App.3d 893, 898 [142 Cal.Rptr. 509] (a lawyer may not represent parties at hearing or trial when those parties' interests in the matter are in actual conflict). Although paragraph (b)(3) does not preclude a lawyer's multiple representation of adverse parties to a mediation (because mediation is not a proceeding before a "tribunal" under Rule 1.0.1(m)), such representation may be precluded by paragraph (b)(1).

[17A] Under paragraph (b)(4), a lawyer must obtain the informed written consent of each affected client before accepting or continuing a representation that is prohibited under paragraph (a). If the lawyer cannot make the disclosure requisite to obtaining informed written consent, (see Rules 1.0.1(e) and 1.0.1(e-1)), without violating the lawyer's duty of confidentiality, then the lawyer may not accept or continue the representation for which the disclosure would be required. See Rule 1.6 and Business and Professions Code section 6068(e). A lawyer might also be prevented from making a required disclosure because of a duty of confidentiality to former, current or potential clients, because of other fiduciary relationships such as service on a board of directors, or because of contractual or court-ordered restrictions. In addition, effective client consent cannot be obtained when the person who grants consent lacks capacity or authority. See Civil Code section 38; and see Rule 1.14 regarding clients with diminished capacity.

Disclosure and Informed Written Consent

[18] Informed written consent requires that the lawyer communicate in writing to each affected client the relevant circumstances and the actual and reasonably foreseeable adverse consequences of the conflict on the client's interests and the lawyer's representation and that the client thereafter gives his or her consent in writing. See Rules 1.0.1(e) (informed consent) and 1.0.1(e-1) (informed written consent) and Comments [6] and [7] to that Rule. The information required depends on the nature of the conflict and the nature of the risks involved. When representation of multiple clients in a single matter is undertaken, the information must include the implications of the joint representation, including possible effects on loyalty, confidentiality and the lawyer-client privilege and the advantages and risks involved. See Comment [30] (effect of joint representation on confidentiality).

[19] Under some circumstances it may be impossible to make the disclosure necessary to obtain consent. See Comments [14] - [17A].

[20] Paragraph (b) requires the lawyer to obtain the informed consent of the client in writing. See Rule 1.0.1(n) (writing includes electronic transmission). The requirement of a written disclosure, (see Comment [18]), does not supplant the need in most cases for the lawyer to talk with the client, to explain the risks and advantages, if any, of representation burdened with a conflict of interest, as well as reasonably available alternatives, and to afford the client a reasonable opportunity to consider the risks and alternatives and to raise questions and concerns. Rather, the writing is required in order to impress upon clients the seriousness of the decision the client is being asked to make and to avoid disputes or ambiguities that might later occur in the absence of a writing.

Duration of Consent

[20A] A disclosure and an informed written consent are sufficient for purposes of this Rule only for so long as the relevant facts and circumstances remain unchanged. With any material change, the lawyer may not continue the representation without making a new written disclosure to each affected client and obtaining a new written consent.

Revoking Consent

[21] A client who has given consent to a conflict may revoke the consent and, like any other client, may terminate the lawyer’s representation of that client at any time. Whether revoking consent to the client’s own representation precludes the lawyer from continuing to represent other clients depends on the circumstances, including the nature of the conflict, whether the client revoked consent because of a material change in circumstances, the reasonable expectations of the other client, whether material detriment to the other clients or the lawyer would result, and the lawyer’s confidentiality obligations to the client revoking consent.

Consent to Future Conflict

[22] Lawyers may ask clients to give advance consent to conflicts that might arise in the future, but a client’s consent must be “informed” to comply with this Rule. A lawyer would have a conflict of interest in accepting or continuing a representation under a consent that does not comply with this Rule. Determining whether a client’s advance consent is “informed,” and thus complies with this Rule, is a fact-specific inquiry that will depend first on the factors discussed in Comments [18] - [20] (informed written consent). However, an advance consent can comply

with this Rule even where the lawyer cannot provide all the information and explanation Comments [18] - [20] ordinarily requires. A lawyer's disclosure to a client must include: (i) a disclosure to the extent known of facts and reasonably foreseeable consequences; and (ii) an explanation that the lawyer is requesting the client to consent to a possible future conflict that would involve future facts and circumstances that to a degree cannot be known when the consent is requested. The lawyer also must disclose to the client whether the consent permits the lawyer to be adverse to the client on any matter in the future, whether the consent permits the lawyer to be adverse to the client in the current or in future litigation, and whether there will be any limits on the scope of the consent. Whether an advance consent complies with this Rule ordinarily also can depend on factors such as the following: (1) the comprehensiveness of the lawyer's explanation of the types of future conflicts that might arise and of the actual and reasonably foreseeable adverse consequences to the client; (2) the client's degree of experience as a user of the legal services, including experience with the type of legal services involved in the current representation; (3) whether the client has consented to the use of an adequate ethics screen and whether the screen was timely and effectively instituted and fully maintained; (4) whether before giving consent the client either was represented by an independent lawyer of the client's choice, or was advised in writing by the lawyer to seek the advice of an independent lawyer of the client's choice and was given a reasonable opportunity to seek that advice; (5) whether the consent is limited to future conflicts unrelated to the subject of the representation; and (6) the client's ability to understand the nature and extent of the advance consent. A client's ability to understand the nature and extent of the advance consent might depend on factors such as the client's education, language skills, and the client's familiarity with the particular type of conflict that is the subject of the consent. An advance consent normally will not comply with this Rule if it is so general and open-ended that it would be unlikely that the client understood the potential adverse consequences of granting consent. However, depending upon the extent to which the other enumerated factors set forth above are present, even a general and open-ended advance consent can be in compliance when: the consent was given by an experienced user of the type of legal services involved; and the client was independently represented regarding the consent or was advised in writing by the lawyer to seek the advice of an independent lawyer of the client's choice and was given a reasonable opportunity to seek that advice. In any case, advance consent will not be in compliance in the circumstances described in Comments [14] - [17A] (prohibited representations). See Rule 1.0.1(e) (informed consent) and 1.0.1 (e-1) (informed written consent). A lawyer who obtains from a client an advance consent that complies with this Rule will have all the duties of a lawyer to that client except as expressly limited by the consent. A lawyer cannot obtain an advance consent to incompetent representation. See Rule 1.8.8.

Conflicts in Litigation

[23] Paragraph (b)(3) prohibits representation of opposing parties in the same litigation, regardless of the clients' consent. On the other hand, simultaneous representation of parties whose interests in litigation may conflict, such as co-plaintiffs or co-defendants, is governed by paragraph (a)(2). A conflict may exist by reason of substantial discrepancy in the parties' testimony, incompatibility in positions in relation to an opposing party or the fact that there are substantially different possibilities of settlement of the claims or liabilities in question. Such conflicts can arise in criminal cases as well as civil. The potential for conflict of interest in representing multiple defendants in a criminal case is so grave that ordinarily a lawyer should decline to represent more than one codefendant. On the other hand, joint representation of persons having similar interests in civil litigation is permitted if the requirements of paragraph (b) are satisfied.

[24] Ordinarily a lawyer may take inconsistent legal positions in different tribunals at different times on behalf of different clients. The mere fact that advocating a legal position on behalf of one client might create precedent adverse to the interests of a client represented by the lawyer in an unrelated matter does not create a conflict of interest. A conflict of interest exists, however, if there is a significant risk that a lawyer's action on behalf of one client will materially limit the lawyer's effectiveness in representing another client in a different case; for example, when a decision favoring one client will create a precedent likely to seriously weaken the position taken on behalf of the other client. Factors relevant in determining whether the clients need to be informed of the risk include: where the cases are pending, whether the issue is substantive or procedural, the temporal relationship between the matters, the significance of the issue to the immediate and long-term interests of the clients involved and the clients' reasonable expectations in retaining the lawyer. If there is significant risk of material limitation, then absent informed written consent of the affected clients, the lawyer must refuse one of the representations or withdraw from one or both matters to the extent permitted by Rule 1.16.

[24A] If permission from a tribunal to terminate a representation is denied, the lawyer is obligated to continue the representation notwithstanding the provisions of this Rule. See Rule 1.16(c).

[25] This Rule applies to a lawyer's representation of named class representatives in a class action, whether or not the class has been certified. For purposes of this Rule, an unnamed member of a plaintiff or a defendant class is not, by reason of that status, a client of a lawyer who represents or seeks to represent the class. Thus, the lawyer does not typically need to get the consent of an unnamed class member before representing a client who is adverse to that person in an unrelated matter. Similarly, a lawyer seeking to represent an opponent in a class action does not typically need the consent of an unnamed member of the class whom the lawyer represents in an unrelated matter. A lawyer representing a class or proposed class may owe civil duties to unnamed class members, and this Comment is not intended to alter those civil duties in any respect.

Nonlitigation Conflicts

[26] Conflicts of interest under paragraphs (a)(1) and (a)(2) arise in contexts other than litigation. For a discussion of directly adverse conflicts in transactional matters that are prohibited by paragraph (a)(1), see Comment [7]. Relevant factors in determining whether there is significant risk for material limitation as provided in paragraph (a)(2) include the duration and intimacy of the lawyer's relationship with the client or clients involved, the functions being performed by the lawyer, the likelihood that disagreements will arise and the likely prejudice to the client from the conflict. The question is often one of proximity and degree. See Comment [8].

[27] For example, conflict questions may arise in estate planning and estate administration. A lawyer may be called upon to prepare wills for several family members, such as husband and wife, and, depending upon the circumstances, a conflict of interest may be present.

[28] [RESERVED]

Special Considerations in Joint Representation

[29] When a lawyer represents multiple clients in a single matter, the lawyer's duties to one of the clients can interfere with the performance of the lawyer's duties to the other clients. In considering whether to represent multiple clients in the same matter, a lawyer should be mindful that if the joint representation fails because the potentially adverse interests cannot be

reconciled, the result can be additional cost, embarrassment and recrimination. Ordinarily, the lawyer will be forced to withdraw from representing all of the clients if the joint representation fails. In some situations, the risk of failure is so great that multiple representation is plainly impossible. For example, a lawyer cannot undertake joint representation of clients where contentious litigation or negotiations between them are imminent or contemplated. Generally, if the relationship between the parties has already assumed antagonism, the possibility that the clients' interests can be adequately served by joint representation is not likely. Other relevant factors include whether the lawyer subsequently will represent both parties on a continuing basis and whether the situation involves creating or terminating a relationship between the parties.

[29A] Examples of conflicts that arise under paragraph (a)(2) from representing multiple clients in the same matter and that will likely preclude a lawyer from accepting or continuing a joint representation unless the lawyer complies with paragraph (b) include the following situations: (1) the lawyer receives conflicting instructions from the clients and the lawyer cannot follow one client's instructions without violating another client's instruction; (2) the clients have inconsistent interests or objectives so that it becomes impossible for the lawyer to advance one client's interests or objectives without detrimentally affecting another client's interests or objectives; (3) the clients have antagonistic positions and the lawyer is obligated to advise each client about how to advance that client's position relative to the other's position; (4) the clients have inconsistent expectations of confidentiality because one client expects the lawyer to keep secret information that is material to the matter; (5) the lawyer has a preexisting relationship with one client that affects the lawyer's independent professional judgment on behalf of the other client(s); (6) the clients make inconsistent demands for the original file.

[30] A particularly important factor in determining the appropriateness of joint representation is the effect on lawyer-client confidentiality and the lawyer-client privilege. With regard to the lawyer-client privilege, although each client's communications with the lawyer are protected as to third persons, as between jointly represented clients, the privilege does not attach. Hence, it must be assumed that if litigation results between the joint clients, the privilege will not protect any such communications. See Evidence Code sections 952 and 962. In addition, because of the lawyer's obligations under Rule 1.4, the lawyer must inform each jointly represented client in writing of that fact and also that the client should normally expect that his or her communications with the lawyer will be shared with other jointly-represented clients. See also Comments [18] -[20].

[31] [RESERVED]

[32] When seeking to establish or adjust a relationship between clients, the lawyer should make clear that the lawyer's role is not that of partisanship normally expected in other circumstances and, thus, that the clients may be required to assume greater responsibility for decisions than when each client is separately represented. Any limitations on the scope of the representation made necessary as a result of the joint representation should be fully explained to the clients at the outset of the representation. See Rule 1.2(c).

[33] Subject to the above limitations, each client in the joint representation has the right to the lawyer's undivided loyalty and the protection of Rule 1.9 concerning the obligations to a former client. The client also has the right to discharge the lawyer as stated in Rule 1.16.

Organizational Clients

[34] A lawyer who represents a corporation or other organization does not, by virtue of that representation, necessarily represent any constituent or affiliated organization, such as a parent

or subsidiary. See Rule 1.13(a). Thus, the lawyer for an organization is not barred from accepting representation adverse to an affiliate in an unrelated matter, unless the circumstances are such that the affiliate should also be considered a client of the lawyer, there is an understanding between the lawyer and the organizational client that the lawyer will avoid representation adverse to the client's affiliates, or the lawyer's obligations to either the organizational client or the new client are likely to limit materially the lawyer's representation of the other client.

[35] A lawyer for a corporation who is also a member of its board of directors (or a lawyer for another type of organization who has corresponding fiduciary duties to it) should determine whether the responsibilities of the two roles may conflict. The lawyer may be called on to advise the corporation in matters involving actions of the directors. Consideration should be given to the frequency with which such situations may arise, the potential intensity of the conflict, the effect of the lawyer's resignation from the board and the possibility of the corporation's obtaining legal advice from another lawyer in such situations. If there is material risk that the dual role will compromise the lawyer's independence of professional judgment, the lawyer should not serve as a director or should cease to act as the corporation's lawyer when conflicts of interest arise. The lawyer should advise the other members of the board that in some circumstances matters discussed at board meetings while the lawyer is present in the capacity of director might not be protected by the lawyer-client privilege and that conflict of interest considerations might require the lawyer's recusal as a director or might require the lawyer and the lawyer's firm to decline representation of the corporation in a matter.

Insurance Defense

[36] In *State Farm Mutual Automobile Insurance Company v. Federal Insurance Company* (1999) 72 Cal.App.4th 1422 [86 Cal.Rptr.2d 20], the court held that the predecessor to paragraph (a) was violated when a lawyer, retained by an insurer to defend one suit against an insured, filed a direct action against the same insurer in an unrelated action without securing the insurer's consent. Notwithstanding *State Farm*, paragraph (a) does not apply to the relationship between an insurer and a lawyer when, in each matter, the insurer's interest is only as an indemnity provider and not as a direct party to the action.

[37] Paragraph (a)(2) is not intended to modify the tripartite relationship among a lawyer, an insurer, and an insured that is created when the insurer appoints the lawyer to represent the insured under the contract between the insurer and the insured. Although the lawyer's appointment by the insurer makes the insurer and the insured the lawyer's joint clients in the matter, the appointment does not by itself create a significant risk that the representation of the insured, insurer, or both will be materially limited under paragraph (a)(2).

Public Service

[38] For special rules governing membership in a legal service organization, see Rule 6.3; for participation in law related activities affecting client interests, see Rule 6.4; and for work in conjunction with certain limited legal services programs, see Rule 6.5.

Proposed California Rule 1.8.1 Business Transactions with a Client and Acquiring Interests Adverse to the Client

A lawyer shall not enter into a business transaction with a client; or knowingly acquire an ownership, possessory, security, or other pecuniary interest adverse to a client, unless each of the following requirements has been satisfied:

(a) The transaction or acquisition and its terms are fair and reasonable to the client and are fully disclosed and transmitted in writing to the client in a manner that reasonably can be understood by the client; and

(b) The client either is represented in the transaction or acquisition by an independent lawyer of the client's choice or is advised in writing by the lawyer to seek the advice of an independent lawyer of the client's choice and is given a reasonable opportunity to seek that advice; and

(c) The client thereafter consents in writing to the terms of the transaction or the terms of the acquisition and the lawyer's role in the transaction or acquisition, including whether the lawyer is representing the client in the transaction or acquisition.

COMMENT

Scope of Rule

[1] A lawyer's legal training and skill, and the relationship of trust and confidence that arises between a lawyer and client, create the possibility that a lawyer, even unintentionally, will overreach or exploit client information when the lawyer enters into a business transaction with the client or acquires a pecuniary interest adverse to the client. In these situations, the lawyer could influence the client for the lawyer's own benefit, could give advice to protect the lawyer's interest rather than the client's, and could use client information for the lawyer's benefit rather than the client's. This Rule is intended to afford the client the information needed to fully understand the terms and effect of the transaction or acquisition and the importance of having independent legal advice. See, e.g., *Beery v. State Bar* (1987) 43 Cal.3d 802, 813 [239 Cal.Rptr. 121]. This Rule also requires that the transaction or acquisition be fair and reasonable to the client.

[2] Except as set forth in Comment [5], this Rule does not apply when a lawyer enters into a transaction with or acquires a pecuniary interest adverse to a client prior to the commencement of a lawyer-client relationship with the client. However, when a lawyer's interest in the transaction or in the adverse pecuniary interest results in the lawyer having a personal interest in the subject matter in which the lawyer is representing the client, the lawyer is required to comply with Rule 1.7(a)(2).

Business Transactions With Clients

[3] This Rule applies even when the transaction is not related to the subject matter of the representation, as when a lawyer drafting a will for a client agrees to make a loan to the client to pay expenses that are not related to the representation. This Rule also applies when a lawyer

sells to a client goods or non-legal services that are related to the practice of law, such as insurance, brokerage or investment products or services to a client.

[4] This Rule does not apply to standard commercial transactions for products or services that a lawyer acquires from a client on the same terms that the client generally markets them to others, where the lawyer has no advantage in dealing with the client, and the requirements of the Rule are unnecessary and impractical. Examples of such products and services include banking and brokerage services, medical services, products manufactured or distributed by the client, and utilities' services. The Rule also does not apply to similar types of standard commercial transactions for goods or services offered by a lawyer when the lawyer has no advantage in dealing with the clients, such as when a client purchases a meal at a restaurant owned by the lawyer or when the client pays for parking in a parking lot owned by the lawyer. This Rule also ordinarily would not apply where the lawyer and client each make an investment on terms offered to the general public or a significant portion thereof as when, for example, a lawyer invests in a limited partnership syndicated by a third party, and the lawyer's client makes the same investment on the same terms. When a lawyer and a client each invest in the same business on the same terms offered to the public or a significant portion thereof, and the lawyer does not advise, influence or solicit the client with respect to the transaction, the lawyer does not enter into the transaction “with” the client for purposes of this Rule.

[5] This Rule does not apply to an agreement by which a lawyer is retained by a client or to the modification of such an agreement, unless the agreement or modification confers on the lawyer an ownership, possessory, security, or other pecuniary interest adverse to the client, such as when the lawyer obtains an interest in the client's property to secure the amount of the lawyer's past due or future fees. An agreement by which a lawyer is retained by a client, and material modifications to such agreements that are adverse to the interests of the client, are governed in part by Rule 1.5. Even when this Rule does not apply to the negotiation of the agreement by which a lawyer is retained by a client, other rules, statutes and fiduciary principles might apply. See Rule 1.5, Comment [3B].

[6] This Rule does not apply to an agreement to advance to or deposit with a lawyer a sum to be applied to fees or costs incurred in the future. This Rule also does not apply to an agreement with a client for a contingent fee in a civil case, unless the agreement confers on the owner an ownership, possessory, security, or other pecuniary interest adverse to the client.

Adverse Pecuniary Interests

[7] An ownership, possessory, security or other pecuniary interest adverse to a client arises when a lawyer acquires an interest in a client's property that is or may become detrimental to the client, even when the lawyer's intent is to aid the client. *Hawk v. State Bar* (1988) 45 Cal.3d 589 [247 Cal.Rptr. 599]. An adverse pecuniary interest arises, for example, when the lawyer's personal financial interest conflicts with the client's interest in the property; when a lawyer obtains an interest in a cause of action or subject matter of litigation or other matter the lawyer is conducting for the client; or when the interest can be used to summarily extinguish the client's interest in the client's property. See *Fletcher v. Davis* (2004) 33 Cal.4th 61 [14 Cal.Rptr.3d 58]. An adverse pecuniary interest also arises when a lawyer acquires an interest in an obligation owed to a client or acquires an interest in an entity indebted to a client. See *Rodgers v. State Bar* (1989) 48 Cal.3d 300 [256 Cal.Rptr. 381]; *Kapelus v. State Bar* (1987) 44 Cal.3d 179 [242 Cal.Rptr. 196].

Full Disclosure to the Client

[8] Paragraph (a) requires that full disclosure be transmitted to the client in writing in a manner that reasonably can be understood by the client. Whether the disclosure reasonably can be understood by the client is based on what is objectively reasonable under the circumstances.

[9] Full disclosure under paragraph (a) requires a lawyer to provide the client with the same advice regarding the transaction or acquisition that the lawyer would provide to the client in a transaction with a third party. *Beery v. State Bar* (1987) 43 Cal.3d 802 [239 Cal.Rptr. 121]. It requires a lawyer to inform the client of all of the terms and all relevant facts of the transaction or acquisition, including the nature and extent of the lawyer's role and compensation in connection with the transaction or acquisition. It also requires the lawyer to fully inform the client of risks of the transaction or acquisition and facts that might discourage the client from engaging in the transaction or acquisition. See *Rodgers v. State Bar* (1989) 48 Cal.3d 300 [256 Cal.Rptr. 381]; *Clancy v. State Bar* (1969) 71 Cal.2d 140 [77 Cal.Rptr. 657]; *Brockway v. State Bar* (1991) 53 Cal.3d 51 [278 Cal.Rptr. 836]. The burden is always on the lawyer to show that the transaction or acquisition and its terms were fair and just and that the client was fully advised. *Hunniecutt v. State Bar* (1988) 44 Cal.3d 362 [243 Cal.Rptr. 699]; *Felton v. Le Breton* (1891) 92 Cal. 457, 469 [28 P. 490, 494].

[10] The risk to a client is heightened when the client expects the lawyer to represent the client in the transaction or acquisition itself. Under this Rule, the lawyer must disclose the risks associated with the lawyer's dual role as both legal adviser and participant in the transaction or acquisition, such as the risk that the lawyer will structure the transaction or acquisition or give legal advice in a way that favors the lawyer's interests at the expense of the client. Because the lawyer has a personal interest in the transaction or acquisition, the lawyer must also comply with Rule 1.7(a)(2). In some cases, the lawyer's interest may be such that Rule 1.7 will preclude the lawyer from representing the client in the transaction or acquisition.

[11] There are additional considerations when the lawyer-client relationship will continue after the transaction or acquisition. For example, if the lawyer and the client enter into a transaction to form or acquire a business, the client might expect the lawyer to represent the business or the client with respect to the business after the transaction is completed. When the lawyer knows or reasonably should know that the client expects the lawyer to represent the business or the client with respect to the business or interest after the transaction or acquisition is completed, the lawyer must act in either of two ways. Before entering into the transaction or making the acquisition, the lawyer must either (i) inform the client that the lawyer will not represent the business, or the client with respect to the business or interest, and must then act accordingly; or (ii) disclose in writing the risks associated with the lawyer's dual role as both legal adviser and participant in the business or owner of the interest. The client consent requirement in paragraph (c) includes a requirement that the client consent to the risks to the lawyer's representation of the client, which the lawyer has disclosed to the client as required by this Rule. A lawyer must also comply with the requirements of Rule 1.7(a)(2) when the lawyer has a personal interest in the subject matter of the representation as a result of the transaction or acquisition.

[12] Even when the lawyer does not represent the client in the transaction or acquisition, there may be circumstances when the lawyer's interest in the transaction or acquisition may interfere with the lawyer's independent professional judgment or faithful representation of the client in another matter. When the lawyer's interest in the transaction or acquisition may

interfere with the lawyer's independent professional judgment or faithful representation of the client, the lawyer must also disclose in writing the potential adverse effect on the lawyer-client relationship that may result from the lawyer's interest in the transaction or acquisition and must obtain the client's consent under paragraph (c). A lawyer must also comply with the requirements of Rule 1.7(a)(2) when the lawyer has a personal interest in the subject matter of the representation as a result of the transaction or acquisition.

Opportunity to Seek Advice of Independent Counsel

[13] Under paragraph (b), a lawyer must encourage the client to seek the advice of an independent lawyer and may not imply that obtaining the advice of an independent lawyer is unnecessary. An independent lawyer is a lawyer who (i) does not have a financial interest in the transaction or acquisition, (ii) does not have a close legal, business, financial, professional or personal relationship with the lawyer seeking the client's consent, and (iii) represents the client with respect to the transaction or acquisition.

[14] A lawyer is not required to advise the client to seek the advice of independent counsel if the client already has independent counsel with respect to the transaction or acquisition; however, the lawyer must still afford the client a reasonable opportunity to seek the advice of the independent counsel. A lawyer is not required to provide legal advice to a client who is represented by independent counsel; however, the lawyer is still required under paragraph (a) to make full disclosure to the client in writing of all material facts related to the transaction or acquisition when the lawyer knows or reasonably should know that the client has not been informed of such facts. The fact that the client was independently represented in the transaction or acquisition is relevant in determining whether the terms of the transaction or acquisition are fair and reasonable to the client as paragraph (a) requires.

Proposed California 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 law 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, while at the former law firm, had acquired information protected by Business and Professions Code section 6068(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 formerly represented a client in a matter or whose present or former law firm has formerly represented a client in a matter shall not thereafter:

(1) use information relating to a 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 relating to a former client except as these Rules or the State Bar Act would permit with respect to a current client.

COMMENT

[1] After termination of a lawyer-client relationship, the lawyer owes two duties to the former client. The lawyer may not (i) do anything that creates a substantial risk that it will injuriously affect his or her former client in any matter in which the lawyer represented the former client, or (ii) at any time use against his or her former client knowledge or information acquired by virtue of the previous relationship. *Wutchumna Water Co. v. Bailey* (1932) 216 Cal. 564 [15 P.2d 505] These duties exist to preserve a client's trust in the lawyer and to encourage the client's candor in communications with the lawyer by assuring that the client can entrust the client's matter to the lawyer and can confide to the lawyer information protected by Rule 1.6 and Business and Professions Code section 6068(e) without fear that any such information later will be used against the client. Current and former government lawyers must comply with this Rule to the extent required by Rule 1.11.

[2] Paragraph (a) addresses both of these duties. It first addresses the situation in which there is a substantial risk that a lawyer's representation of another client would result in the lawyer doing work that would injuriously affect the former client with respect to a matter in which the lawyer represented the former client. For example, a lawyer could not properly seek to rescind on behalf of a new client a contract the lawyer drafted on behalf of the former client. A

lawyer who has prosecuted an accused person could not represent the accused in a subsequent civil action against the government concerning the same matter.

[3] Paragraph (a) also addresses the second of the two duties owed to a former client. It applies when there is a substantial risk that information protected by Business and Professions Code section 6068(e) and Rule 1.6 that was obtained in the prior representation would be used or disclosed in a subsequent representation in a manner that is contrary to the former client's interests and without the former client's informed written consent. For example, a lawyer who has represented a businessperson and learned extensive private financial information about that person ordinarily may not later represent that person's spouse in seeking a divorce. Similarly, a lawyer who has previously represented a client in connection with the environmental review associated with the land use approvals to build a shopping center ordinarily would be precluded from later representing neighbors seeking to oppose rezoning of the property on the basis of environmental considerations that existed when the lawyer represented the client; however, paragraph (a) would not apply if the lawyer later defends a tenant of the completed shopping center in resisting eviction for nonpayment of rent if there is no substantial relationship between the land use and eviction matters.

[4] Paragraph (a) applies when the lawyer's representation is in the same matter as, or in a matter substantially related to, the lawyer's representation of the former client. The term "matter" for purposes of this Rule includes civil and criminal litigation, transactions of every kind, and all other types of legal representations. The scope of a "matter" for purposes of this Rule depends on the facts of a particular situation or transaction. The lawyer's involvement in a matter can also be a question of degree. An underlying question is whether the lawyer was so involved in the earlier matter that the subsequent representation justly can be regarded as changing of sides in the matter in question. A lawyer might avoid the application of this Rule by limiting the scope of a representation so as to exclude matters on which the lawyer has a conflict of interest. See Rule 1.2(c) (limiting the scope of representation).

[5] The term "substantially related matter" as used in this Rule is not applied identically in all types of proceedings. In a disqualification proceeding, a court will presume conclusively that a lawyer has obtained confidential information material to the adverse engagement when it appears by virtue of the nature of the former representation or the relationship of the attorney to the former client that confidential information material to the current dispute normally would have been imparted to the attorney. *H.F. Ahmanson & Co. v. Salomon Brothers, Inc.* (1991) 229 Cal.App.3d 1445, 1454 [280 Cal.Rptr. 614]. This disqualification application exists, at least in part, to protect the former client by avoiding an inquiry into the substance of the information that the former client is entitled to keep from being imparted to the lawyer's current client. See *In re Complex Asbestos Litigation* (1991) 232 Cal.App.3d 572, 592 [283 Cal.Rptr. 732]; *Woods v. Superior Court* (1983) 149 Cal.App.3d 931, 934 [197 Cal.Rptr. 185]. In disciplinary proceedings, and in civil litigation between a lawyer and a former client, where the lawyer's new client is not present, the evidentiary presumption created for disqualification purposes does not apply and the lawyer can provide evidence concerning the information actually received in the prior representation.

[6] Two matters are "the same or substantially related" for purposes of this Rule if they involve a substantial risk of a violation of one of the two duties to a former client described above in Comment [1]. This will occur: (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(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.

[7] Paragraph (a) applies when the new client's interests are materially adverse to the former client's interests. In light of the overall purpose of the Rule to protect candor and trust during the lawyer-client relationship, the term "materially adverse" should be applied with that purpose in mind. Accordingly, a client's interests are materially adverse to the former client if the lawyer's representation of the new client creates a substantial risk that the lawyer either (i) would perform work for the new client that would injuriously affect the former client in any manner in which the lawyer represented the former client, or (ii) would use or reveal information protected by Business and Professions Code section 6068(e) and Rule 1.6 that the former client would not want disclosed or in a manner that would be to the disadvantage of the former client.

Lawyers Moving Between Firms

[8] Paragraph (b) addresses a lawyer's duties to a client who has become a former client because the lawyer no longer is associated with the law firm that represents or represented the client. In that situation, the lawyer has a conflict of interest only when the lawyer has actual knowledge of information protected by Rules 1.6, 1.9(c), and Business and Profession Code 6068(e). Thus, if a lawyer while with one firm acquired no knowledge or information relating to a particular client of the firm, and that lawyer later joined another firm, neither the lawyer individually nor the second firm would violate this Rule by representing another client in the same or a related matter even though the interests of the two clients conflict. See Rule 1.10(b) for the restrictions on a firm once a lawyer has terminated association with the firm.

[9] 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. A lawyer may have general access to files of all clients of a law firm and may regularly participate in discussions of their affairs; it should be inferred that such a lawyer in fact is privy to all information about all the firm's clients. In contrast, another lawyer may have access to the files of only a limited number of clients and participate in discussions of the affairs of no other clients; in the absence of information to the contrary, it should be inferred that such a lawyer in fact is privy to information about the clients actually served but not those of other clients. In such an inquiry, the burden of proof should rest upon the firm to which this Rule applies.

[10] A lawyer changing professional association has a continuing duty to preserve confidentiality of information about a client formerly represented. See Rules 1.6, 1.9(c), and Business and Professions Code section 6068(e).

[11] Paragraph (c) provides that confidential information acquired by a lawyer in the course of representing a client may not subsequently be used or revealed by the lawyer to the disadvantage of the former client. See Rule 1.6(a) with respect to the confidential information of a client the lawyer is obligated to protect, and Rule 1.6(b) for situations where the lawyer is permitted to reveal such information. The fact that a lawyer has once served a client does not preclude the lawyer from using generally known information about that client when later representing another client. However, the fact that information can be discovered in a public record does not, by itself, render that information generally known. See *In the Matter of Johnson* (Rev. Dept. 2000) 4 Cal. State Bar Ct. Rptr. 179.

Client Consent

[12] The provisions of this Rule are for the protection of former clients and can be waived if the former client gives informed written consent. See Rule 1.0.1(e-1). With regard to the effectiveness of an advance consent, see Comment [22] to Rule 1.7. With regard to the application of a lawyer's conflict to a firm with which a lawyer is or was formerly associated, see Rule 1.10.

TAB 3

Trial Ethics: Don’t Risk Your Soul To Win A Point

TRIAL ETHICS: DON'T RISK YOUR SOUL TO WIN A POINT

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Alison Buchanan is a shareholder at Hoge, Fenton, Jones & Appel, where she focuses her practice on business litigation, professional liability/professional malpractice, and legal ethics. Alison has significant jury and bench trial experience in the areas of legal malpractice defense, business litigation, and employment litigation. Alison is a member of the State Bar's Standing Committee on Professional Responsibility and Conduct and a member of the Santa Clara County Bar Association. Alison teaches Professional Responsibility at Lincoln Law School in San Jose and frequently lectures throughout the state on attorney ethics. Alison earned her undergraduate degree from University of California at Irvine and her J.D. from Chicago-Kent College of Law. Alison was named a "Northern California Super Lawyer" for 2013, as chosen by her peers and through the independent research of Law & Politics and San Francisco Magazine.

Wendy Wen Yun Chang — Los Angeles, CA

Wendy Chang, Partner, Hinshaw & Culbertson LLP, Los Angeles, represents businesses in all types of business litigation, with particular emphasis in high exposure complex litigation, trials and appeals. She also represents lawyers in all types of complex matters that involve the practice of the law, including risk management counseling, ethics, crises management, fee related issues, and litigation defense. Ms. Chang is Chair of the State Bar of California's Standing Committee on Professional Responsibility & Conduct (COPRAC). Ms. Chang is a Certified Specialist in Legal Malpractice Law by the State Bar of California's Board of Legal Specialization. Ms. Chang also serves as Co-Chair of the Judiciary Committee for the National Asian Pacific American Bar Association. In addition, Ms. Chang serves on the Professional Responsibility and Ethics Committee (PREC) and the State Appellate Judicial Evaluation Committee for the Los Angeles County Bar Association. Ms. Chang received her J.D. from Loyola Law School, Los Angeles, and her B.A. from the University of California, at Los Angeles.

James J. Brosnahan — San Francisco, CA

James Brosnahan, Senior Trial Counsel at Morrison & Foerster LLP, is one of the most respected and recognized trial lawyers in the United States. He regularly undertakes complex cases that are about to go to trial. With 50 years of expertise in both civil and criminal trial work, he has tried, to conclusion, 150 cases, including many renowned cases involving bet-the-company commercial litigation, anti-trust, wire fraud, and patent litigation, white collar crimes, and murder. Mr. Brosnahan has received numerous awards and recognition throughout his distinguished career. Mr. Brosnahan is a past president of the Bar Association of San Francisco, whose Volunteer Legal Service Program he founded. He also serves as Master Advocate on the faculty of the National Institute for Trial Advocacy. Mr. Brosnahan regularly teaches continuing legal education programs at law schools and to professional organizations on various topics. His expertise includes overall trial strategies in planning, discovery, and jury selection as well as evidence, first amendment, criminal, antitrust, constitutional law, appellate, legal argument, civil procedure, torts, and legal ethics. He is also a frequent keynote speaker at legal conferences and bar association programs around the country.

Continued…

Honorable Peter H. Kirwan **San Jose, CA**

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TRIAL ETHICS: DON'T RISK YOUR SOUL TO WIN A POINT

LIST OF WRITTEN MATERIALS

1. Panel Outline

2. Hon. Amy J. St. Eve, Hon. Charles P. Burns, & Michael A. Zuckerman, *More From The #Jury Box: The Latest on Juries and Social Media* (2014) 12 Duke L. & Tech. Rev. 64

3. William Woods, *Wheeler/Batson: Anti-bias procedures in jury selection* (November 2013) California Bar Journal

4. Sharon R. Klein, Angelo A. Stio III, and Brian Zurich, *Ethical Issues that Arise From Social Media Use in Courtrooms* (October 2013) New Jersey Lawyer

5. Wendy L. Patrick, *Effective and Ethical Use of Expert Testimony* (July 2012) California Bar Journal

6. Kimberly A. Moore, *Xenophobia in American Courts* (Summer 2003) 97 Nw. U.L. Rev. 1497

7. John Steele, *An Outline of an Attorney's Ethical Duties Regarding Witness Perjury*

8. James J. Brosnahan and Carol S. Brosnahan, *The Attorney's Ethical Conduct During Adversary Proceedings* (1978) excerpt from Professional Responsibility, A Guide for Attorneys

9. Robert S. Arns, *The Top 10 Legal Issues of Closing Argument, The Top 15 Improper Areas of Closing Argument* and *The 10 Canons of Presenting Closing Argument*, an excerpt from The Trial Wheel – A Systematic Approach to Trial to Develop Automatic Trial Reflexes

Written materials can be downloaded at:
http://www.calbar.org/ethics-symposium/2014_materials.html

Trial ethics: Don't risk your soul to win a point

This panel of seasoned trial attorneys will examine ethics issues unique to trial. Those issues include identifying the sometimes fuzzy line between ethical and not when: dealing with witnesses, producing (or not producing) evidence, jury selection (including discrimination and the use of social media), references to non-existent or inadmissible evidence, asserting an unsupported position, client perjury, appealing to a jury's passions and prejudices and other issues for closing argument, and communicating with jurors before, during, and after trial.

Panelists:

James J. Brosnahan, Morrison & Foerster LLP, San Francisco
Wendy Wen Yun Chang, Hinshaw & Culbertson LLP, Los Angeles
The Honorable Peter Kirwan, Judge of the Santa Clara County Superior Court
Allen J. Ruby, Skadden, Arps, Slate, Meagher & Flom LLP, Palo Alto
Moderator: Alison Buchanan, Hoge, Fenton, Jones & Appel, Inc., San Jose

Materials:

1. Program outline
2. Articles

   a. *More From The #Jury Box: The Latest on Juries and Social Media*, 12 Duke L. & Tech. Rev. 64, 2014, Hon. Amy J. St. Eve, Hon. Charles P. Burns, and Michael A. Zuckerman

   b. *Wheeler/Batson: Anti-bias procedures in jury selection*, California Bar Journal, November 2013, William Woods

   c. *Ethics Issues that Arise From Social Media Use in Courtrooms*, New Jersey Lawyer, October 2013, Sharon R. Klein, Angelo A. Stio, III, and Brian Zurich

   d. *Effective and Ethical Use of Expert Testimony*, California Bar Journal, July 2012, Wendy L. Patrick

   e. *Xenophobia in American Courts*, 97 Nw. U.L. Rev. 1497, Summer 2003, Kimberly A. Moore

   f. *A Suggested Course of Conduct for Attorneys Regarding Potential and Actual Perjury in Criminal and Civil Cases*, 2014, John Steele

   g. *Attorney's Ethical Conduct During Adversary Proceedings*, 1978, James J. and Carol S. Brosnahan

   h. *The Top 15 Improper Areas of Closing Argument* and *The 10 Canons of Presenting Closing Argument*, Robert Arns

I. Issues with Witnesses

a. Encouraging witnesses to be unavailable

Rule 5-310, Prohibited Contact With Witnesses A member shall not: (A) Advise or directly or indirectly cause a person to secrete himself or herself or to leave the jurisdiction of a tribunal for the purpose of making that person unavailable as a witness therein …

i. *Tuttle v. Combined Ins. Co*. (E.D.Cal. 2004) 222 F.R.D. 424, 427 (affirmed by *Tuttle v. Combined Ins. Co.* (9th Cir. 2007) 225 F.App'x 620)

"[Plaintiff] had requested that [the witness] come to Fresno voluntarily as a witness and she agreed. She arrived Monday afternoon and stayed in a hotel. Tuesday evening, "corporate attorneys" contacted [the witness] and wanted to meet with her. She stated that [the defense lawyer's] associate … picked [the witness] up at her hotel and took her to the hotel where [the defense lawyer] was staying. [The witness] met with [the defense lawyer], [his associate] and [a corporate representative]. [The witness] stated that "they" told her that she was brought to California in an "underhanded way" which was not fair to her or the company and that although they could force her to go home, it was her decision. She was with them for "a couple of hours" before they took her back to her hotel. She stated she was "tired and frustrated" and wanted to do the right thing. Later that night she called them and said, "Okay, I'll go home." Thereafter [the corporate representative] made flight arrangements for [the witness] to return home the following morning. [The witness] also stated that [the corporate representative] moved [the witness] to a different hotel that evening and the next morning (Wednesday) she flew home. [The witness] stated that she felt "pressured" to go home."

The court sanctioned the corporate defendant $5,000 and its attorney an additional $5,000 after finding, by clear and convincing evidence, that corporation and its attorney had wrongfully influenced a witness in violation of CRPC Rule 5-310(A).

ii. Review Department of the State Bar Court, March 15, 1999, 4 Cal. State Bar Ct. Rptr. 23

Following a determination of culpability, the hearing judge found as aggravating factor that attorney had violated Rules 5-220 (prohibiting an attorney from suppressing evidence) and 5-310(A) (prohibiting an attorney from causing any person to make themselves unavailable as a witness). Specifically, the attorney refused to answer

"proper questions put to her as to whether or not she entered into an agreement with a former client to withdraw his complaint and refuse to testify in a State Bar proceeding involving respondent. From this the hearing judge inferred that petitioner had made an agreement with a client to withdraw his complaint and to refuse to testify in the current matter."

b. Compensating witnesses

Rule 5-310, Prohibited Contact With Witnesses

A member shall not:
…

(B) Directly or indirectly pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the witness's testimony or the outcome of the case. Except where prohibited by law, a member may advance, guarantee, or acquiesce in the payment of:

(1) Expenses reasonably incurred by a witness in attending or testifying.
(2) Reasonable compensation to a witness for loss of time in attending or testifying.
(3) A reasonable fee for the professional services of an expert witness.

i. Cal. State Bar Formal Opn. No. 1997-149

Attorney may compensate a non-expert witness for the witness's time spent preparing for a deposition or a trial. However, Attorney must comply with Rule 5-310(B). Compensation must be reasonable in light of all the circumstances. Compensation cannot be contingent on the witness's testimony, nor on the outcome of the matter.

II. Evidence

Rule 5-220, Suppression of Evidence

A member shall not suppress any evidence that the member or the member's client has a legal obligation to reveal or to produce.

a. *Brady* violations (*Brady v. Maryland* (1963) 373 U.S. 83)

i. "When prosecutors act dishonestly or unilaterally decide that evidence favorable to the defense should be withheld, the accused is endangered, the case is damaged and public confidence is lost." (Review Department of the State Bar Court).

Rule 5-200, Trial Conduct

In presenting a matter to a tribunal, a member:

(A) Shall employ, for the purpose of maintaining the causes confided to the member such means only as are consistent with truth;

(B) Shall not seek to mislead the judge, judicial officer, or jury by an artifice or false statement of fact or law; …

(E) Shall not assert personal knowledge of the facts at issue, except when testifying as a witness.

b. Client perjury

i. *People v. Jennings* (1999) 70 Cal.App.4th 899

Criminal defendant convicted on various counts appealed, alleging ineffective assistance of counsel. Specifically, based on an "ethical conflict" with respect to defendant's decision to testify on his own behalf, defense counsel would not question defendant as to certain areas. Based on this conflict, defense counsel asked defendant limited questions on direct examination. "A defense attorney has an ethical obligation not to present perjured testimony (Bus. & Prof. Code, § 6077; Rules Prof. Conduct, rule 5-200) and the attorney's refusal to do so does not deny the client effective assistance of counsel." The appellate court rejected the defendant's ineffective assistance argument.

ii. Cal. State Bar Formal Opn. No. 1983-74

Attorney who learns of client's testimonial perjury is obligated to pursue remedial action promptly. Absent a correction by the client, Attorney must move to withdraw (without disclosing client confidences or secrets); if the court does not permit withdrawal, Attorney is precluded from relying on the perjured testimony.

iii. Orange County Bar Association Formal Opn. No. 2003-01

Examines a criminal attorney's ethical obligations when confronted with a client who indicates that he or she intends to commit perjury. In such instances, the attorney must first attempt to dissuade the client. If such efforts are unsuccessful, the attorney may then seek to withdraw or may proceed with employing "the narrative approach," which permits the client to testify without the involvement of the attorney. The attorney may not "use" the perjurious testimony in any way during trial.

See also *A Suggested Course of Conduct for Attorneys Regarding Potential and Actual Perjury in Criminal and Civil Cases*, 2014, John Steele (included in your materials).

c. Attorney perjury

i. *In re Aguilar* (2004) 34 Cal.4th 386

Order to show cause issued against Attorney for failure to appear at oral argument. Attorney claimed to be unaware of the time of oral argument. The court found Attorney's statements to be lies. The court fined Attorney $1,000 and referred Attorney to the State Bar for further investigation and possibly additional sanctions, stating:

> It is, of course, an extremely serious breach of an attorney's duty to a court to lie in statements made to the court (see Bus. & Prof. Code, § 6068, subd. (d); Rules Prof. Conduct, rule 5-200 (B)), and an intentionally false statement made by an attorney to a court clearly constitutes a contempt of court. (Code Civ. Proc., § 1209, subd. (a)(3); *In re Ciraolo* (1969) 70 Cal.2d 389, 394 [74 Cal. Rptr. 865, 450 P.2d 241].) We find [Attorney] in contempt of court…

ii. *Segretti v. State Bar of California* (1976) 15 Cal.3d 878, 888

"A member of the bar should not under any circumstances attempt to deceive another."

iii. *Medoff v. State Bar of California* (1969) 71 Cal.2d 535

Attorney was suspended for 60 days based on findings that Attorney knew that certain information contained in court filings were false at the time Attorney caused the documents to be prepared and filed and that Attorney's conduct was willful.

III. The jury

a. Contact with jurors

Rule 5-320, Contact With Jurors

(A) A member connected with a case shall not communicate directly or indirectly with anyone the member knows to be a member of the venire from which the jury will be selected for trial of that case.
(B) During trial a member connected with the case shall not communicate directly or indirectly with any juror.
(C) During trial a member who is not connected with the case shall not communicate directly or indirectly concerning the case with anyone the member knows is a juror in the case.
(D) After discharge of the jury from further consideration of a case a member shall not ask questions of or make comments to a member of that jury that are intended to harass or embarrass the juror or to influence the juror's actions in future jury service.
(E) A member shall not directly or indirectly conduct an out of court investigation of a person who is either a member of the venire or a juror in a manner likely to influence the state of mind of such person in connection with present or future jury service.
…
(G) A member shall reveal promptly to the court improper conduct by a person who is either a member of a venire or a juror, or by another toward a person who is either a member of a venire or a juror or a member of his or her family, of which the member has knowledge.
...
(I) For purposes of this rule, "juror" means any empanelled, discharged, or excused juror.

i. *Lind v. Medevac* (1990) 219 Cal.App.3d 516

Following a defense verdict in a personal injury action, defense counsel sent letters to the former jurors that warned as follows:

> On occasion, following a jury trial, the losing side will hire an investigator to contact the trial jurors. The purpose of these investigators is to impeach the jury's verdict. The [investigator] will ask you about your deliberations in the jury room and will prepare a statement for your signature. This statement will then be presented to the judge to convince him to set aside the jury's verdict as improper. [para.] You are under no obligation to speak with these investigators and need not sign anything. You worked with your fellow jurors to reach a fair result. I would not want to see that result set aside because of sharp investigative tactics.

The court found that defense counsel's letter violated Rule 5-320, noting:

> Letters such as the one sent by appellants in the present case unprofessionally denigrate anticipated and unproven conduct of opponents, and will only exacerbate the reluctance of some persons to undertake jury service for fear their decisions will be falsely attacked and overturned by reason of unprofessional and improper conduct of counsel designed to achieve that result. They are likely, incidentally, to be perceived by jurors as converting the performance of their civic responsibility to serve as jurors into the center of a distasteful and acrimonious posttrial dispute between lawyers whose motives, they are told, are suspect and misleading.

ii. Review Dept. of the State Bar Court, November 26, 1990, 1 Cal. State Bar Ct. Rptr. 255

Plaintiff's attorney sent jurors a letter following a defense verdict. The letter advised the jurors of, among other things, the lack of insurance for plaintiff and some of the settlement discussions between the parties. The Bar initiated formal charges against the attorney for allegedly violating Rule 5-320. The attorney testified that the purpose of the letter was to "communicate and inform, not to harass or embarrass the jurors." The Review Department of the State Bar Court dismissed the charges, noting that although the letter was ill-advised, it did not constitute a violation. "Attorneys have a right to communicate with jurors after the trial, but should strive to avoid unnecessarily causing the jurors to develop ill feelings regarding their jury service."

b. Discrimination in jury selection

i. The "Wheeler/Batson" rule prohibits the use of peremptory challenges in jury selection based on an attorney's belief that prospective jurors may be biased because they are a member of a certain racial, ethnic, or religious group. Also applies to gender and sexual orientation.

- *People v. Wheeler* (1978) 22 Cal.3d 258
- *Batson v. Kentucky* (1986) 476 U.S. 79
- California Code of Civil Procedure §192

See also *Wheeler/Batson: Anti-bias procedures in jury selection*, California Bar Journal, November 2013, William Woods (included in your materials).

c. Technology in the courtroom

i. Use of social media to research potential jurors

- New Your State Bar Association Committee on Professional Ethics, Formal Opinion No. 2012-2

  If an attorney's use of social media to research a prospective juror results in an inadvertent notification or communication to the prospective juror, such conduct might constitute a prohibited communication.

ii. Use of social media to monitor empaneled jurors

- *Juror Number One v. Superior Court* (2012) 206 Cal.App.4th 854, 855

  Juror posted items to Facebook during criminal trial; the court ordered the juror to authorize the court to access the juror's Facebook account. The juror challenged the court's order. The Supreme Court determined that the juror had no expectation of privacy and that juror's privacy rights do not trump the defendant's right to a fair trial.

See also *More From The #Jury Box: The Latest on Juries and Social Media*, 12 Duke L. & Tech. Rev. 64, 2014, Hon. Amy J. St. Eve, Hon. Charles P. Burns, and Michael A. Zuckerman and *Ethics Issues that Arise From Social Media Use in Courtrooms*, New Jersey Lawyer, October 2013, Sharon R. Klein, Angelo A. Stio, III, and Brian Zurich (included in your materials).

IV. Attorneys behaving badly throughout trial

a. *Hawk v. Superior Court* (1974) 42 Cal.App.3d 108, 114

Attorney properly held in contempt for:

- "advising his client to disobey an order of the court"
- "misconduct during voir dire"
- "referring to his client by his first name and making reference to his friendship with his client"
- "stating that the defendant was stripped of his presumption of innocence by the press with the help of the sheriff's office"
- "humiliating a witness"
- "repeating questions after an objection had been sustained"
- telling the jury that "the prosecutor had a reasonable doubt as to the defendant's guilt"

- "improperly impeaching a witness"
- "displaying an offensive personality" and
- "failing to yield respectfully to the rulings of the court"

V. Trial publicity

Rule 5-120, Trial Publicity

(A) A member who is participating or has participated in the investigation or litigation of a matter shall not make an extrajudicial statement that a reasonable person would expect to be disseminated by means of public communication if the member knows or reasonably should know that it will have a substantial likelihood of materially prejudicing an adjudicative proceeding in the matter.

(B) Notwithstanding paragraph (A), a member may state:

(1) the claim, offense or defense involved and, except when prohibited by law, the identity of the persons involved;
(2) the information contained in a public record;
(3) that an investigation of the matter is in progress;
(4) the scheduling or result of any step in litigation;
(5) a request for assistance in obtaining evidence and information necessary thereto;
(6) a warning of danger concerning the behavior of a person involved, when there is reason to believe that there exists the likelihood of substantial harm to an individual or the public interest; and
(7) in a criminal case, in addition to subparagraphs (1) through (6):

(a) the identity, residence, occupation, and family status of the accused;
(b) if the accused has not been apprehended, the information necessary to aid in apprehension of that person;
(c) the fact, time, and place of arrest; and
(d) the identity of investigating and arresting officers or agencies and the length of the investigation.

(C) Notwithstanding paragraph (A), a member may make a statement that a reasonable member would believe is required to protect a client from the substantial undue prejudicial effect of recent publicity not initiated by the member or the member's client. A statement made pursuant to this paragraph shall be limited to such information as is necessary to mitigate the recent adverse publicity.

a. *Polanski v. Superior Court* (2009) 180 Cal.App.4th 507, 561

Defendant unsuccessfully argued that district attorney should be disqualified after making allegedly false statements in violation of Rule 5-120 and Business and Professions Code 6068(f).

VI. Closing argument

a. *People v. Love* (1961) 56 Cal.2d 720, 730-731

Judgment imposing the death penalty and order denying a new trial on the question of penalty were reversed and remanded based on improper summation by prosecutor:

- "Counsel's summation to the jury "must be based solely upon those matters of fact of which evidence has already been introduced or of which no evidence need ever be introduced because of their notoriety as judicially noticed facts.""

- "[Counsel] may state matters not in evidence that are common knowledge, or are illustrations drawn from common experience, history, or literature…"

- "[Counsel] may not, however, under the guise of argument, assert as facts matters not in evidence or excluded because inadmissible…"

- "[Counsel] may not use evidence offered for a special purpose, such as credibility or state of mind, to argue inferences for which the evidence is inadmissible…"

- "[A]nd [counsel] may not argue his own belief of guilt based upon evidence not produced in court…"

- "Moreover, counsel may not use arguments calculated to mislead the jury … or that appeal primarily to passion or prejudice…"

b. Xenophobia

i. Defined by Oxford English Dictionary as an intense or irrational dislike or fear of people from other countries.

ii. 2003 study "Xenophobia in American Courts" by Judge Kimberly Moore of the Federal Circuit found that juries are significantly more likely to find that foreign companies infringe the patents of U.S. companies than they are to find that U.S. companies infringe the patents of foreign companies.

See *Xenophobia in American Courts*, 97 Nw. U.L. Rev. 1497, Summer 2003, Kimberly A. Moore (included in your materials).

MORE FROM THE #JURY BOX: THE LATEST ON JURIES AND SOCIAL MEDIA

HON. AMY J. ST. EVE,[†] HON. CHARLES P. BURNS,[††] & MICHAEL A. ZUCKERMAN[‡]

ABSTRACT

This Article presents the results of a survey of jurors in federal and state court on their use of social media during their jury service. We began surveying federal jurors in 2011 and reported preliminary results in 2012; since then, we have surveyed several hundred more jurors, including state jurors, for a more complete picture of juror attitudes toward social media. Our results support the growing consensus that jury instructions are the most effective tool to mitigate the risk of juror misconduct through social media. We conclude with a set of recommended best practices for using a social-media instruction.

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INTRODUCTION

Born out a common-law tradition and guaranteed by the U.S. Constitution, the impartial jury is one of the most fundamental American institutions. It is also one of the most resilient. The impartial jury has survived the telephone, the radio, the automobile, and the television.[1] There is no reason why it cannot survive Facebook and Twitter, too. But to ensure the continued fairness and integrity of the jury system, the legal profession must be proactive and vigilant in addressing juror misconduct through social media.[2]

In mid-2011, against a rise in reported instances of juror misconduct through social media, U.S. District Court Judge Amy St. Eve began an informal survey of actual jurors. The survey asked jurors at the conclusion of their service whether they had been tempted to communicate about the case through social media and, if so, what prevented them from doing so. Based on 140 responses from jurors in federal court, we reported in a March 2012 article that the survey data supported the growing consensus in the legal profession that courts should specifically instruct jurors not to use social media to communicate about the case.[3]

In this Article, we introduce 443 additional responses from jurors in both federal and state court, and revisit the informal survey results anew, with assistance from an additional co-author. Part I discusses social-media developments since our last article and highlights three recent judicial opinions. Part II presents the results of the informal survey. As we explain in Part III, the results continue to support the emerging consensus that jury instructions are the most effective tool to mitigate the risk of juror misconduct through social media. Although the informal survey results are not scientific, we hope that they will further the dialogue by adding the voices of actual jurors.

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[1] *See, e.g.*, Catharine Skipp, *Jurors' TV Viewing Is Growing Issue*, N.Y. TIMES, Dec. 29, 1989, at B1 (describing potential effects of both television and movies on juror sympathies); *Jurors Forbidden To Listen On Radio*, WASH. HERALD, Oct. 24, 1922, at 8 (covering "the first time in history" that jurors were instructed not to listen to the details of a trial being broadcast on radio).

[2] State v. Smith, No. M2010-01384, 2013 WL 4804845, at *9 (Tenn. Sept. 10, 2013) ("The American judicial system 'depends upon public confidence in the jury's verdict.'" (quoting United States v. Siegelman, 640 F.3d 1159, 1186 (11th Cir. 2011)).

[3] *See* Hon. Amy J. St. Eve & Michael A. Zuckerman, *Ensuring an Impartial Jury in the Age of Social Media*, 11 DUKE L. & TECH. REV. 1 (2012).

I. RECENT DEVELOPMENTS IN SOCIAL MEDIA

A. The Revolution Continues

Social media has continued to grow in both usage and influence.[4] More than ever, Americans of all ages are joining and using Facebook, Twitter, LinkedIn, and other social networks.[5] George H.W. Bush, for example, recently became the third U.S. President on Twitter.[6] Facebook now has more than 1.1 billion users who, every minute, post 243,000 photos to the network, up from 208,000 a year ago.[7] Twitter's expanding user base now "tweets" 350,000 comments every minute, up from 100,000 a year ago.[8] And every minute, 120 new LinkedIn accounts are created, up from 100 a year ago.[9] These dizzying numbers are just the tip of the iceberg—there are hundreds of other social networks, and new ones are popping up all of the time.[10]

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[4] Anthony Carranza, *Social Media Networking Stats and Trends in 2013*, EXAMINER.COM (Oct. 14, 2013), http://www.examiner.com/article/social-media-networking-stats-and-trends-2013; *see also* Ryan Holmes, *5 Predictions for Social Media in 2014*, CNNMONEY (Dec. 10, 2013, 12:44 PM), http://tech.fortune.cnn.com/2013/12/10/social-media-2014 (predicting that "upstart" social networks will "catch fire"); Shea Bennetet, *Social Media Growth Worldwide—2 Billion Users By 2016, Led by India*, MEDIA BISTRO (Nov. 19, 2013, 3:00 PM), http://www.mediabistro.com/alltwitter/social-media-growth-worldwide_b51877 ("[T]he huge opportunity to recruit new users in less-developed markets [will] ensur[e] that the social networking uptick will continue for years to come.").

[5] *See* Drew Desilver, *Chart of the Week: A Minute on the Internet*, PEW RESEARCH CENTER (Nov. 27, 2012), http://www.pewresearch.org/fact-tank/2013/11/27/chart-of-the-week-a-minute-on-the-internet ("Keeping up with what people do online is no easy task . . . ."); Belle Beth Cooper, *10 Surprising Social Media Statistics That Will Make You Rethink Your Social Strategy*, FASTCOMPANY (Nov. 18, 2013, 5:52 AM), http://www.fastcompany.com/3021749/work-smart/10-surprising-social-media-statistics-that-will-make-you-rethink-your-social-stra (reporting that baby boomers are one of the fastest growing demographics on social media).

[6] Chris Taylor, *George H.W. Bush is Third U.S. President to Join Twitter*, MASHABLE (Dec. 10, 2012), http://mashable.com/2013/12/10/president-bush-twitter. The other two are Presidents Obama and Clinton. *Id.*

[7] Desilver, *supra* note 5.

[8] *Id.*

[9] *Id.*

[10] *See, e.g.*, Nick Bilton, *Teenagers Prove Fickle When Choosing Social Networks*, N.Y. TIMES BITS BLOG (Oct. 26, 2013, 12:07 PM), http://bits.blogs.nytimes.com/2013/10/26/teens-prove-fickle-when-choosing-their-favorite-social-network (discussing changing attitudes about particular social networks); Adrienne Erin, *New Social Networks You Didn't Know About (Until Now!)*, AL.COM (July 15, 2013, 12:24 PM), http://www.al.com/living/index.ssf/

The legal profession continues to embrace social media, but it has been forced to confront difficult questions.[11] What are the limits on researching a juror through social media?[12] Can a judge have a social-media profile?[13] What is the evidentiary value of a Facebook "like"?[14] Can social-media activity give rise to personal jurisdiction?[15] How can courts best manage increased public awareness of judicial proceedings?[16] These and other important questions have not stopped social media from taking hold in

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2013/07/new_social_networks_you_didnt.html (discussing "Srgrouples," "NextDoor," and "Path"); Bob Al-Greene, *10 Hot Social Networks to Watch*, MASHABLE (May 29, 2013), http://mashable.com/2013/05/29/10-hot-social-networks (discussing "Medium," "Kleek," "Viddy," "RunKeeper," "Ghost," "Pose," "Vine," "Atmospheir," "Days," and "App.net").

[11] *E.g.*, Nancy L. Ripperger, *Ethics: Facebook—Friend or Foe? What Are the Ethical Risks of Using Facebook in Your Litigation Practice?*, PRECEDENT MAGAZINE, Summer 2013, at 36–38, *available at* http://www.mobar.org/uploadedFiles/Home/Publications/Precedent/2013/Fall/facebook.pdf.

[12] *See, e.g.*, Michelle Celarier, *Ex-SAC Exec's Defense Probes Jurors' Social Media Postings*, N.Y. POST (Nov. 18, 2013, 11:57 PM), http://nypost.com/2013/11/18/ex-sac-execs-defense-probes-jurors-social-media-postings (reporting on a jury consulting firm "doing an extra level of due diligence on prospective jurors by Googling their names, checking out their social-media profiles and looking into public sites for asset searches").

[13] Yes, according to ABA Formal Opinion 462 (Feb. 21, 2013), *available at* http://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/formal_opinion_462.authcheckdam.pdf. A related question is whether judges and lawyers may connect to each other on social media. *See* Jane Musgrave, *Florida High Court Asked to Decide Whether Judges, Lawyers Can Be Facebook Friends*, PALM BEACH POST (Jan. 16. 2013, 7:29 PM), http://www.palmbeachpost.com/news/news/crime-law/state-high-court-asked-to-decide-whether-judges-la/nTyhj.

[14] *See, e.g.*, Ebersole v. Kline-Perry, No. 12-CV-00026, 2012 WL 3776489, at *5 (E.D. Va. Aug. 29, 2012) ("The greater the number of 'likes' on the page, the more likely it is that others visited the page . . . . The evidence was therefore relevant as to how widely disseminated the letter was . . . .").

[15] *See, e.g.*, NobelBiz, Inc. v. Veracity Networks, LLC, No. 13-CV-02518, 2013 WL 5425101, at *4 (N.D. Cal. Sept. 27, 2013) (rejecting broad-based argument that "*all* activity on social media sites is a form of advertising subjecting the account holding to personal jurisdiction wherever his or her social media account may be viewed").

[16] *See, e.g.*, Douglas Dowty, *Rick Springfield Mistrial a First for Social Media's Impact in Central New York*, SYRACUSE.COM (Nov. 20, 2013, 3:23 PM), http://www.syracuse.com/news/index.ssf/2013/11/social_media_a_whole_new_game_in_cases_like_rick_springfield_mistrial.html (reporting on a mistrial declared during deliberations after new evidence surfaced from a social-media site, corroborating the plaintiff's claims).

law offices and courthouses across the country.[17] According to a recent report, 80 percent of the nation's largest law firms have blogs;[18] many of them are also on Facebook and other social networks.[19] Eighty-one percent of lawyers use social media.[20] Federal and state courts increasingly do too[21]—are you following @illinoiscourts on Twitter?

B. The Threats to Jury Impartiality Remain

In our prior article, we explained how social networking by jurors carries with it the dangerous potential to undermine the fundamental fairness of jury trials.[22] This potential, unfortunately, continues to become reality in myriad reported cases.[23] In our previous work, we offered

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[17] *See* Simon Chester & Daniel Del Gobbo, *Social Media Networking For Lawyers: A Practical Guide to Facebook, LinkedIn, Twitter and Blogging*, LAW PRACTICE MAGAZINE, Jan.–Feb. 2012, at 28, *available at* http://www.americanbar.org/publications/law_practice_magazine/2012/january_february/social-media-networking-for-lawyers.html ("What a difference five years makes. Social media has exploded.").

[18] *See* Adrian Dayton, *You Read It Here: Blogs Never Sleep*, NATIONAL LAW JOURNAL (Sept. 16, 2013, 12:00 AM), http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202619190022.

[19] *See generally* GUY ALVAREZ, BRIAN DALTON, JOE LAMPORT & KRISTINA TSAMIS, THE SOCIAL LAW FIRM: AN ASSESSMENT OF THE USE OF SOCIAL TECHNOLOGIES AT AMERICA'S LEADING LAW FIRMS (2013), *available at* http://good2bsocial.com/wp-content/uploads/2013/12/THE-SOCIAL-LAW-FIRM.pdf.

[20] *See* Stephen Fairly, *ABA Survey Says Lawyers Getting Clients Via Social Media*, NATIONAL LAW REVIEW (Aug. 29, 2013), http://www.natlawreview.com/article/aba-survey-says-lawyers-getting-clients-social-media (citing ABA LEGAL TECHNOLOGY SURVEY REPORT (2013)); *see also* Nicole Black, *Lawyers Get Creative With Use of Social Media*, SUI GENERIS (Oct. 8, 2013, 2:27 PM), http://nylawblog.typepad.com/suigeneris/2013/10/lawyers-get-creative-with-use-of-social-media.html.

[21] *See generally* CONFERENCE OF COURT PUBLIC INFORMATION OFFICERS, 2013 CCPIO NEW MEDIA SURVEY (2013), *available at* http://ccpio.org/wp-content/uploads/2012/09/2013-New-Media-Survey-Report_CCPIO.pdf.

[22] *See* St. Eve & Zuckerman, *supra* note 3, at 9. Social media creates problems elsewhere in the justice system too. *See, e.g.*, James Staas, *Man Convicted of Witness Intimidation After Grand Jury Testimony Is Posted on Facebook*, BUFFALO NEWS (Oct. 30, 2013, 2:38 PM), http://www.buffalonews.com/city-region/erie-county-court/man-convicted-of-witness-intimidation-after-grand-jury-testimony-is-posted-on-facebook-20131030.

[23] *E.g.*, Naomi Martin, *Juror in David Warren Trial Was Booted Because He Used Social Media*, NOLA.COM (Dec. 6, 2013, 9:30 AM), http://www.nola.com/crime/index.ssf/2013/12/juror_in_david_warren_trial_wa.html; Mark Pearson, *When Jurors Go 'Rogue' on the Internet and Social Media*, JOURNLAW (May 30, 2013,

numerous examples; now, based on recent reports, we offer even more.[24] These examples are an important reminder that judges and lawyers must remain vigilant in their efforts to ensure a fair trial in the age of social media.[25]

Facebook remains a popular vehicle through which jurors commit misconduct. Consider, for example, the juror in Mississippi, who posted on Facebook: "I guess all I need to know is GUILTY. lol."[26] Or the juror from across the Pond, who posted: "Woooow I wasn't expecting to be in a jury Deciding a paedophile's fate, I've always wanted to F**k up a paedophile & now I'm within the law!"[27] Another recent example comes from a wrongful-death trial in Missouri, throughout which the jury foreperson regularly communicated about the case on Facebook.[28] Some examples of the Facebook communications include:

- **Juror**: "Got picked for jury duty."
- **Juror**: "Sworn to secrecy as to details of this case. Most importantly . . . the 3:00 p.m. Cocktail hour is not observed!"

2:12 PM), http://journlaw.com/2013/05/30/when-jurors-go-rogue-on-the-internet-and-social-media.

[24] Published reports, of course, do not capture every instance of juror misconduct. Some of it goes undetected or cannot be proved. *See, e.g.*, Kervick v. Silver Hill Hosp., 72 A.3d 1044, 1065 & n.13 (Conn. 2013) (rejecting claim that juror posted comments online about the trial where the comments were posted anonymously and there was no reliable evidence that a real juror actually posted them during trial).

[25] *Cf.* Martin, *supra* note 23 ("Use of social media by jurors in trials has become an increasing concern for judges and lawyers around the country. The worry is jurors will be exposed to information about the case that they are prohibited from seeing—such as news accounts that contain information not admitted in court—and that they will share information about the trial, which they are prohibited from doing while they are serving on the jury.").

[26] Shaw v. State, No. 2011-KA-01536-COA, 2013 WL 5533080, at *8 (Miss. Ct. App. Oct. 08, 2013). The offending jurors also friended a trial witness on Facebook. *Id.* Even so, the appeals court affirmed the trial court's denial of a motion for mistrial. *Id.*

[27] *See Juror Jailed Over Pedophile Facebook Post*, METRO NEWS (July 29, 2013, 5:09 PM), http://metro.co.uk/2013/07/29/juror-jailed-over-paedophile-facebook-post-3903315; John Aston, *Two Jurors Jailed for Contempt of Court Over Use of Internet During Trials*, THE INDEPENDENT (U.K.) (July 30, 2013), http://www.independent.co.uk/news/uk/crime/two-jurors-jailed-for-contempt-of-court-over-use-of-internet-during-trials-8737004.html.

[28] Sylvia Hsieh, *Juror's Facebook Posts May Overturn Wrongful Death Verdict*, LAWYERS.COM (Feb. 14, 2013), http://blogs.lawyers.com/2013/02/jurors-facebook-posts-overturn-verdict. The offending juror was jailed for two months for contempt. *Id.*

Friend: "If he's cute and has a nice butt, he's innocent!"

- **Juror**: "Drunk and having a great food at our fav neighborhood hangout."
  Friend: "I'm still amazed they allow jurors to nip from a flask all day."
- **Juror**: "Starting day 8 of jury service."
  Friend: "Remember nice ass = innocent!"
- **Juror**: "Civic duty fulfilled and justice served. Now, where's my cocktail????"
  Friend: "Was it Miss Peacock in the library with the lead pipe?"
- **Juror**: "Civil case . . . Verdict for the defendants . . . . I was the jury forearm . . . . deliberations and verdict . . . in under one hour."[29]

Not all recent reported examples of misconduct involve Facebook. Jurors continue to blog about their jury service,[30] like the California juror who posted dozens of comments on her personal blog throughout a lengthy trial.[31] One of her early posts said: "[T]his is my secret blog. I don't know how secret it really is though. I want to tell secret jury things."[32] As described in other recent reports, a juror discussed the case on a newspaper's online comment board,[33] and another did online research about a witness and the judge.[34] One juror even communicated from her mobile

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[29] *Id.*

[30] *See, e.g.*, McNeely v. Cate, No. 11-56393, 2013 WL 5651267 (9th Cir. Oct. 17, 2013) (considering a habeas claim based on the jury foreperson's blog post during trial); Figueroa v. Highline Med. Ctr., No. 68272-5-I, 2013 WL 5636674, at *7 (Wash. Ct. App. Oct. 14, 2013) (summarizing a juror's blog postings during trial as "limited and innocuous").

[31] People v. Johnson, No. F057736, 2013 WL 5366390 (Cal. Ct. App. Sept. 25, 2013).

[32] *Id.* at *133. The juror apparently posted, among other things, "hypothetical" questions related to the case. "At least one of her posts drew a comment from a family member who 'love[d]' the blogger's 'hypothetical question to a case that you cannot talk about (let alone blog about).'" *Id.* (alteration in original).

[33] *See* Michelle Bowman, *States Punish Web-Cruising Jurors*, LAWYERS.COM (June 18, 2013), http://blogs.lawyers.com/2013/06/states-cpunish-web-cruising-juror. The trial court found the juror in criminal contempt. *Id.*

[34] Drew Singer, *Juror Misconduct Strikes Again at Jenkens Ally's Trial*, LAW360.COM (Oct. 24, 2013), http://www.law360.com/articles/483305/juror-misconduct-strikes-again-at-jenkens-atty-s-trial.

device in plain sight of the judge.[35] In that case, the judge noticed "an unexpected glow on a juror's chest while the courtroom lights were dimmed during video evidence in an armed-robbery trial."[36] The light, it turned out, was from the juror's cell phone. He was texting.[37]

C. Recent Case Law on Jurors & Social Media

Jurors' often brazen acts of misconduct have contributed to a growing body of case law about jurors and social media. How should trial courts respond to possible juror misconduct on social media? What does it mean to be "friends" on Facebook? Are there limits on how courts can respond? In this Section, we review some recent cases that have addressed questions like these.

1. The Trial Court's Duty to Investigate—State v. Smith

In *State v. Smith*,[38] the Tennessee Supreme Court considered how a trial court should react when it learns "during a jury's deliberations that a juror exchanged Facebook messages" with a witness.[39] The issue arose out of a murder prosecution in which Dr. Adele Lewis, a medical examiner affiliated with Vanderbilt University, testified for the state.[40] Though four of the jurors were also affiliated with Vanderbilt, none of them were asked during voir dire whether they knew Dr. Lewis.[41] After the close of evidence, the trial court charged the jury and instructed them to begin deliberations.[42]

Problems came to light about an hour later.[43] Dr. Lewis informed the trial judge that a juror had initiated a Facebook conversation with her.[44] In an email to the judge, Dr. Lewis recounted the conversation:

> [**Juror**]: A-dele!! I thought you did a great job today on the witness stand . . . I was in the jury . . . not sure if you

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[35] *Oregon Juror Jailed for Texting During Trial*, ASSOCIATED PRESS (Apr. 18, 2013, 10:47 PM), http://bigstory.ap.org/article/oregon-juror-jailed-texting-during-trial. The judge held the juror in contempt of court and required him to spend the night in county jail. *Id.*

[36] *Id.*

[37] *Id.* On the topic of texting, Facebook recently announced that its mobile app will allow users to send each other Facebook messages with the ease of texting. *See* Kurt Wagner, *Facebook Makes Its Messenger App More Like Texting*, MASHABLE (Oct. 29, 2013), http://mashable.com/2013/10/29/facebook-messenger-texting.

[38] State v. Smith, No. M2010-01384, 2013 WL 4804845 (Tenn. Sept. 10, 2013).

[39] *Id.* at *1.

[40] *Id.*

[41] *Id.*

[42] *Id.* at *2.

[43] *Id.*

[44] *Id.*

> recognized me or not!! You really explained things so great!!
>
> [**Dr. Lewis**]: I was thinking that was you. There is a risk of a mistrial if that gets out.
>
> [**Juror**]: I know . . . I didn't say anything about you . . . there are 3 of us on the jury from Vandy and one is a physician (cardiologist) so you may know him as well. It has been an interesting case to say the least.[45]

The trial judge told the lawyers about the email at some point, but it is unclear when, how, or what discussions took place.[46] Deliberations went on and the jury found the defendant guilty of first-degree murder, for which he was sentenced to life in prison.[47]

Before the jury left the courthouse, defense counsel suggested that the court examine the juror who communicated with Dr. Lewis.[48] The court flatly denied the request, being "satisfied with the communication that [it had] gotten from Dr. Lewis with regard to the matter."[49] The intermediate appellate court affirmed, but the Tennessee Supreme Court reversed.

In a lengthy opinion, the state high court began by observing that, "[l]ike judges, jurors must be—and must be perceived to be—disinterested and impartial."[50] This means that the trial court must ensure that jurors "base their verdict solely on the evidence introduced at trial."[51] If the trial court learns of any inappropriate communications between a juror and a third party, it must "assure that the juror has not been exposed to" any improper information or influence.[52] On the rise of social media, the high court acknowledged that technology has "made it easier for jurors" to have third-party contacts,[53] but explained that "pre-internet" case law provides an appropriate framework to address instances of juror misconduct committed though social media.[54]

Applying these pre-internet principles, the Tennessee Supreme Court held that the trial court failed to adequately investigate the "nature and extent of the improper communications" between the juror and Dr.

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[45] *Id.*
[46] *Id.*
[47] *Id.* at *2–*3.
[48] *Id.* at *3.
[49] *Id.*
[50] *Id.* at *4.
[51] *Id.*
[52] *Id.* at *5.
[53] *Id.* at *7.
[54] *Id.*

Lewis.[55] The court explained that, after learning of the communication, the trial judge "was required to do more than simply inform the parties . . . and then await the jury's verdict."[56] The trial judge should have "immediately" conducted a "hearing in open court to obtain all the relevant facts surrounding the extra-judicial communication," including its impact on the juror's "ability to serve as a juror" and whether any improper information was shared with other jurors.[57] Without such a hearing, the record was inadequate and the case was remanded with instructions to conduct a hearing.[58]

The state high court concluded its opinion with a comment on the digital age. Observing that the judicial process depends on public confidence in its outcomes, the court cautioned that juror communications about a case on social media could erode that confidence.[59] More than that, the court continued, juror misconduct through social media threatens the fundamental American guarantee of a fair trial.[60] And so for these reasons, the court admonished trial courts "to take additional precautions to assure that jurors understand their obligation to base their decisions only on the evidence admitted in court."[61] Specifically, the court explained:

> Trial courts should give jurors specific, understandable instructions that prohibit extra-judicial communications with third parties and the use of technology to obtain facts that have not been presented in evidence. Trial courts should clearly prohibit jurors' use of devices such as smart phones and tablet computers to access social media websites or applications to discuss, communicate, or research anything about the trial. In addition, trial courts should inform jurors that their failure to adhere to these prohibitions may result in a mistrial and could expose them to a citation for contempt. Trial courts should deliver these instructions and admonitions on more than one occasion.[62]

2. What's in a Friend?—Sluss v. Commonwealth

The meaning of a Facebook friendship has become increasingly significant as parties begin to cry foul over jurors' undisclosed Facebook

[55] *Id.* at *9.
[56] *Id.* at *7.
[57] *Id.*
[58] *Id.* at *8.
[59] *Id.* at *9 (citing St. Eve & Zuckerman, *supra* note 3, at 12).
[60] *Id.*
[61] *Id.*
[62] *Id.*

connections.[63] In *Sluss v. Commonwealth*,[64] for example, the Kentucky Supreme Court considered the defendant's claim of juror bias based on, among other things, two jurors' undisclosed Facebook friendships with the victim's mother.[65]

The case arose out of the tragic death of eleven-year-old Destiny Brewer, who died when Ross Brandon Sluss crashed his truck into a vehicle carrying her.[66] Sluss, who was intoxicated at the time, was later charged with murder and other offenses.[67] The case was in the public eye from the beginning and community members "took to the internet to discuss the incident and the upcoming trial on websites such as Facebook and Topix."[68]

At Sluss' trial, the jurors were asked during general voir dire if they knew the victim or her family.[69] Two jurors—call them Juror 1 and Juror 2—said nothing.[70] None of the jurors were asked if they were "Facebook friends" with the victim or her family.[71] Then, during individual voir dire, Juror 1 stated that she had a Facebook account from which she knew only that the murder "happened."[72] Juror 2 stated that she was not on Facebook and knew nothing of the murder.[73] Jurors 1 and 2 sat on the actual jury, which found Sluss guilty of murder.[74]

Defense counsel later discovered that both jurors were "Facebook friends" with the victim's mother, whose Facebook profile contained information about her daughter's death.[75] Counsel proffered screenshots of the pertinent Facebook pages to the trial court and unsuccessfully moved for a new trial.[76]

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[63] *See, e.g.*, W.G.M. v. State, No. CR-12-0472, 2013 WL 4710406, at *1–*4 (Ala. Crim. App. Aug. 30, 2013) (rejecting claim of juror misconduct based on undisclosed Facebook friendship because (1) juror was never asked about social-networking relationships during voir dire; and (2) "the status of being a 'friend' on Facebook does not necessarily equate to a close relationship from which a bias could be presumed").
[64] Sluss v. Commonwealth, 381 S.W.3d 215 (Ky. 2012).
[65] *Id.* at 217.
[66] *Id.*
[67] *Id.* at 218.
[68] *Id.* at 221.
[69] *Id.*
[70] *Id.*
[71] *Id.*
[72] *Id.*
[73] *Id.* at 222.
[74] *Id.* at 221–22.
[75] *Id.*
[76] *Id.*

Sluss then appealed to the Kentucky Supreme Court, arguing primarily that "the mere fact that each juror was a 'Facebook friend' with [the victim's mother] creates a presumption of juror bias and should have been disclosed during voir dire."[77] Not so, the court explained: Facebook friendships "do not necessarily carry the same weight as true friendships or relationships in the community, which are generally the concern during voir dire."[78] Some people, like the victim's mother, have thousands of Facebook friends, and the nature of each friendship "varies greatly, from passing acquaintanceships . . . to close friends and family."[79] As such, the court concluded that "a juror who is a 'Facebook friend' with a family member of a victim, standing alone, is arguably not enough evidence to presume juror bias sufficient to require a new trial"; what matters is the actual nature of friendship.[80]

Although mere Facebook friendships were not enough, the court was troubled by the jurors' apparent misstatements during voir dire and also the trial court's inadequate investigation of the relationship between the jurors and the victim's mother.[81] The state supreme court accordingly reversed and remanded, directing the trial court to consider, among other things, whether the jurors lied during voir dire about their Facebook usage; whether the jurors were, in fact, Facebook friends with the victim's mother and, if so, when they became friends; and the nature and extent of any actual friendships between the jurors and the victim's mother.[82]

3. The Limits on Proactive Measures—Steiner v. Superior Court

Many courts and lawyers now appreciate the challenge of ensuring an impartial jury in the age of social media. In the high-profile prosecution of Jodi Arias, for example, defense counsel sought an order requiring the jurors to reveal their Twitter usernames "so their accounts can be monitored for communications about the case."[83] (The court denied the motion.[84])

Some attempts to ensure impartiality, however, have gone too far. Take, for example, the judicially imposed restrictions at issue in *Steiner v.*

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[77] *Id.* at 222.
[78] *Id.*
[79] *Id.* (explaining further that "Facebook allows only one binary choice between two individuals where they either are 'friends' or are not 'friends,' with no status in between").
[80] *Id.*
[81] *Id.* at 223–24.
[82] *Id.* at 229.
[83] *See Motion on Arias Jurors' Twitter Handles Denied*, ASSOCIATED PRESS (Dec. 4, 2013, 2:02 PM), http://www.myfoxphoenix.com/story/24135483/motion-on-arias-jurors-twitter-handles-denied.
[84] *See id.*

Superior Court.[85] *Steiner* began as an ordinary tort case in which the plaintiff alleged injuries from asbestos in the defendants' products.[86] As the case moved towards trial, however, the defendants became concerned that jurors would "Google" the plaintiff's attorney, Simone Farrise, and see statements on her website about victories in similar cases.[87] After jury selection, but before opening statements, the defendants asked the trial court to order Farrise to remove those references for the duration of the trial.[88] Farrise objected, but the trial court shared the defendants' concern and so granted their request.[89] The court also "admonished the jurors not to Google the attorneys."[90]

After trial, Farrise restored her website and then appealed both the jury verdict (which was for the defendants) and the trial court's order directed at her website. Though the California Court of Appeal affirmed the verdict, it found error in the trial court's order requiring Farrise to take down portions of her website.[91] As the appellate court explained, the order was overbroad and constituted "an unlawful prior restraint on the attorney's free speech rights under the First Amendment."[92] Prophylactic measures directed at a website unrelated to the case went "too far."[93] "Juror

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[85] Steiner v. Superior Court, 164 Cal. Rptr. 3d 155 (Cal. Ct. App. 2013). There are other examples too. *E.g.*, Marceaux v. Lafayette City-Parish Consolidated Gov't, 731 F.3d 488, 494–96 (5th Cir. Sept. 30, 2013) (reversing district court's order shutting down a website in advance of jury selection); William R. Levesque, *Seizure of Juror's Computer Rescinded*, TAMPA BAY TIMES, Jan. 9, 2013, at 1B (reporting that a federal judge ordered the U.S. Marshalls to seize a former juror's personal computer after allegations of Internet misconduct arose after her service; the judge rescinded the order after the prosecutor raised due process concerns). On the limits of the trial court's investigative power, see, for example, Richard Raysman & Peter Brown, *Social Media Use As Evidence of Juror Misconduct*, 11 INTERNET L. & STRATEGY 5, 3 (2013).
[86] *Steiner*, 164 Cal. Rptr. 3d at 157.
[87] *Id.* at 158.
[88] *Id.*
[89] *Id.*
[90] *Id.*
[91] For the discerning reader who wonders why the trial court's order was not moot, the order was indeed moot, but the appellate court concluded that the public interest warranted consideration of the issue. *Id.* at 160 ("The actual order . . . does raise questions as to a trial court's authority to issue an order restricting an attorney's free speech rights during trial to prevent potential jury contamination. Because any order restricting such speech during trial is likely to become moot before [an appeal] can be heard, we agree it raises an issue of broad public interest that is likely to evade timely review." (citing Nebraska Press Ass'n v. Stuart, 427 U.S. 539, 546–47 (1976)).
[92] *Steiner*, 164 Cal. Rptr. 3d at 157.
[93] *Id.* at 166.

admonitions and instructions, such as those given here, were the presumptively adequate means of addressing the threat of jury contamination in this case."[94]

II. THE INFORMAL SURVEY OF ACTUAL JURORS

In March 2012, we reported the preliminary results of our informal survey of actual jurors.[95] We had 140 responses at that time, all from jurors in federal court. Now, with 443 additional responses from jurors in both federal and state court, we revisit the results anew. As explained below, the results show a small but significant number of jurors who were tempted to communicate about the case through social media. Almost all of these jurors ultimately decided not to do so because of the court's social-media instruction. Even jurors who were not tempted to communicate about the case through social media indicated that the court's instruction was effective in keeping their temptation at bay. After briefly describing the survey, we turn to the numbers and then share comments from the jurors themselves.

A. Background on the Survey

For more than three years, actual jurors in Illinois have been asked to complete a short survey at the conclusion of their jury service. The survey began with jurors in the U.S. District Court for the Northern District of Illinois, and about a year ago expanded to jurors in the Circuit Court of Cook County, Criminal Division. All survey responses were anonymous.

Each participating juror sat in either a federal criminal or civil case in the Northern District of Illinois or a state criminal case in Cook County, Illinois. The federal cases were presided over primarily by Judge Amy J. St. Eve.[96] Judge Charles P. Burns presided over all of the state criminal cases. In every case, the presiding judge administered a model social-media instruction during opening and closing instructions.[97] Additionally, in many of the longer trials, the judge daily admonished jurors not to communicate about the case through social media.

The survey asked the jurors about their experience and included these questions about social-media use during trial:

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[94] *Id.* at 157.
[95] *See generally* St. Eve & Zuckerman, *supra* note 3.
[96] U.S. District Judge Matthew F. Kennelly presided over some of the early cases.
[97] For the text of the model instructions on which the actual instructions were based, see Judicial Conference Committee on Court Administration and Case Management, *Proposed Model Jury Instructions: The Use of Electronic Technology to Conduct Research on or Communicate About a Case* (June 2012), http://www.uscourts.gov/uscourts/News/2012/jury-instructions.pdf.

> Were you tempted to communicate about the case through any social networks, such as Facebook, My Space, LinkedIn, YouTube or Twitter?
>
> If so, what prevented you from doing so?[98]

The results that follow are not scientific, nor are they intended to be.[99] Perhaps most significantly, juror participation was voluntary and some jurors may not have been candid (though juror anonymity likely encouraged candor).[100] Despite their informality, the results are nonetheless instructive in navigating the social-media minefield. In addition to the numerical tally, the results come together to form one of the largest collections of comments from actual jurors about social media.

B. The Results

To date, 583 jurors have participated in the informal survey, representing 358 jurors from federal court and 225 jurors from state court. The first question asked the juror whether she was tempted to communicate about the case through social media. Jurors from both federal and state court overwhelmingly responded in the negative, though a sizable, significant minority said "yes" or some equivalent.[101] Here is the breakdown:

	Number	**Percent**
Total	583	- -
Not tempted	520	89.19%
Tempted	47	8.06%
No Response	16	2.74%

Consistent with the preliminary results we reported in March 2012, a significant number of jurors referenced the judge or the judge's instruction as the reason why they did not, or were not even tempted to, communicate about the case on social media.

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[98] The full text of the Jury Questionnaire, together with jurors' responses, is on file with the authors.

[99] *See* St. Eve & Zuckerman, *supra* note 3, at 21 & n.114 (acknowledging the unscientific nature of the results).

[100] *See* ROBERT M. LAWLESS, JENNIFER K. ROBBENNOLT, & THOMAS S. ULEN, EMPIRICAL METHODS IN LAW 77 (2010) (observing that respondent anonymity is likely to increase response rate and accuracy in surveys about "sensitive behaviors").

[101] We observed a slight uptick in the rate of temptation over time. Although no hard conclusions can be drawn due to the unscientific nature of this survey, we believe this may be an area ripe for future inquiry.

Notably, the results from federal and state court are nearly identical. We observed almost the exact same rates of temptation and response across both forums:

	Federal		State	
	Number	**Percent**	**Number**	**Percent**
Total	358	- -	225	- -
Not tempted	317	88.55%	203	90.22%
Tempted	30	8.38%	17	7.55%
No Response	11	3.07%	5	2.22%

We also observed similar comments from jurors in both forums. At almost identical rates, federal and state jurors told us that the judge or the judge's instruction influenced them not to communicate about the case through social media. Jurors across both forums also explained their decision to refrain from social media by mentioning their oath, respect for the judicial process, and integrity.

1. Analysis of Responses from Jurors Who Were Tempted

Across both forums, forty-seven jurors responded that they were tempted to communicate about the case through social media. Forty-five of the forty-seven tempted jurors said that they ultimately did not succumb to their temptation. The two others said nothing either way—one stressed that she was tempted to talk about her "experience" and not "content," and the other simply said that she was tempted to communicate with her "family."

Asked what "prevented" them from communicating about the case on social media, most of the forty-five jurors—forty-one of them—referenced the court's social-media instruction. One juror, for example, said that she wanted to talk about the case on Facebook, but did not because of "the Judge's orders." Others similarly made direct references to judge's social-media instruction in explaining what prevented them from giving in to their temptation:

- "Judge told us not to communicate"
- "The request of the Judge"
- "The Judge's orders" (2 jurors)
- "The Judge"
- "Direct orders"
- "I morally thought I should obey the Judge"
- "The Judge saying not to"
- "The Judge's admonishment"

- "The Judge's instructions"
- "Instructions not to do it"
- "Your instructions"
- "Agreement with judge not to do so"
- "ask[ed] not to"
- "Judge's orders and importance to the case"
- "Nope. The judge was clear about not sharing the information"
- "I was instructed not to, and I tend to do the right thing"
- "I was tempted but told not to, so I follow[ed] the rules"
- "Wanted to but knew I could not"
- "We were told not to"

One juror, who likely sat in a longer trial, pointed to the judge's "daily warnings" (underline in original) as the reason for her restraint. Repetition was important to another juror, who likewise explained that the judge's "repeated directions not to" communicate about the case on social media were effective.

Other tempted jurors indirectly referred to the judge's instruction in explaining why they did not communicate about the case on social media. At least two of them mentioned the "law"—"point of law" and "I have to be loyal to the law"—and numerous others pointed to their oath or respect for the process:

- "I took an oath"
- "My oath"
- "I follow rules under the oath I made"
- "I knew it was my duty to fulfill the oath I took before the court not to say anything"
- "My duty as a jur[or] under oath"
- "Took oath not to communicate"
- "My oath not to tell"
- "I took this very seriously and wanted to do what I swore I would"

- "I swore not to"
- "I had to remind myself that this is a job and I made an oath and was going to follow rules under the oath I made"
- "I was tempted, but my respect for the privilege of service as a juror to our Court System prevented me from doing so"
- "I respect the process"

Consistent with the court's instructions, others decided not to give in to their social-media temptations because they understood that doing so would threaten their impartiality. One juror, for example, was tempted by Google but stayed offline in order "to keep an open mind." Other jurors explained their decision like this:

- "I did not want to sway my opinion"
- "To keep an open mind"
- "Afraid I would be bias[ed]"
- "Changing my personal opinion"

Although no jurors were threatened with contempt, two jurors sought to avoid criminal sanctions; in their words:

- "I didn't want to ruin the trial or get arrested or something"
- "JAIL" (capitals in original)

In an apparent recognition of the mistrial that might result, one juror decided not to communicate about the case in light of the "time invested of all jurors." Another juror similarly remarked that as the trial went on, her temptation diminished because she "then had enough invested not to."

2. Analysis of Responses from Jurors Who Were Not Tempted

The overwhelming majority of jurors—520 or 88.55 percent of the sample—reported no temptation to communicate about the case through social media. Some were emphatic about it:

- "No not at all" (nine jurors)
- "Absolutely not" (three jurors)
- "<u>No</u>" (underline in original; ten jurors)
- "No!"

Although most jurors responded to the question about temptation by stating simply "no" or some equivalent, about seventy jurors went further without any prompt and explained why. The comments from these jurors are revealing.

Similar to those from the tempted jurors, the comments from the jurors who were not tempted overwhelmingly related to the court's social-media instruction. Many jurors explicitly referenced the judge or the instruction as the reason for their lack of temptation:

- "The Judge's orders" (three jurors)
- "The Judge asked us not to"
- "The Judge's instruction" (two jurors)
- "The Judge made it pretty clear not to"
- "The Judge's order not to discuss the case"
- "The Judge said not to"
- "Judge's admonition to not communicate about the case"
- "instructed not to"
- "stayed true to my given orders"
- "Instructed by Judge not to"
- "I was told not to"
- "Because the Judge instructed us not to"
- "The fact that we were not supposed to"
- "did not want to break the rules"
- "Jury instructions"
- "The Judge"
- "No, Judge said not to!"
- "You told us not to"
- "Judge asked us not to go online re: this case"
- "Judge's direction"
- "the reminders from the judge were good all the same"
- "Followed requests of court not to discuss"

- "The warning"
- "instructions from the Judge" (two jurors)
- "was instructed not to"
- "ordered not to look"

One juror characterized the social-media instruction as a "gag order" and explained that she did not discuss the case on social media because "there was a gag order prohibiting us from discussing the trial." Two jurors said "the law," and another remarked that "its against the law" to communicate about the case through social media.

Other jurors' explanations for their lack of temptation linked the social-media instruction to principles of fairness:

- "The Judge's instructions and I did not want to compromise the case"
- "Judge's direction [and] wanted to provide a fair and unbiased decision"
- "[The Judge] instructed us not to look through any social networks. Besides, I want to hear and see evidence of the case"
- "My own personal belief but the judge's orders"

Some jurors just referenced fairness as the reason for their lack of temptation:

- "Did not want to jeopardize proceeding in any way"
- "I didn't want to be biased in the case"
- "I did not want to compromise the case"

For a handful of jurors, their lack of temptation and their juror oaths went hand-in-hand:

- "I was sworn to not say anything"
- "it would have been improper once I was instructed not to"
- "My duty not to do so"

Others attributed their lack of temptation to something more personal:

- "promise to God"
- "morally"

- "I took this very serious[ly] and kept my mouth shut"
- "I was not going to undermine the integrity of the process"
- "Civic duty"
- "My sense of integrity"
- "Kept an open mind"
- "did my job"
- "Respect" (two jurors)
- "Got home too late to think about going on Facebook :)"

For one juror, refraining from prohibited social-media communications was a source of personal pride: "I was proud of the fact that we, as a jury, did not discuss the case until it came time for deliberations." For another, it was out of "fear," presumably another reference to being held in contempt for violating the court's instruction. And since jurors, after all, are human, one remarked that "nothing" could prevent her from using social media to communicate about the case, although she insisted she was not tempted to do so.

Finally, in reporting no temptation, twenty jurors explained that they do not use (or have no interest in ever using) social-networking services. Thirteen of them, or 65 percent, were from federal court, with the remaining seven jurors, or 35 percent, from state court. Additionally, the rate of jurors reporting that they do not use social media increased with time in both federal and state court. The comments from these jurors are a good reminder that, despite the rise of social media, not every juror is a user. Some of their comments include:

- "<u>not big on technology</u>!" (underline in original)
- "don't use any of those"
- "I don't use them, except for LinkedIn but I do not 'chat' on the Internet"
- "don't use them"
- "I do not use social networks"
- "I do not use any of those social networks ever"
- "don't use those things much"
- "I don't have any accounts"

- "I very rarely use these networks"
- "I don't use social networks to communicate"
- "No interest"
- "I am not on any of those networks. Just follow Twitter but do not Tweet"
- "I don't really do 'social networks'"
- "No, I don't use that too much"
- "I don't 'social network' anyway"
- "don't use those elect. gadgets"
- "I don't use social networks much"
- "not on social networks"
- "not interested"
- "didn't want to"
- "don't use those sites"
- "don't have, don't care"
- "I don't use them"

III. BEST PRACTICES FOR ENSURING AN IMPARTIAL JURY IN THE AGE OF SOCIAL MEDIA

A. Employ a Social-Media Instruction

The informal survey responses, though unscientific, support the emerging majority view that the best way to ensure an impartial jury in the age of social media is through carefully crafted jury instructions.[102] As borne out by jurors in our sample, such instructions can effectively mitigate the risks of juror misconduct associated with social media. As dozens of jurors told us, they did not communicate about the case on social media because of the "Judge's instruction," or because "[t]he Judge made it pretty clear not to."

Unlike more draconian tools like threats of imprisonment and blanket technology bans, social-media instructions are more respectful of

[102] Christian Nolan, *Supreme Court Requires Jury Instruction to Avoid Social Media*, CONN. LAW. TRIB. (Aug. 9, 2013, 6:22 PM), http://www.ctlawtribune.com/id=1202614781226 (describing the practices of the Connecticut state court system).

jurors, and less likely to negatively impact their willingness to serve.[103] Trial judges are intimately familiar with instructing juries and have traditionally relied on instructions as the primary defense against misconduct.[104] There is no reason to deviate now. The law presumes that jurors will follow their instructions,[105] and in the social-media context, scores of actual jurors told us that they actually did.[106]

Social-media instructions may not prevent every instance of juror misconduct. Instructions are not a silver bullet, but there likely is none; after all, the jury system is "fundamentally human"[107] and therefore entails a "risk of human fallibility."[108] But as experience, studies and our informal survey results support, a social-media instruction is a necessary and often independently sufficient method to minimize, if not eliminate, the risk of juror misconduct through social media. Resolving to employ a social-media instruction, however, is only the beginning. There are further questions of timing and content.

B. Instruct on Social Media Early and Often

Courts should instruct juries on social media early and often. We suggest an instruction in the judge's opening remarks to the jury, as a part of the judge's closing instructions before the jury begins deliberations, and daily in trials spanning several days. Indeed, one of the jurors in our sample lauded the judge for the "daily" instruction. Another said that she was tempted at the beginning but less so over time, which underscores the importance of repetition.[109]

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[103] *See* J.E.B. v. Alabama *ex rel.* T.B., 577 U.S. 127, 146 (1994) (observing that the integrity of our jury system depends on full public participation in the process).

[104] *See* Steiner v. Superior Court, 164 Cal. Rptr. 3d 155, 163 (Cal. Ct. App. 2013) ("It is well established that 'frequent and specific cautionary admonitions and jury instructions . . . constitute the accepted, presumptively adequate, and plainly less restrictive means of dealing with the threat of jury contamination.'" (citation omitted) (modification in original)).

[105] *See* Weeks v. Angelone, 528 U.S. 225, 234 (2000) ("A jury is presumed to follow its instructions.").

[106] *See supra* Part II.B.2.

[107] People v. Marshall, 790 P.2d 676, 699 (Cal. Ct. App. 1990).

[108] Anderson v. Fuller, 455 U.S. 1028, 1033 (1982); *see also* Rideau v. Louisiana, 373 U.S. 723, 733 (1963) (Clark, J., dissenting) ("[I]t is an impossible standard to require that tribunal to be a laboratory, completely sterilized and freed from any external factors.").

[109] *See also* State v. Smith, No. M2010-01384, 2013 WL 4804845, at *9 (Tenn. Sept. 10, 2013) ("Trial courts should deliver [social-media and Internet-related] instructions and admonitions on more than one occasion.").

C. Make the Instruction Effective

The mere existence of a social-media instruction, without regard to content, might be enough for some jurors, as it was for two jurors in our sample. One juror said, "I am an honest person so knowing I had rules to follow made it easy." Another juror agreed: "I am a rule follower." Though not unique, jurors of this type are rare.

For most jurors, the content of the social-media instruction is what matters. Our prior article provided some suggestions about effective content and highlighted the numerous articles and model instructions that can guide the reader on the subject. We take the same approach here, and briefly offer some guiding principles.

1. Hit Social Media on Its Head

At its core, an effective social-media instruction must appreciate the changing nature of the risk and the importance of social media to the modern-day juror.[110] Social media has become part of Americans' daily lives; many use Facebook, Twitter and other social networks almost reflexively, and increasingly from their mobile devices.[111] Some jurors may not even realize that it is wrong to communicate on social media about the case. And given the extraordinary ability to broadcast oneself on social media, even one-sided online comments like "I am on jury duty" can invite responses and start a conversion.[112]

This brave new world of social media "now requires trial courts to take additional precautions" to preserve the fairness and integrity of the jury system.[113] Standard "no communication" instructions will no longer do;

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[110] *See For Modern Jurors, Being On a Case Means Being Offline*, NAT'L PUB. RADIO (June 24, 2013), http://www.npr.org/blogs/alltechconsidered/2013/06/24/195172476/jurors-and-social-media [hereinafter *Modern Jurors*]. For a succinct discussion of the dangers specific to social media, see, for example, the Tennessee Supreme Court's discussion in *Smith*, 2013 WL 4804845, at *5–*7, and our prior discussion, *see* St. Eve & Zuckerman, *supra* note 3.

[111] *See Modern Jurors*, *supra* note 110; Maeve Duggan & Aaron Smith, *Cell Internet Use 2013*, PEW INTERNET & AMERICAN LIFE PROJECT (Sept. 16, 2013), http://pewinternet.org/Reports/2013/Cell-Internet.aspx (reporting that 63 percent of cell-phone users access the internet through their phone).

[112] *See* Martin, *supra* note 23 (juror struck for saying she was on the jury in a high-profile case). As one New Jersey judge put it, even a seemingly innocent Tweet can be seen as "an invitation to a conversation." *Modern Jurors*, *supra* note 110.

[113] *Smith*, 2013 WL 4804845, at *9; *see also* Steiner v. Superior Court, 164 Cal. Rptr. 3d 155, 165 (Cal. Ct. App. 2013) ("The traditional prohibition against external communication and outside research must be rewritten to meet the demands of the twenty-first century." (quoting Laura Whitney Lee, Note, *Silencing the 'Twittering Juror': The Need to Modernize Pattern Cautionary Jury*

courts must explicitly admonish jurors against using Facebook, Twitter, and other social media to communicate about the case or their jury service during trial.[114] Because the social-media world is constantly changing, the instruction should use broad language that captures the universe of potential digital communications tools at jurors' fingertips. The resulting social-media instruction might sound like "something out of a Best Buy catalog" (as one news report put it),[115] but no matter: Specificity is critical and is becoming the new reality in American courtrooms.[116]

2. Include a Meaningful Explanation

In stating why she followed the court's instruction, one juror in our sample pointed out that the judge "explain[ed]" the rule. Another said that she "felt the request was justified." Particularly at a time when restrictions on social-media use "might feel like solitary confinement" to some,[117] it is important to tell the jury why the restrictions exist. It is not because of some technical legal formality, but is necessary to ensure the fundamental fairness of the trial in a variety of ways. By explaining to the jury the important reasons that underlie the rule, jurors are more likely to be invested in preserving the integrity of the process and less likely to write off the rule as unimportant or unnecessary.

3. Remind Jurors of Their Oath and Its Importance

Jurors generally want to do the right thing. They recognize that "[j]ury service is a duty as well as a privilege of citizenship," and that their work is essential to the fair administration of justice.[118] Some may cringe at the prospect of jury duty, but in our experience, nearly all who serve take their obligation seriously and find the experience personally rewarding. It is thus not surprising that many jurors in the informal survey referenced their oaths as the reason they did not communicate about the case on social

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Instructions to Reflect the Realities of the Electronic Age, 60 DEPAUL L. REV. 181, 186 (2011))).

[114] *See, e.g.*, Kervick v. Silver Hill Hosp., 72 A.3d 1044, 1059 n.11 (Conn. 2013) (encouraging all state courts to adopt a model instruction that explicitly covers "all types of oral and written communications, including electronic communications such as e-mailing, blogging, texting, Twittering, and posting on Facebook and other social networking sites").

[115] *See Modern Jurors*, *supra* note 110.

[116] *See id.* ("[W]hile jurors were once warned not to discuss with others the cases they were hearing, warnings to jurors in today's social media age have become much more consistent. Jurors are increasingly hearing what they should not do with the devices that connect them to the world.").

[117] *See id.*

[118] *See* Thiel v. S. Pac. Co., 328 U.S. 217, 224 (1946).

media.[119] Staying true to their oath was personal—a source of "pride" for one, a "civic duty" for another, and a matter of "respect" for several others.

An effective instruction should capitalize on these concepts, weaving them into the instruction. Rather than threatening jurors with contempt, jury instructions should remind the jurors of their oath and its importance, and work in references to civic pride, respect, and democratic ideals.[120] These concepts resonate with jurors and help them to further appreciate their opportunity to "participate in the administration of justice," an opportunity that one scholar has called the "pinnacle of democratic participation."[121]

4. Don't Forget the Basics

Juror misconduct through social media is a growing concern, but not all jurors use social media. Even for the vast majority that do, social media is not the only vehicle through which they can commit misconduct. One of the jurors in our sample, for example, volunteered that he was not tempted to use social media, "but I did want to research the case." A juror in a recent high-profile case in New York admitted to doing just that, and was swiftly dismissed from the case (after some stern comments from the judge).[122] And according to another recent report, an Oklahoma state court juror did something much more basic: She drove by the crime scene during deliberations.[123] The takeaway? Remain vigilant about social media. But don't be blinded by it.

CONCLUSION

"The jury system is an institution that is legally fundamental but also fundamentally human."[124] There is no perfect solution to the growing risk of juror misconduct associated with social media. But there are effective ways to mitigate the risk and preserve the fairness and integrity of the system. Based on informal survey data from 583 actual jurors, we continue to suggest that courts employ specialized social-media instructions early and often during trial. Our survey data may be unscientific, but the voices of actual jurors speak volumes. They tell us that jurors tend to follow

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[119] *See supra* Part II.B.1.
[120] *See, e.g.*, Andrew Guthrie Ferguson, *The Joy of Jury Duty*, THE ATLANTIC, May 3, 2013 ("Turning the dread of jury duty into a form of enjoyment begins with understanding why jury duty matters.").
[121] Brian C. Kalt, *The Exclusion of Felons from Jury Service*, 53 AM. U.L. REV. 65, 129 (2003).
[122] Singer, *supra* note 34.
[123] *See* Wilkerson v. Newton-Embry, No. 09-CV-00251, 2012 WL 2571277, at *3 (N.D. Okla. July 02, 2012).
[124] People v. Marshall, 790 P.2d 676, 699–700 (Cal. 1990).

properly crafted social-media instructions; that jurors generally appreciate their critical role in the judicial process; and that these conclusions apply with equal force to jurors in both federal and state court.

Wheeler/Batson: Anti-Bias Procedures in Jury Selection

by William Woods
(California Bar Journal, November 2013)

In every criminal jury trial, attorneys winnow the venire by excusing those panel members they fear will not benefit their side's interests. With each juror excused, the other side may intone, "Objection, *Wheeler/Batson*," thereby invoking the trial court's obligation to ensure each trial is conducted with a jury representing a cross-section of California's diverse population.

Since 1978, attorneys in California criminal trials have been forbidden to exercise peremptory challenges based on a lawyer's belief that certain individuals are biased because they are a member of a specific racial, ethnic or religious group. (*People v. Wheeler* (1978) 22 Cal.3d 258, 276, citing, Ca. Const., art. 1, § 16 [right to representative trial by jury drawn from cross-section of community], overruled in part by *Johnson v. California* (2005) 545 U.S. 162, 168-173 [125 S.Ct. 2410, 162 L.Ed.2d 129].) In 1986, the U. S. Supreme Court followed California's lead and held that jury challenges based on group bias violate the Equal Protection Clause of the Fourteenth Amendment. (*Batson v. Kentucky* (1986) 476 U.S. 79, 89 [106 S.Ct. 1712, 90 L.Ed.2d 69].) This has commonly become known as the "*Wheeler/Batson*" rule.

California also prohibits the use of peremptory challenges based on gender or sexual orientation. (Code of Civ. Proc., § 231.5; *People v. Williams* (2000) 78 Cal.App.4th 1118, 1125.) In 2000, the California Legislature statutorily adopted *Wheeler*, applying the anti-discrimination standard to both civil and criminal trials. (Code of Civ. Proc., § 192.) Similarly, in *Edmonson v. Leesville Concrete Co*. (1991) 500 U.S. 614, 630-631 [111 S.Ct. 2077; 114 L.Ed.2d 660], the U. S. Supreme Court barred peremptory challenges based on group bias in civil lawsuits in federal district court.

The focus of this article is application of the anti-bias standard to criminal jury selection in California state courts.

Who is protected?

The *Wheeler/Batson* process is triggered by an objection from either party, defense or prosecution, that the other side is dismissing jurors in a discriminatory manner. (*Georgia v. McCollum* (1992) 505 U.S. 42, 59 [120 L.Ed.2d 33, 112 S.Ct. 2348 [defense counsel]; *Powers v. Ohio* (1991) 499 U.S. 400, 402 [113 L.Ed.2d 411, 111 S.Ct. 1364 [prosecutor].) As well, at least one case held that a judge, without either party lodging a *Wheeler/Batson* objection, has the inherent power to initiate an inquiry if he or she believes an attorney is employing their peremptory challenges in a discriminatory manner. (*People v. Lopez* (1991) 3 Cal.App.4th Supp. 11, 15.)

For *Wheeler/Batson* to apply, the individual juror being dismissed must be a member of a cognizable group. *Wheeler* held membership in a cognizable group to be "members of an identifiable group distinguished on racial, religious, ethnic, or similar grounds…"(*People v. Wheeler*, *supra*, 22 Cal.3d at p. 276.) The impetus for the objection is that the attorney's reason for dismissing a particular juror was his or her belief that members of a particular race, religion,

ethnicity, sexual orientation or gender think alike merely because they are a member of that cognizable group. In other words, the attorney "judges" the juror by "the color of their skin [not] by the content of their character." (Martin Luther King, *I Have A Dream*, (Aug. 28, 1963).)

Among the racial groups specifically recognized in case law as the subjects of potential group bias have been African Americans (*Batson v. Kentucky*, *supra*, 476 U.S. at p. 89); Hispanic Americans (*People v. Trevino* (1985) 39 Cal.3d 667, 684 (disapproved on other grounds in *People v. Johnson* (1989) 47 Cal.3d 1194, 1219-1221, but see *People v. Gutierrez* (2002) 28 Cal.4th 1083, 1123, [non-Hispanic with Hispanic last name, acquired through marriage is not a group member]); Asian Americans (see *People v. Bell* (2007) 40 Cal.4th 582, 599.); and Native Americans (*Kesser v. Cambra* (9th Cir. 2006) 465 F.3d 351, 368.) Similarly, cases have found it improper to dismiss prospective white male jurors based solely on their gender and race. (*People v. Williams* (2000) 78 Cal.App.4th 1118, 1125; *People v. Willis* (2002) 27 Cal.4th 811, 813-814.) While there are numerous cases involving racial groups, there are limited examples where a party was accused of dismissing a juror because of his or her ethnicity. (See, e.g. *United States v. Sgro* (1st Cir. 1987) 816 F.2d 30, 33 [Italian Americans].)

It is also improper to dismiss a juror because of their religious affiliation. (*People v. Johnson* (1989) 47 Cal. 3d 1194, 1217; *People v. Schmeck* (2005) 37 Cal. 4th 240, 266.) However, a juror whose religious beliefs would prevent him or her from being able to deliberate fairly, such as opposition to the death penalty, may be dismissed without violating *Wheeler/Batson*. (*People v. Ervin* (2000) 22 Cal.4th 48, 70.) Finally, jurors may not be dismissed because of gender or sexual orientation. (*People v. Crittenden* (1994) 9 Cal.4th 83, 115-116 [women]; *People v. Williams*, *supra*, 78 Cal.App.4th at p. 1125 [men]; *People v. Garcia* (2000) 77 Cal.App.4th 1269, 1281 [sexual orientation].)

The protection offered under *Wheeler/Batson* extends to many different groups, but is not unlimited. To be considered a "cognizable group," members must share common life experiences not possessed by others in the community, and there must be no other group which can represent their perspective on the jury panel. (*Rubio v. Superior Court* (1979) 24 Cal.3d 93, 98, plurality opn.) Using such a rubric, courts have rejected numerous putative groups for *Wheeler/Batson* consideration including: the poor (*People v. Burgener* (2003) 29 Cal.4th 833, 856); individuals over the age of 70 (*People v. McCoy* (1995) 40 Cal.App.4th 778, 783); ex-felons (*People v. Karis* (1988) 46 Cal.3d 612, 633-634); non-citizens (*Ibid*.); jury nullification advocates (*Merced v. McGrath* (9th Cir. 2005) 426 F.3d 1076, 1080); "people of color" (*People v. Davis* (2009) 46 Cal.4th 539, 583) and limited English speakers (*People v. Lesara* (1988) 206 Cal.App.3rd 1304, 1309).

Trial court procedure: Timely objection

If a party believes the other attorney is exercising their peremptory challenges in a discriminatory manner in a criminal trial, they must make a timely objection. "'[I]t is necessary that a *Wheeler* objection be made at the earliest opportunity during the voir dire process,' and an objection first raised after the jury and alternates have been sworn is untimely." (*People v. Perez* (1996) 48 Cal.App.4th 1310, 1314.) If the parties have accepted the jury panel, but while selecting alternates a *Wheeler/Batson* objection is made, the issue is reopened not only as to

alternates but as to how the party exercised their peremptories for the seated panel members. (*People v. Gore* (1993) 18 Cal.App.4th 692, 703.) While either party may object, there is no requirement that the party issuing the challenge be a member of the group he is alleging is being improperly dismissed. (*Powers v. Ohio*, *supra*, 499 U.S. 400 at p. 402 [upholding white defendant's challenge of prosecutor's exclusion of African Americans].)

Step one: Proponent's burden

Once the objection has been lodged the trial court engages in a three-step process. (*Johnson v. California*, *supra*, 545 U.S. at p. 168.) The first step requires the trial court to resolve whether or not the proponent has raised "a prima facie case 'by showing that the totality of the relevant facts gives rise to an inference of discriminatory purpose.'" (*Ibid*. [overruling prior case law requiring proponent to show a strong likelihood of invidious intent.]) It is not enough for the proponent to simply point out that an attorney has dismissed, for example, a Hispanic juror. (*People v. Adanandus* (2007) 157 Cal.App.4th 496, 503-505.) Instead, the *Wheeler* court suggested a number of factors which may raise an inference of discriminatory intent including, where a party "has struck most or all of the members of the identified group from the venire, or has used a disproportionate number of his peremptories against the group. He may also demonstrate that the jurors in question share only this one characteristic — their membership in the group — and that in all other respects they are as heterogeneous as the community as a whole." (*People v. Wheeler*, *supra*, 22 Cal. 3d at p. 280.) Additional evidence of an invidious intent may be that the opposing party engaged the dismissed jurors in nothing "more than desultory voir dire, or indeed [failed to] ask them any questions at all." (*Id*. at pp. 280-281.)

While in most cases the *Wheeler/Batson* objection is raised where the attorney has engaged in a pattern of dismissing group members, the dismissal of only one juror for an invidious purpose is enough. As one court held, "If a single peremptory challenge of a prospective juror in the subject cognizable group is not justified, the presumption of systematic exclusion is not rebutted." (*People v. Gonzalez* (1989) 211 Cal.App.3d 1186, 1193.)

Step two: Race neutral justification

If the court finds a prima facie inference of discriminatory action, the judge then asks the lawyer to provide a justification for each challenged peremptory. In answering the trial court's inquiry, "The justification need not support a challenge for cause, and even a 'trivial reason,' if genuine and neutral will suffice." (*People v. Arias* (1996) 13 Cal.4th 92, 136.) "It is true that peremptories are often the subjects of instinct, [citation], and it can sometimes be hard to say what the reason is. But when illegitimate grounds like race are in issue, [an attorney] simply has got to state his reasons as best he can and stand or fall on the plausibility of the reasons he gives." (*Miller-El v. Dretke* (2005) 545 U.S. 231, 252 [125 S.Ct. 2317, 162 L.Ed.2d 196]

Since 1978 numerous reasons have been found to be a proper justification. Note: This list, while not comprehensive, includes cases where an appellate court upheld the dismissal of a juror even though the specific individual(s) were members of a cognizable group. However, no mere recitation of these reasons will protect any attorney from *Wheeler/Batson* if they have an invidious intent. Here are just a few those approved reasons:

- **Antipathy towards prosecutor or criminal justice system.** *People v. Mayfield* (1997) 14 Cal.4th 668, 724 [juror "expressed some suspicion of prosecutors in general, and … appeared to lack confidence in the ability of the judicial system to 'convict the right people.'"]

- **Bad feelings towards law enforcement.** *People v. Johnson* (1989) 47 Cal.3d 1194, 1217 ["Ms. S.'s ex-husband was a policeman, and she seemed to be prejudiced against policemen."]

- **Family member with criminal conviction.** *People v. Cummings* (1993) 4 Cal.4th 1233, 1282 [juror's "brother had been convicted of a crime and may have been prosecuted by another deputy [district attorney] in the same office."]

- **Juror's occupation**. *People v. Semien* (2008) 162 Cal.App.4th 701, 708 [attorney's dismissal of African American minister was upheld because he believed pastor was in "business of forgiveness" and would not vote guilty despite juror's assurance to the contrary]

- **Hostile looks.** *People v. Gutierrez*, (2002) 28 Cal.4th 1083, 1125 [attorney indicated juror "had given him looks that made him uncomfortable."]

- **Hunches.** *People v. Hall* (1983) 35 Cal.3d 161, 170 [attorneys "may act freely on the basis of 'hunches,' unless and until these acts create a prima facie case of group bias, and even then he [or she] may rebut the inference."]

- **Manner of dress.** *People v. Barber* (1988) 200 Cal.App.3d 378, 396 [proper to excuse juror whose "clothes or hair length suggest an unconventional lifestyle.'"]

- **Previous service on hung jury.** *People v. Farnam* (2002) 28 Cal.4th 107, 135 [previous service on hung jury "'constitutes a legitimate concern for the prosecution, which seeks a jury that can reach a unanimous verdict….'"].

Step three: Court ruling

Following the attorney's explanation, the trial court must decide if the proffered reasons are true or merely a pretext (a lie) cloaking an invidious intent. Of course, lying to the trial court would be a clear violation of Rule of Professional Conduct, Rule 5-200(B), which bars an attorney from seeking to "mislead" a judge or judicial officer by any "false statement of fact..." (See also, Bus. &Prof. Code, § 6068, subd. (d).)

In making this decision, the best evidence of whether a race-neutral reason should be believed is often "'the demeanor of the attorney who exercises the challenge,' and an 'evaluation of the [attorney's] state of mind based on demeanor and credibility...'" (*Hernandez v. New York* (1991) 500 U.S. 352, 365 [114 L.Ed.2d 395, 111 S.Ct. 1859].) To evaluate the proffered reasons, a trial or appellate court may engage in comparative analysis in which the judge considers a number of factors to evaluate the veracity of the attorney's stated reason for exercising a peremptory

challenge compared to a number of other factors. (*Miller-El v. Dretke* (2005) 545 U.S. 231[125 S.Ct. 2317, 162 L.Ed.2d 196].)

For example, did the prosecutor, as the one in Miller-El, dismiss 10 African American jurors out of the 11 challenges he used? As the Supreme Court observed, "Happenstance is unlikely to produce this disparity." (*Id*. at p. 241.)

The trial court can also compare the dismissed juror against similar jurors not a member of the cognizable group, whom the lawyer did not dismiss. (*Ibid*.) For example, if an attorney explained that he dismissed an Asian-American teacher because of her occupation, the lawyer needs to have a good explanation for retaining a similar non-Asian-American teacher on the panel. The judge can also consider whether or not the attorney failed to fully question the juror he or she now seeks to dismiss. (*Id*. at p. 246.)

Trial court remedies for invidious discrimination

If the trial court concludes a juror has been improperly dismissed, it has a number of remedies, including dismissing the panel and commencing jury selection again with a completely new venire. (*People v. Wheeler*, *supra*, 22 Cal.3d at p. 282.) Alternatively, if the moving party agrees, the trial court can order the improperly dismissed juror reseated if they are able to serve. (*People v. Willis*, *supra*, 27 Cal.4th p. 811.) Additionally, if the judge warned the attorneys before starting jury selection to comply with *Wheeler/Batson*, he or she can also impose monetary sanctions. (*People v. Muhammad* (2003) 108 Cal.App.4th 313, 324-325.) The trial court may as well give the aggrieved party additional peremptory challenges. (*People v. Willis*, *supra*, 27 Cal.4th at p. 821.)

Attorneys have the responsibility to uphold the law. Business and Professions Code section 6068 subdivision (a) specifically mandates that lawyers "support the Constitution and the laws of the United States and of this state." A lawyer's use of peremptory challenges for an invidious reason fails to support the law and is arguably a violation of these rules. If the trial court imposes a sanction over $1,000, the attorney must report him/herself to the State Bar. (Bus. & Prof. Code, § 6068, subd. (o).) If the case itself is reversed by an appellate court for a *Wheeler/Batson* violation, certain State Bar prosecutors consider that to be a self-reportable offense as well. (*Ibid*.)

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Ethical Issues that Arise From Social Media Use in Courtrooms

by Sharon R. Klein, Angelo A. Stio III, and Brian Zurich

With the rampant expansion of social media and online technologies over the past decade, it is no surprise that Facebook, MySpace, Twitter, Instagram, YouTube and blogs have made their way into the courtroom, pervaded the jury box, and even pierced the veil of judges' chambers. This expansion of social media technologies has raised many questions about the use of the information that can be obtained and the ways attorneys go about obtaining that information. This article addresses some of the ethical issues that can arise when an attorney turns to social media platforms or online technology during a trial.

Social media research has been described as the wild West by some legal commentators, and for this reason bar associations throughout the country have started establishing parameters for ethical online social media research at trial. About a year ago, during the summer of 2012, the New York State Bar Association Committee on Professional Ethics issued Formal Opinion No. 2012-2, titled "Jury Research and Social Media." To date, the opinion appears to be the most comprehensive analysis of the subject.

Formal Opinion 2012-2 addresses the ethical restrictions that apply to an attorney's use of social media websites to research potential or sitting jurors. The starting point for this analysis was the New York Rules of Professional Conduct (RPCs) and in particular, RPC 3.5, which addresses the maintenance and partiality of tribunals and jurors. Among other things, RPC 3.5 states that "a lawyer shall not ... (4) communicate or cause another to communicate with a member of the jury venire from which the jury will be selected for the trial of a case or, during the trial of a case, with any member of the jury unless authorized to do so by law or court order."

This rule is similar to New Jersey RPC 3.5, titled "Impartiality and Decorum of the Tribunal." Under New Jersey RPC 3.5(c) a lawyer shall not communicate *ex parte* with a juror or prospective juror except as permitted by law.

Social Media Research of Jurors During the Jury Selection Process

In light of the language in New Jersey's and New York's versions of RPC 3.5, one of the ethical issues that arises most often involves the use of social media research during the jury selection process. Formal Opinion 2012-2 analyzed this issue and found that "[i]f a juror were to (i) receive a 'friend' request (or similar invitation to share information on a social network site) as a result of an attorney's research, or (ii) otherwise to learn of the attorney's viewing or attempted viewing of the juror's pages, posts, or comments, that *would* constitute a prohibited communication if the attorney was aware that her actions would cause the juror to receive such message or notification."[1]

Formal Opinion 2012-2 found that the same attempts to research a juror *might* constitute a prohibited communication even if inadvertent or unintended, because NY RPC 3.5 does not contain a *mens rea* requirement. The same appears to be true with NJ RPC 3.5, which does not contain a *mens rea* requirement, and by its express terms prohibits all *ex parte* communications with jurors, even if inadvertent.

Thus, if an attorney does not know the functionality of a social media platform, he or she should proceed with caution in conducting research, and should keep in mind the possibility that even an accidental, automated notice to the juror could be considered a violation of the rules of professional conduct.[2] Fortunately, most search engines for social media platforms do not permit registered members to learn who accessed their information. LinkedIn, however, allows its registered members to learn of individuals who viewed their pro-

files, and attorneys should understand the functionality of the LinkedIn search engine and other similar search engines to minimize the risk of unintended communications with prospective jurors.

Although some attorneys may question if Internet research on jurors is even permissible during *voir dire*, the New Jersey Appellate Division found the practice acceptable. In *Carino v. Muenzen*,[3] a medical malpractice action, the plaintiff's counsel was using Google to conduct research on potential jurors in the *venire*. When this was brought to the attention of the trial judge, the court prohibited the research because: 1) the plaintiff's counsel did not provide advance notice to the court and opposing counsel, and 2) the judge wanted to create an "even playing field," since the defendant's counsel was not conducting the same research.[4]

On appeal, the plaintiff's counsel argued that the trial court abused its discretion during jury selection by precluding him from accessing the Internet to obtain information on prospective jurors. The Appellate Division noted that no authority exists for the trial court's determination that counsel is required to notify an adversary and the court in advance of accessing the Internet during jury selection or any other part of a trial. The Appellate Division also criticized the trial court's effort to create an "even playing field," noting that Internet access was open to both counsel. It thus concluded that the trial court acted unreasonably in preventing use of the Internet by the plaintiff's counsel, but nevertheless affirmed the judgment because the plaintiff's counsel had not demonstrated any prejudice resulting from the failure to use Internet research on potential jurors.[5]

Assuming access to the Internet is available, *Carino v. Muenzen* provides support for the principle that online research of potential jurors is permissible in New Jersey courts.

A federal court in the Eastern District of New York recently issued a similar ruling in *U.S. v. Watts*.[6] There, the defendant's counsel in a criminal matter filed a motion to permit a jury consulting firm to perform Internet research on potential jurors. The initial application to the court requested the name of jurors in the jury pool in advance of when the *venire* appeared, so research could be performed in advance. This portion of the application was denied. The court, however, allowed the parties to conduct Internet research on potential jurors during the *venire*, on the following three conditions: 1) the parties could not make unauthorized or improper direct contact with prospective or current jurors, including using social networking platforms that would leave a record with the account holder of having been searched; 2) the parties were barred from informing jurors that Internet searches were being conducted regarding them; and 3) if any party had reason to believe a juror may have neglected to disclose information bearing on his or her fitness to serve as a juror, that party was required to inform the court and opposing counsel immediately.[7] On this last restriction, the court noted that an "attorney's duty to inform the court about suspected juror misconduct trumps all other professional obligations, including those owed a client."[8]

Not all courts, however, agree that Internet research on jurors is permissible or even beneficial. Recently, a judge in Montgomery County, Maryland, denied a request to allow a defense attorney in a child sex abuse case to use the Internet to research potential jurors during the jury selection process.[9] The judge believed Internet research on potential jurors was totally inappropriate and could have a chilling effect on jury service if invidivuals knew they were going to be "Googled" as soon as they walked into the courthouse.[10]

Social Media Research of Jurors During Trial

A second issue that arises with social media research is whether attorneys can continue to research and monitor the actions of sitting jurors during a trial. In this regard, the same ethical restrictions that apply to communications with potential jurors also apply to sitting jurors. These restrictions include the prohibition on an attorney communicating directly and indirectly with a sitting juror. Despite these restrictions, attorneys are well served to engage in unobtrusive monitoring of jurors during trial to ensure an unbiased, independent jury.[11] Indeed, in a recent survey by the Federal Judicial Center, 79 percent of judges who responded said they had no way of knowing whether jurors had violated a social media ban.[12] As such, social media monitoring is often left in the hands of counsel and, in some higher profile cases, the media. This was the case in the corruption trial of former Baltimore Mayor Sheila Dixon. There, a newspaper reported that certain members of the jury were communicating with each other about the case via Facebook.[13] This report served as one of the bases for the mayor to seek a new trial. Before the court could rule on the application, however, a plea was entered. Nevertheless, the juror conduct and media attention underscore the need to monitor sitting jurors.

Another instance of jurors' use of social media and the need for monitoring occurred in *Sluss v. Commonwealth of Kentucky*.[14] In *Sluss*, the defendant was convicted of murder and several other criminal counts arising from a motor vehicle death following a highly publicized trial. After the trial, it came to light that two of the jurors were Facebook friends with the victim's mother. The defendant appealed the conviction and argued, among other things, that the trial court erred in denying his motion for a new trial based on jury

misconduct. The defendant contended that the jurors being Facebook friends with the victim's mother was evidence of misconduct.

On appeal, the Kentucky Supreme Court addressed the issue of who on Facebook is actually a friend, as opposed to a mere negligible connection who blindly accepts a friend request and has no real relationship. While opining that a juror who is a Facebook friend with a family member of a victim, standing alone, is probably not enough evidence to presume juror bias sufficient for a new trial, the Court remanded the matter for further inquiry to address "the extent of the interaction and the scope of the relationship" between the two jurors and the victim's mother, and whether juror misconduct occurred.[15] In so concluding, the Court stated that "it is the closeness of the relationship and the information that a juror knows that frames whether that juror could reasonably be viewed as biased."[16]

Another example of a juror's misuse of social media was discussed in *U.S. v. Fumo*,[17] which involved the highly publicized prosecution of Pennsylvania State Senator Vincent Fumo.

The portion of the appeal relevant to social media involved a juror posting various comments on Facebook. After it was reported by the media that a juror had been posting on Facebook about the trial, the juror deleted the comments from his Facebook page. The most discussed post involved the juror's comment that "This is it ... no looking back now!" As a result, the court reviewed the Facebook posts and held an *in camera* review in which it asked the juror about his activity and general media consumption. The juror claimed he had accidently seen the news report regarding his Facebook posts when a program he had been watching on television ended and the news began, but otherwise indicated he took his responsibilities and obligations as a juror seriously. Based on this review, the trial court concluded that most of the Facebook posts involved what the court deemed "ramblings" that were "so vague as to be virtually meaningless."[18] It thus concluded that the juror's Facebook posts were not substantially prejudicial.

On appeal, the Third Circuit affirmed, finding the trial court did not abuse its discretion in denying the defendants' motion for a new trial. It largely agreed that the juror's Facebook posts were "nothing more than harmless ramblings having no prejudicial effect," and there was no evidence his extra-jury misconduct had any prejudicial effects on the defendants.[19]

Nonetheless, the implications of jurors' improper use of social media during a trial are high. As noted by the Third Circuit in *Fumo*, "a juror who comments about a case on social media may engender responses that include extraneous information about the case or attempts by third-parties to exercise persuasion or influence."[20] When attorneys are aware of a juror's use of social media in a manner they believe is improper, they have an obligation to report the misconduct to the court and their adversary.[21] And, once reported, a court has a number of remedies at its disposal.

In New Jersey, these remedies could include imprisonment and/or civil fine. These remedies were discussed in the recent decision issued by Assignment Judge Peter Doyne in *In re Daniel Kaminsky*.[22] *Kaminsky* involved contempt proceedings against a juror for conducting Internet research during deliberations, in direct violation of the court's explicit instructions not to conduct such research. The situation came to light after two of the charged juror's fellow jury members reported they thought the research tainted the deliberations, which ultimately resulted in a hung jury. In a well-reasoned opinion outlining the implications of the ease of Internet research on modern juries, Judge Doyne held the juror in contempt and fined him $500. In so holding, Judge Doyne stated, "[a] clear message apparently need[s] be sent [that] the offense of contemptuously violating a court's instruction concerning internet use is serious, with consequential ramifications."[23]

Similarly, in *Juror Number One v. Sup. Ct. of Sacramento*,[24] a California court, upon receiving a report that a juror posted items on his Facebook account concerning a criminal trial while it was in progress, ordered the juror to execute a consent form authorizing Facebook to release for *in camera* review all items he posted during the trial. The juror filed a petition for *writ* of prohibition that challenged the order on the basis that it was in violation of the Stored Communications Act, his Fourth and Fifth Amendment rights and his rights to privacy. The court made short work of the arguments and found a juror had no expectation of privacy in his or her Facebook posts and, in any event, privacy rights do not trump the litigants' rights to a fair trial free from juror misconduct.

Courts in Florida and Texas also have sent a clear message to jurors who engage in the improper use of social media during a trial. One Florida juror was held in contempt and sentenced to three days in jail when it came to light that he 'friended' a defendant in a personal injury case.[25] Similarly, a Texas man was sentenced to two days of community service for friending a plaintiff.[26]

Social Media Research to Impeach a Witness During Trial

A third issue that arises from social media research at trial involves whether counsel can use this technology to obtain information to impeach a witness. In analyzing this issue, it is important for an attorney to understand that

social media platforms are no different than direct or indirect communication with any individual. Accordingly, attorneys should re-familiarize themselves with NJ RPC 4.1, 4.2, 8.4(c) and 8.4(d) before conducting a social media search for impeachment evidence. These Rules of Professional Conduct provisions prevent, among other things, attorneys from doing the following:

1. making materially false statements of fact or law to a third person, NJ RPC 4.1;
2. communicating with a person the lawyer knows or should know is represented by counsel, NJ RPC 4.2;
3. engaging in conduct involving dishonesty, fraud, deceit or misrepresentation, NJ RPC 8.4(c); and
4. engaging in conduct that is prejudicial to the administration of justice, NJ RPC 8.4(d).

In light of these RPC provisions and other authorities, it is wholly permissible for an attorney to access and review the public social network pages of a witness at trial to search for impeachment material.[27] A lawyer also can engage in truthful friending of an unrepresented party[28] in a manner that does not involve trickery or deception to obtain information.[29]

What an attorney cannot do is mislead a witness or potential witness in order to obtain information about them. Two defense attorneys recently were charged with ethics violations by the Office of Attorney Ethics of the Supreme Court of New Jersey for allegedly causing their paralegal to friend the plaintiff in a personal injury case in order to access information on the plaintiff's Facebook page that was not otherwise available to the public.[30] The attorneys contended they never instructed the paralegal to friend the plaintiff, but simply instructed her to conduct online social media research on him.[31]

In light of this story, if an attorney is going to conduct research on Facebook or another social media platform in order to obtain non-public information, it is important the attorney disclose his or her true identity and the truthful reason for the connection request.[32]

Social Media Use by Attorneys

Finally, it goes without saying that attorneys, like everyone else, should be cognizant of their own use of social media. At least one judge in Galveston, Texas, utilized Facebook to catch an attorney who requested a continuance, allegedly because of the death of her father. The attorney, however, had recently posted a string of status updates on Facebook portraying a week of drinking and partying.[33] In a separate incident, the same judge caught another attorney griping about having to handle a motion before her. Thus, just as attorneys are well advised to instruct their clients to maintain private Facebook pages, they too must be cognizant of their social media footprint and their obligation of candor toward a tribunal.

While some readers may seek to avoid the ethical issues discussed in this article entirely, by not using social media at all, this may not be the right answer. At least one court has held that an attorney may be under a limited obligation to use certain new technologies.

In *Johnson v. McCullough*,[34] the Supreme Court of Missouri arguably created a limited duty for lawyers to research members of the *venire*. During *voir dire*, the plaintiff's counsel asked if any of the panelists had been involved in prior litigation. While many panelists responded, one member did not, and she eventually became a sitting juror. After the jury returned the verdict for the defendant, the plaintiff's counsel searched a litigation database and found the non-responsive juror had been a defendant in multiple debt collection cases and a personal injury case. The plaintiff filed a motion for a new trial, alleging jury non-disclosure based on the juror's failure to disclose her involvement in prior litigation. The trial court granted the motion, and the Supreme Court of Missouri affirmed.

The Missouri Supreme Court stated that "[w]ith the relative present day ease of procuring the venire member's prior litigation experiences, via Case.net, '[w]e encourage counsel to make such challenges before submission of a case whenever practicable.'"[35] The Court further noted that, "to preserve the issue of a juror's non-disclosure, a party must use reasonable efforts to examine the litigation history on Case.net of those jurors selected but not empanelled and present to the trial court any relevant information prior to trial."[36]

While most courts have not gone as far as the Missouri Supreme Court, a lawyer who fails to acquire at least a basic understanding of these new technologies does so at his or her—or perhaps more importantly, his or her client's—own peril.

Conclusion

In sum, social media has become a particularly effective arrow in the quiver of technologically savvy attorneys. While social media use in the litigation context continues to evolve, it is important that attorneys keep in mind the potential ethical implications of its use, for research or otherwise, and to avoid any action by them or their subordinates that could be construed as dishonest or deceitful. ⚖

Endnotes

1. Assoc. of Bar of St. of N.Y. Eth. Op. 2012-2, *4-7 (2012).
2. *Id*. at *6.
3. 2010 N.J. Super. Unpub. LEXIS 2154 (App. Div. 2010), *certif. denied*, 2011 N.J. LEXIS 1898 (2011).
4. *Id*. at *9-10.

5. *Id.*
6. 2013 U.S. Dist. LEXIS 42242 (E.D.N.Y. March 22, 2013).
7. *Id.* at *103-104.
8. *Id.* at *104 (*quoting United States v. Daugerdas*, 867 F. Supp. 2d 445, 484 (S.D.N.Y. 2012)). While some attorneys may be skeptical of social media research on prospective jurors, the benefits of such research are potentially immense. For example, a trial consultant in Philadelphia stated that in a product liability case in which her client was representing the defendant, she discovered through online research that a juror had posted on Facebook that one of the juror's heroes was Erin Brokovich. This research helped the trial consultant's client decide to remove the juror from the panel. B. Grow, Internet v. Courts: Googling for the Perfect Juror, Reuters (Feb. 17, 2011). Likewise, in a case in the Circuit Court of Jackson, Mississippi, *Khoury v. Conagra*, social media research enabled attorneys for the defendant, Conagra, to have a juror dismissed for anti-corporate sentiments after it was discovered he maintained a corporate blog called "The Insane Citizen: Ramblings of a Political Madman," which included statements such as "F—- McDonald's." *Id.*; *see also Khoury v. Conagra Foods, Inc.*, 368 S.W.3d 189 (Mo. Ct. App. 2012).
9. Barned-Smith, Montgomery judge denies Internet searches for jury selection, Gazzette.Net (May 15, 2013).
10. *Id.*
11. *But see U.S. v. Kilpatrick*, 2012 U.S. Dist. LEXIS 110165 (E.D. Mich. Aug. 7, 2012) (during the high-profile prosecution of Detroit's former mayor, the court impaneled an anonymous jury and held that parties were not permitted to monitor jurors' social media use, but the court would do so).
12. S. Eder, Jurors' Tweets Upend Trials, *Wall Street Journal* (March 5, 2012). Interestingly, as pointed out by Judge Peter E. Doyne in *In re Daniel Kaminsky*, 2012 N.J. Super. Unpub. LEXIS 539, *5-9 n.3 (March 9, 2012), which is discussed in greater detail *infra*, Judge Shira A. Scheindlin of the Southern District of New York attempts to prevent the problem of juror Internet research by requiring jurors to sign, under penalty of perjury, a pledge agreeing to obey the court's Internet use instructions in highly publicized criminal trials.
13. Eder, *supra,* note 10.
14. 381 S.W.3d 215 (Ky. 2012).
15. *Id.* at 223.
16. *Ibid.*
17. 655 F.3d 288 (3d Cir. 2011).
18. *Id.* at 299.
19. *Id.* at 306.
20. *Id.* at 305.
21. *See* Formal Opinion 2012-2, *supra*, note 1; NJ RPC 3.3; *U.S. v. Watts*, 2013 U.S. Dist. LEXIS 42242, *104 (E.D.N.Y. March 22, 2013). Additionally, it appears to be a well-settled concept that a sitting juror commits misconduct by violating her oath, or by failing to follow the instructions and admonitions given by the trial court. As such, a juror may well have an obligation to report fellow juror misconduct either by accepting the oath or, perhaps more pointedly, if instructed by the court to do so.
22. 2012 N.J. Super. Unpub. LEXIS 539 (N.J. Super. Ct., Law Div., Bergen Cty., March 9, 2012).
23. *Id.* at *32.
24. 206 Cal. App. 4th 854 (2012).
25. *See* Eder, *supra,* note10; *see also* R. Eckhart, Juror Jailed over Facebook Friend Request, *Sarasota Herald-Tribune* (Feb. 16, 2012).
26. *See* Eder *supra,* note 10.
27. N.Y.S.B.A. Eth. Op. 843.
28. An attorney cannot friend a party the attorney knows or should know is represented by counsel. NJ RPC 4.2.
29. Formal Opinion 2012-2, *supra* note 1.
30. *See* M. Gallagher, Hostile Use of 'Friend' Request Puts Lawyers in Ethics Trouble, *N.J. Law Journal* (Aug. 30, 2012).
31. In Sept. 2012, before the ethics hearings began, the two lawyers filed suit against the Office of Attorney Ethics in the Superior Court of New Jersey seeking declaratory and injunctive relief. *See* M. Gallagher, Facebook Case Tests Courts' Power To Review Ethics Tribunals' Actions, *N.J. Law Journal* (July 2, 2013). On Jan. 22, 2013, the lower court dismissed the case, *Robertelli v. OAE*, for lack of jurisdiction. *Id.* The case is pending in the Appellate Division. *Id.*
32. San Diego County Bar Assoc., Legal Ethics Comm. Op. No. 2011-2 (May 24, 2011).
33. *See* M. McDonough, Facebooking Judge Catches Lawyer in Lie, Sees Ethical Breaches, A.B.A. Chicago (July 31, 2009).
34. 306 S.W.3d 551 (Mo. 2010).
35. *Id.* at 558.
36. *Id.* at 559.

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Effective and Ethical Use of Expert Testimony

by Wendy L. Patrick
(California Bar Journal, July 2012)

Various ethical issues surround the use of expert witness testimony, from initial interview to trial preparation, to presentation of testimony. There are ethical issues involved in all stages of selecting and using your own expert, as well as the bounds of permissible cross-examination. California lawyers are bound by the California Rules of Professional Conduct, and may be subject to State Bar discipline for violating a California Rule of Professional Conduct. (RPC 1-100(A)).

Expert witnesses who are used on a regular basis have yielded reams of transcripts of trial testimony for the industrious lawyer to review. Many experts by virtue of their credentials and experience are also widely published in their particular field. Reviewing such information is a great way to gauge the appropriateness of a particular expert witness for your case. But there is no substitute for watching an expert testify in court, if you have the chance. Watching experts testify in other cases will allow you to observe their communication style, note the jury's reaction to their testimony, and give you an idea of whether or not they are prone to stretching the bounds of their testimony, which can be a serious ethical dilemma to encounter in the middle of trial. While procuring a famous name as an expert in your trial seems alluring, taking the time to locate an honest and reliable expert witness will save you valuable time in the long run.

Preparing an Expert Witness For Trial

Preparation of witness testimony is usually a crucial part of getting ready for trial. There are different ethical standards that relate to witness preparation, depending on whether the witness is a lay witness, an expert, or a member of law enforcement. You should be familiar with all of the ethical rules governing witness testimony, particularly if you are using a lay "expert" opinion in your case.

California Rule of Professional Conduct 5-310 Prohibited Contact With Witnesses

This Rule states in pertinent part that a member shall not: "(B) Directly or indirectly pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the witness's testimony or the outcome of the case." The Rule goes on to state that "Except where prohibited by law, a member may advance, guarantee, or acquiesce in the payment of:

(1) Expenses reasonably incurred by a witness in attending or testifying.

(2) Reasonable compensation to a witness for loss of time in attending or testifying.

(3) A reasonable fee for the professional services of an expert witness."

Lawyers Should Not Become a Witness in Their Own Case

The best way to interview most witnesses is with an investigator present. This third person can testify at trial if the witness needs to be impeached. Unfortunately, however, lawyers do not

always have an investigator present when a witness decides to talk. They often call on the phone and start talking before a formal interview can be set up. If the witness's trial testimony is inconsistent with the statement they have given the witness informally, the lawyer is faced with the dilemma of whether or not to testify as a witness in their own trial. It also raises questions about their ability to remain as the trial lawyer on the case.

California Rule of Professional Conduct 5-210, Member as Witness states in pertinent part that a lawyer shall not function as an advocate in front of a jury where he or she will also act as a witness unless the testimony they are going to give relates to a matter that is uncontested, relates to the "nature and value of legal services" the lawyer performed in the case, or the lawyer has valid "informed, written" client consent. If the lawyer represents "the People" or the government, consent shall be "obtained from the head of the office or a designee of the head of the office by which the member is employed and shall be consistent with principles of recusal."

The *Discussion* section to Rule 5-210 notes that this Rule is not intended to apply when a lawyer in the same law firm is intending to be a witness. While Rule 1-100 notes that the Discussion sections of the California Rules of Professional Conduct do not themselves constitute an independent basis for the State Bar to discipline lawyers, they provide guidance to practitioners to assist them in interpreting and applying the rules.

ABA Model Rules

As a practical matter, although they are not binding in California, practitioners often find the ABA Model Rules helpful for ethical guidance. California Rule 1-100 specifically provides that California lawyers may consider standards, rules, and opinions from other bar associations and jurisdictions. In addition, case law states that while an ABA formal opinion "does not establish an obligatory standard of conduct imposed on California lawyers," the ABA Model Rules may be considered as a "collateral source" where there is no direct ethical authority in California.[1]

ABA Model Rule 3.7, Lawyer as Witness is different from the Rule in California because it does not contain the requirement that a lawyer's testimony be in front of a jury. Rule 3.7 states that a lawyer shall not act as a trial advocate in a case where he or she is likely to be a "necessary witness" unless his or her testimony will relate to an issue that is uncontested, or relates to the "nature and value of legal services rendered in the case," or where the lawyer's disqualification would result on a "substantial hardship" for his or her client.

Paragraph (b) states that "A lawyer may act as advocate in a trial in which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7 or Rule 1.9.[2]

The use of expert witness testimony may also implicate **ABA Model Rule 3.4 – Fairness to Opposing Party and Counsel**. This Rule states in pertinent part that: "A lawyer shall not: (a)

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[1] BA Model Rule 1.7 is Conflict of Interest: Current Clients; Model Rule 1.9 is Duties to Former Clients.

[2] *State Compensation Insurance Fund v. WPS Inc*. (*State Fund*) (1999) 70 Cal.App.4th 644, 656.

unlawfully obstruct another party's access to evidence or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value. A lawyer shall not counsel or assist another person to do any such act," or "(b) falsify evidence, counsel or assist a witness to testify falsely, or offer an inducement to a witness that is prohibited by law."

Because cross examination of expert witnesses is subject to many of the same rules as cross examination of other witnesses, lawyers should be familiar with the language of **ABA Model Rule 4.4 – Respect for Rights of Third Persons**. This Rule states in subsection (a) that: "In representing a client, a lawyer shall not use means that have no substantial purpose other than to embarrass, delay, or burden a third person, or use methods of obtaining evidence that violate the legal rights of such a person."

With this and similar state rules in mind, any type of harassment, threat, intimidation or confrontation, in or out of court, should be brought to the court's attention as soon as possible, along with a request that the court intervene. Even a slight delay could leave you with little to do on the first day of trial but ask the court for a continuance while you try to locate your witness.

In addition to the ABA Model Rules, lawyers can look for guidance to the **ABA Standards for Criminal Justice. ABA Standard for Criminal Justice 4-4.4: Relations With Expert Witnesses** states in paragraph (a) that defense attorneys who retain an expert witness should "respect the independence of the expert" and not attempt to influence the formation of the opinion the expert has been retained to give on a subject. The standard goes on to say that the defense attorney should explain to the expert witness his or her role as an impartial witness to aid the triers of fact. It also states that the defense attorney should explain to the expert witness "the manner in which the examination of witnesses is conducted. Regarding expert witness fees, Standard 4-4.4 states in paragraph (b) that the defense attorney shall not compensate an expert witness with an "excessive fee" for the purpose of influencing the testimony of an expert witness, or base the expert's fee on the outcome of the case, or on the testimony an expert will give.

Oral Statements of Expert Witnesses

Criminal lawyers are aware of the duty in their respective states to turn over expert witness reports. But what about oral statements? Are lawyers required to report these as well? California has answered this question in the affirmative. In *Roland v. Superior Court* (2004) 124 Cal.App.4th 154, the court examined the requirements of California criminal discovery statutes Penal Code sections 1054.1 (prosecution to defense) and Penal Code Section 1054.3 (defense to prosecution), and the issue of what exactly constitutes a witness "statement" or "report." The court held that even oral witness statements must be disclosed.

In *Roland*, the defense attorney advised court and counsel that he intended to call seven new witnesses at trial; the court ordered him to provide the prosecution with all witness statements, both written and oral. (*Id*. at 161.) The court gave defense counsel the option of providing this information to the prosecutor by giving him written reports of their statements, or simply by calling him and providing the information in summary form over the phone. (*Id*.) Defendant Roland argued that PC 1054.3 did not include the obligation to disclose unrecorded oral witness statements. (*Id*.)

The *Roland* court began its analysis of PC 1054.3 by noting that the plain meaning of the language of PC 1054.3 included written witness statements, video or tape-recorded oral statements, and also the "raw written notes" of a defense investigator's interview of a witness. (*Id*. at 162-63 [citing *Thompson v. Superior Court* (1997) 53 Cal.App.4th 480, 486].) The court proceeded to conclude through examining the plain meaning and purpose of PC 1054.3 that the statute's disclosure requirement includes oral witness statements that are orally communicated to defense counsel by third parties, such as an investigator. (*Id*. at 164-65.) This conclusion stemmed in part from the court's careful examination of the statutory language. The court noted that "[t]he statute's use of the word 'or' rather than 'and,' as well as its use of a comma to separate 'statements' from 'reports of the statements,' indicates that the words 'written or recorded' modify 'statements,' not 'reports of the statements.'" (*Id*. at 163.) The court also noted that PC 1054.3 used the language "of those persons" two times, which was likely designed to separate the two categories. (*Id*. at 164.) The rationale and two-way street nature of the conclusion was further explained, "[i]nterpreting section 1054.3 and concomitantly section 1054.1 to include witnesses' oral statements contained in oral reports to counsel will help ensure that both parties receive the maximum possible amount of information with which to prepare their cases, which in turn facilitates the ascertainment of the truth at trial." (*Id*. at 165.) Recognizing that there is no duty for defense counsel to acquire written witness statements, (Id. [citing *In re Littlefield* (1993) 5 Cal.4th 122, 136]), the court explained that counsel cannot avoid the duty to disclose relevant witness statements by simply failing to write down the information. (*Id*.)

The court then concluded that oral statements made *directly to defense counsel* must be disclosed. (*Id*. at 166.) The court reasoned that "excluding such statements from the disclosure requirement of section 1054.3--and concomitantly section 1054.1--would undermine the voters' intent because it would permit defense attorneys and prosecutors to avoid disclosing relevant information by simply conducting their own interviews of critical witnesses, instead of using investigators to perform this task, and by not writing down or recording any of those witnesses' statements." (*Id*. at 167.)

The Use of Sensitive Evidence and Privacy Issues

Many cases involving the use of expert witnesses also involve the use of medical or psychiatric records of parties or witnesses about which the experts will be testifying. Such cases often involve the use of such records and experts by both sides, and such "dueling" expert testimony results in both the prosecution and the defense team being in possession of all of the pertinent records from both sides. When done according to procedure, this practice should not cause any problems for the lawyers who subpoenaed and used the information. If done incorrectly, however, the lawyers could be left vulnerable to a claim of invasion of privacy.

Lawyers must be careful to refrain from improper use or dissemination of sensitive case material outside of the courtroom or the privacy of their office. Discussion of the case with your expert witness should likewise be done in a manner that will not improperly disseminate the information beyond those who are a necessary part of the legal team.

In *Susan S. v. Israels* (1997) 55 Cal.App.4th 1290, a defense attorney accidentally received a sexual battery victim's mental health records and knowing their confidential nature, read them, gave them to a psychiatrist used by the defense and used them in cross-examinating the victim who thereby suffered severe emotional distress. (*Id*. at 1294.) The court outlined the elements of an invasion of privacy claim under Cal. Constitution art. I, section 1: "1) a legally protected privacy interest, 2) a reasonable expectation of privacy in the circumstances, and 3) conduct by the defendant constituting a serious invasion of privacy." (Id. [citing *Hill v. National Collegiate Athletic Assn*. (1994) 7 Cal.4th 1, 39-40].) The *Susan S*. court held that the victim had a constitutional invasion of privacy action against the criminal defense attorney.

Conclusion

In the contemporary world of jury trial, cases continue to rely heavily on the testimony of expert witnesses. A working knowledge of the case law and ethical rules governing the use of expert testimony is thus essential to ensure that your case is tried effectively, as well as ethically.

Good luck!

*This article does not constitute legal advice. Please shepardize all case law before using.

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Xenophobia in American Courts

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Introduction

Perceptions that American courts are hostile to foreign parties are widespread.[1] As one commentator noted, "[t]he one time U.S. companies don't mind a trip to the courthouse so much is when their adversary is foreign–especially Japanese."[2] Foreign corporations involved in U.S. litigation routinely express concern about the susceptibility of the U.S. jury to xenophobic bias[3] and are quick to blame their losses on such prejudice.[4] The fear of bias is so pervasive that at least one jury consulting firm offers its Japanese clients a scale that predicts anti-Japanese bias among potential jurors throughout the United States.[5] The conventional wisdom on the success of foreign parties, however, is based on anecdotes and impressions, and no empirical study has ever confirmed its accuracy.

Indeed, the only study ever to address xenophobic bias and its impact on U.S. litigation contradicts the conventional wisdom that bias against foreigners affects outcomes. In a 1996 article in the Harvard Law Review entitled Xenophilia in American Courts, Professors Kevin Clermont and Theodore Eisenberg appeared to refute the popular perception.[6] Their empirical study of civil cases found that foreign parties win a higher percentage of cases in court than domestic parties. While Clermont and Eisenberg discounted the possibility of an affirmative bias in favor of foreigners,[7] their results suggested at least that perceptions of xenophobic bias in civil litigation are exaggerated. While the popular perceptions held by litigants, attorneys, and commentators on one hand suggest a well-accepted belief that American courts, and in particular American juries, are hostile to foreign parties, the best available empirical work to date on the other fails to substantiate this bias and in fact concludes that foreign parties are more successful than their domestic adversaries.[8]

The Clermont-Eisenberg finding is particularly surprising in light of the vast social psychology literature on jury decisionmaking. The social psychology literature documents the phenomenon of bias in jury decisionmaking and offers a "similarity hypothesis" to explain it.[9] The "similarity hypothesis," also referred to as "in-group bias" or simply as "ethnocentrism," posits that decisionmakers consciously or subconsciously tend to favor people like themselves; for example, whites favor whites, African Americans favor African Americans, and Americans favor Americans.[10] The corollary, of course, of the tendency to favor like parties is the tendency to discriminate against different parties.[11] This hypothesis has led many legal scholars and behavioral scientists to study the impact of variables like race and sex on case outcomes.[12] Studies in human psychology and social cognition suggest that biases, whether latent or patent, may not be excised from decisionmaking, even when the decisionmaker is made aware through de-biasing procedures of their existence.[13] Such studies have examined countless permutations on the effect of race, studying interaction effects among jury, plaintiff, and defendant. The social studies, experimental and behavioral psychology, and legal literature test the similarity hypothesis by studying characteristics that could be shared between the jury and the party litigants. For example, studies of the impact of race in jury adjudication consider the following scenarios: (1) white jury, white plaintiff, white defendant; (2) white jury, white plaintiff, black

defendant; (3) white jury, black plaintiff, white defendant; (4) white jury, black plaintiff, black defendant, etc; there are, of course, eight possible scenarios.[14] These studies are able to analyze in-group and out-group bias because the experimenters compare cases where the jurors share characteristics with one or both of the parties and cases where they do not. While this literature has not explicitly studied xenophobic bias (i.e., prejudice based on alienage or domicile), the theory underlying the literature would suggest the existence of such bias.

The Clermont-Eisenberg finding also contradicts long-held assumptions about the need for procedural protections for foreign litigants. For example, the grant of alienage jurisdiction to federal courts was an explicit recognition of the potential for anti-foreigner bias in state courts.[15] Commentators have often observed that removing a case from state court has some advantages for foreign parties.[16] The advantage is attenuated however, because a local jury will still adjudicate the dispute and therefore local bias may still prejudice decisionmaking.[17] The theory, however, is that the federal courts are likely to be institutionally better situated to control and limit such bias than state courts. Modern defenders of alienage jurisdiction have argued that the persistence of xenophobia in the United States justifies the retention of alienage jurisdiction,[18] a position that would be considerably less appealing if a finding were accepted that such prejudice does not permeate courtroom walls.

Whether the xenophobic bias exists in fact, there can be no controversy about the reality of the perception that bias exists in American courts and American juries. Perhaps nowhere is the impact of this fear greater realized than in intellectual property matters. In 1999, I conducted a survey of sixty-two Chief Patent Counsels of leading corporations[19] and found that they overwhelmingly believed that juries favored domestic over foreign parties in patent litigation.[20] These fears about American juries are compounded by the skyrocketing frequency in recent years of jury demands in patent cases.[21] Perceptions of jury favoritism manifest themselves in a significantly higher likelihood that domestic plaintiffs seeking to enforce their patents will demand a jury trial if they are suing out-of-state or foreign corporations in U.S. courts.[22]

This Article reports the results of a research project designed to test for xenophobia in patent litigation specifically. While this research is animated in part by the significance of international litigation in the intellectual property arena, patents and the cases brought to enforce them present an ideal case to study more generally perceptions of anti-foreigner bias, the impact of such perceptions, and whether they are well-grounded. Analysis of civil cases in areas such as contract, tort, medical malpractice, or products liability runs into a serious methodological problem: the impossibility of determining the number of situations that potentially could have led to litigation. Although one could measure the number of contract cases brought by domestic parties or foreign parties, there is no way of knowing how many contracts foreign parties actually enter into in the U.S., and reliance on back-of-the-envelope calculations would be risky. Similarly, it may be difficult or impossible to measure foreign product entrance into U.S. markets to gauge the impact of foreignness on product liability litigations or the number of medical procedures performed by foreign versus domestic doctors. In the absence of such data, it is difficult to calculate the extent to which foreign party success or failure at trial is a vestige of differential willingness to sue or to settle.

This difficulty does not exist in patent law. The number of U.S. patents applied for and obtained by foreign and domestic parties can be measured and compared with the number of U.S. patent cases. Though it is impossible to control for all factors, the existence of a measurable universe of potential patent cases facilitates the analysis of actual patent cases. For patent cases, we can study the impact of foreignness from cradle to grave, from patent acquisition to attempted patent enforcement, to trial. The empirical data presented in this Article thus reflects all patents

granted in the ten-year period 1990-1999 (1,108,395 patents) and all patent cases terminated during the two-year period 1999-2000 (4247 cases involving 6861 patents).

The data validates concerns that American courts, and American juries in particular, exhibit xenophobic bias. The most significant finding illustrates a substantial disparity in domestic and foreign party success in jury trials. Domestic parties win 64% of cases tried to juries in which the adversary is foreign; foreign parties win the remaining 36% of such cases. However, there is no significant difference in win rate for foreign and domestic parties when judges adjudicate. The latter finding is important not only because it helps to identify the source of the bias in patent litigation, but also because it minimizes the possibility that the low foreign party win rate can be explained by weak cases on the merits. If foreigners somehow systematically had weaker cases than domestic parties in patent cases, the difference should be manifested before judges as well as juries.

Nonetheless, to explore more systematically the differences in case strength between foreign and domestic parties, this Article compares patterns of patent acquisition with patterns of patent litigation. Although foreign inventors acquire 45% of patent rights annually,[23] they seek to enforce their patent rights in only 13% of the litigated cases. The disparity is important in part because it may reflect foreigners' cynicism about their prospects of enforcing patents in U.S. courts. The higher the expected probability of success, presumably the more willing a patent holder would be to pursue patent litigation. There are, however, a variety of additional explanations for the prelitigation sorting. One important possibility is that patents obtained by foreign inventors may somehow be "weaker" than those acquired by their domestic counterparts. This Article substantiates significant differences in the characteristics of the patents issued to foreign and domestic inventors. Economists have assumed that these patent characteristics are indicative of the strength or breadth of the patent.[24] While the characteristics of issued patents may indicate that patents obtained by domestic inventors are stronger than those obtained by foreign inventors, the pool of litigated foreign party patents, as measured by these same patent characteristics, are stronger than their domestic counterparts.

Another possible explanation for the reluctance of foreign parties to litigate lies in the culture of the foreign parties themselves and their traditional manner of resolving disputes. The increase in jury demands in patent cases,[25] coupled with the perception of jury prejudice against foreign parties, may also contribute to the low incidence of patent enforcement by foreign parties.[26] Finally, large and asymmetric litigation costs likely drive down foreign enforcement rates. Each of these explanations likely contributes to the disproportionately low rate of enforcement of patent rights by foreign parties.[27] These theories, however, all support the conclusion that foreign parties bring suit against domestic infringers only on their strongest patents when they believe that they have the greatest chances of success.

The magnitude of this disparity between patent acquisition and enforcement rates is sufficiently high to call into doubt the possibility that foreigners' cases are inherently weaker than those of domestic parties. Patentees are most likely to seek enforcement of patents against alleged infringers when the validity of the patent and the fact of infringement seem most clear, and foreign parties are apparently more selective than domestic parties. Even if patents acquired by foreign parties are weaker than domestic ones, the pool of litigated foreign party patents appear to be stronger than the comparable pool of domestic party patents.

Moreover, the application of economic theory predicting case selection to the pool of patent disputes studied suggests that the win rate data understates bias still further. Theoretical models of case selection predict that as the pool of tried disputes tends towards zero, the

plaintiff win rate will tend towards 50% because only close cases will be tried.[28] Litigants factor their perceptions of bias against foreigners and the impact they believe this bias will have on their success rate into their outcome estimations. We should thus expect parties' strategic behavior based on their rational expectations and estimations of outcome to mask any actual bias against foreign parties. For the bias to appear in the win rate data, the parties must be systematically underestimating the extent of the jury prejudice. In addition, when there are asymmetrical litigation costs, the model predicts that the win rate will favor the party with higher costs.[29] Because litigation costs are higher for foreign parties, more victories for foreign parties ought to be observed, making the reverse reality even more indicative of bias.

Part I of this Article describes the data set, its acquisition, and some methodological issues in coding the data. Part II tests the impressions of prejudice against foreigners against the empirical data and considers the implication of the substantial disparity in win rates that is found. Part II also identifies discrimination against domestic out-of-state parties, and it questions whether the larger the cultural contrast presented by the foreign party, the greater the discrimination by juries. Part III shows that the data may tend to understate the degree of prejudice, both because foreign parties tend to litigate only their strongest patents and because the economic theory of selection effects suggests that predictions of bias are impounded in settlement decisions.

I. Data and Sources

In order to measure perceived bias in the U.S. courts and its impact on the litigation process, I collected an original database that includes every patent case terminated in every district court in the two-year period 1999-2000 (4247 cases). These 4247 cases litigated 6861 patents.[30] This database includes three types of information relevant to testing the hypothesis:

(1) Party Data: detailed characteristic information on the parties to the litigation, such as whether the party was foreign or domestic, individual or corporation, located in the state where the litigation was brought or out-of-state, as well as whether the plaintiff or defendant was the effective patent holder;[31]

(2) Case Data: detailed information on the litigation itself, such as at what stage in the litigation process the case terminated (before there was any significant court action, midlitigation, or at trial), how the case was terminated (settlement, judgment on a motion, court verdict, jury verdict, etc.), the district court, whether a jury was demanded and if so, by which party, whether the plaintiff or defendant won the lawsuit, and whether the patent holder or infringer won the lawsuit, as well as who won on individual issues such as infringement and patent validity; and,

(3) Patent Data: detailed characteristic information on the patents involved in the litigation, such as the number of claims, issuance date, forward and backward citations, field of technology, whether the patent was assigned and if so to what type of assignee (foreign or domestic, individual or corporation), and constructed measures of the originality and generality of the patent.

The data in this study was largely acquired through independent research, and this is the first time it is presented. The population of patent cases that I researched was derived from the reports of the Administrative Office of the United States Courts. The Administrative Office compiles statistics by subject matter on terminated litigations. When a patent case is terminated in the district courts, the court is required to file a form with the Administrative Office providing

details regarding the case.[32] The data obtained from the Administrative Office consists of the population of 4247 patent cases that terminated during the two year period 1999-2000.[33] This includes every case that was resolved by any means (settlement, motion, trial, etc.).

Because of deficiencies in the Administrative Office data due to a lack of reporting or inconsistent reporting,[34] I did not rely solely on their data but instead researched and verified all information used in this empirical study. For example, the Administrative Office data did not provide any of the characteristics of the parties to the lawsuit or the patent numbers involved in the litigations or the characteristics of those patents. These data were obtained by locating the docket sheet, complaint, opinion, verdict, and judgment for each case.

The detailed patent characteristic data, which includes the patent filing date, issuance date, number of claims, number of forward and backwards U.S. citations, and constructed variables which measure the originality and generality of the patents, is from the extensive empirical work of Bronwyn Hall, Adam Jaffe, and Manual Trajtenberg on the characteristics of all issued patents from 1975-1999.[35] It is useful to examine the pool of all issued patents to ascertain, for example, whether there are any underlying differences in the types of patents foreign and domestic parties acquire and to compare the litigated and non-litigated patents. For purposes of this article, I isolated patents issued during the ten-year period 1990-1999 from the National Bureau of Economic Research (NBER) database. When I refer to this NBER data, I am referring to the characteristics of all patents issued during this ten-year period (1,108,395 patents). A limitation of the NBER database of particular relevance to this study is the absence of data on citations to foreign patents. I thus supplemented the NBER database by independently researching cited foreign prior art and other cited prior art for each of the litigated patents.[36]

A significant coding issue is the identification of whether a party is foreign. There are several ways that this identification might be made: domicile of the inventors,[37] domicile of the assignee as reported on the patent,[38] or domicile of the party who at the time of the litigation had the right to bring suit. According to the NBER database, 82% of all patents are assigned at the time of issuance.[39] When patents are assigned, the inventors no longer own the property right, so if litigation ensues, it must be brought by (or against) the assignee, not the inventor. Isolating just the patents assigned to corporations, 59% are assigned to U.S. corporations and 41% to foreign corporations. Of the patents assigned to U.S. corporations, 6% have at least one foreign inventor. Of the patents assigned to foreign corporations at issuance, 15% of them had no foreign inventors.

As these statistics demonstrate, domicile of the inventor does not always match domicile of the patent owner. The NBER assignment data, however, is not ideal for measuring the impact xenophobic bias may have on the selection of cases to litigate. The reported assignments are measured only at the time of patent issuance, yet many assignments and licensing arrangements of patents occur later. Because the threat of xenophobic bias presumably would be greatest when a party to litigation is foreign, a measure of foreignness based on the parties to the litigation is preferable. This study is thus based on an examination of the alienage of the parties to each of the patent litigations rather than an examination of the inventors or assignees who in many cases no longer own the rights at issue.[40]

II. Results and Preliminary Analysis

A. Disparity in Win-Rate Data

Perhaps the most startling finding of this empirical study is that win rate data substantiate the existence of jury prejudice against foreign parties. Domestic parties won 64% of the cases decided by a jury when their adversary was foreign, while foreign parties prevailed in the remaining 36% of such cases. There is no similar discrimination immediately apparent in judicial decisions. Foreign and domestic parties succeeded with equal frequency when a judge, rather than a jury, resolved the case. When the judge determined the outcome (aggregating summary judgment and bench trials), foreign parties won 56% of the cases when their adversaries were domestic.[41]

The differences, meanwhile, cannot be attributed to which party is the patent holder. Table 1 breaks the empirical results down in greater detail, showing that foreign patent holder win rates in jury trials against domestic infringers (38%) are significantly lower than domestic patent holder win rates against foreign infringers (82%). In contrast, in cases decided by judges, the patentee win rate is almost identical, with domestic patentees winning 35% of the time against foreign infringers, and foreign patentees winning 31% of the time against domestic infringers.

Disaggregating the judicial decisions between those made on motion and those made at trial further accents the contrast between judge and jury decisionmaking. When judges decide cases with mixed alienage (foreign versus domestic or domestic versus foreign) on motion, the domestic party win rate is 57%. If, however, the case proceeds to a bench trial, the domestic party win rate in mixed alienage cases is only 46%. This means that foreign parties prevail in 54% of the cases that are decided at trial by a judge, in contrast to 36% of the cases tried to a jury.

Table 1: Patentee Win Rates Depending on Party Alienage[42]

Plaintiff Patentee	Defendant Accused Infringer	Overall Patentee Win Rate	Win Rate With Jury	Win Rate With Judge
Domestic	Domestic	38%	71%	29%
Domestic	Foreign	42%	82%	35%
Foreign	Domestic	32%	38%	31%
Foreign	Foreign	29%	67%	24%

There are several possible explanations for the difference between judge and jury outcomes. First, judges are likely to exhibit less bias in their decisionmaking than juries. A judge, either in a ruling on summary judgment or at the conclusion of a bench trial, presumably seeks to prevent personal prejudice and bias from swaying decisionmaking. Judicial determinations, moreover, are subject to greater transparency requirements than are jury determinations. Judges are required to articulate all findings of fact and conclusions of law that underlie their judgment in a case.[43] Judicial decisions are therefore more easily scrutinized to ensure against prejudice and bias. Second, parties may better estimate the outcome when the judge decides the case. Prediction is made easier with repeat players. For example, the advocates may have prior

personal experience with the judge that would assist them in predicting the outcome. Even absent any prior personal exposure to the judge, the advocates have the advantage of being able to review prior precedent by the judge, thus enabling them to make more confident and accurate estimates regarding the likely outcome. Finally, the judge may give the parties some indication of her leanings throughout the litigation,[44] aiding the parties in estimating their chances of success and encouraging settlement. Juries, on the other hand, are not repeat players; parties have no information prior to trial about the jury,[45] and they obtain very little information from jurors throughout trial upon which to base any outcome estimations.[46] Because there is more than one juror who decides each case, even if the parties believed that they could predict how a particular juror is leaning (by head nodding or other body language, for example), they would be unable to predict the decision of the body as a whole. This makes outcome estimation by the parties more difficult when juries are adjudicating a case. Jury prejudice or bias, moreover, is not discernable because of the "black box" nature of jury verdicts.[47] In sum, win rates in judicial decisions relative to jury cases may be attributable to a combination of less prejudice and greater predictability by judges.

Although it is certainly possible that the difference between the foreign party win rate with judges and juries could be attributable to the theory that the pool of disputes that are pursued with judges are simply stronger for the foreign party than the pool of disputes resolved by juries, this seems implausible for two reasons. First, it would be entirely inconsistent with widespread public opinion that juries harbor greater prejudice against foreign parties. It seems unlikely foreign parties would continue to litigate weaker cases with the less favorable adjudicator. Second, the patent characteristic data does not support the idea that the patents that foreign parties enforce in bench trials are stronger than those in jury trials. In fact, the patents litigated by foreign patentees against domestic infringers in jury trials are, according to two economic indicators, citations made and originality, stronger than both the ones foreign patentees pursue in bench trials and those patents being enforced by domestic patentees against foreign infringers in either bench or jury trials.[48] In short, the patents enforced by foreign patent owners against domestic infringers are arguably the strongest patents.[49]

The disparity between jury and judicial decisions raises significant questions. If jury decisions are, in fact, swayed by bias to a greater extent than judicial decisions, why are any cases with mixed alienage tried to the bench? Because a jury trial will be held if either party demands a jury trial,[50] why doesn't every domestic party whose adversary is foreign demand a jury trial?[51] These questions have a straightforward answer: foreign patentees can avoid a jury trial entirely by limiting their relief sought to injunctive remedies to which no right of jury trial attaches.[52] This indicates that even when a foreign party wins by virtue of a judicial decision, the win might not be as lucrative for the foreign party as it would be in a jury trial because of the absence of monetary damages.

Although a two-year window (1999-2000) of litigated patent cases presents a large number of patent cases overall (4247 cases, 6861 patents), an important caveat is that only 5.3% of these cases (6.2% of all patents) result in a trial.[53] These numbers are even smaller when separated into bench and jury trials, representing 3.0% (119 cases, 214 patents) and 2.5% (104 cases, 210 patents) of the cases, respectively. Comparing the impact of foreign versus domestic characteristics narrows the universe of cases even more substantially. The parties' alienage differed in only 28 bench trial claims and 36 jury trial claims.

To respond to concerns about the small number of cases such a whittling away ultimately produces,[54] I expanded the dataset to consider all patent trials conducted during the eleven-year period 1990-2000. This dataset contains trials of 1463 patents. Like the larger dataset of all

patent cases, the database of tried cases consists of the population of patent cases reported to the Administrative Office during this time. Again, every variable was verified independently by acquisition of original case documents from the district courts and federal archives. This larger database confirms my findings. Of the 127 jury trials with mixed alienage (foreign versus domestic or domestic versus foreign), 72% resulted in a win for the domestic party, with 28% won by the foreign party. When foreign patent holders brought suit against domestic infringers, the foreign patent holder won 46% of the jury trials. In contrast, when domestic patent holders sued foreign infringers, the domestic patent holder won 88% of the jury trials. The results are quite consistent with those in the narrower dataset, indicating that American juries overwhelmingly favor domestic parties.

To isolate the effects of several independent variables on the patentee win rate, I used a multivariate regression model.[55] The dependent variable is patentee win rate and the independent variables are listed in Table 2.

Table 2: Impact of Characteristic Data on Patentee Win Rate with Jury[56]

Independent Variable	Coefficient	Standard Error	Significance (P Stat)
Patentee (plaintiff/defendant)	-1.482	.236	.000
Foreign Patentee	-.452	.308	.143
Foreign Infringer	1.285	.294	.000
Corporate Patentee	-.508	.280	.069
Corporate Infringer	1.302	.552	.018
Constant	-.120	.560	.831

Number of Observations = 716

According to these results, the patentee is significantly more likely to win a jury trial if: (1) the infringer is foreign; (2) the infringer is a corporation; and (3) the patentee is the plaintiff.[57] The multivariate regression model further supports the conclusion that American juries favor domestic over foreign parties in patent trials.[58]

B. Possible Explanations of Win-Rate Data

Although xenophobia is the simplest explanation for the low foreign party win rate in jury trials, there is another important possibility that warrants consideration. The concern is that the higher win rate for domestic parties might be attributable to domestic parties having stronger cases on the merits.[59] Three reasons, however, significantly alleviate this concern. First, not only do domestic patent owners prevail more often than foreign patent holders, but domestic defendants prevail more often than foreign defendants. As Table 1 indicates, in jury trials when domestic patentees sue domestic infringers, the defendants win 29% of the cases, but when domestic patentees sue foreign infringers, the defendants win only 18% of the cases. Though it is possible that there could be differences between domestic and foreign infringers, any such differences at least cannot be attributable to differential patent quality between domestic and foreign patentees. More strikingly, when foreign patentees sue domestic defendants, the foreign

patentees win 38% of cases, but when the foreign patentees sue foreign infringers, the patentee wins 67% of the claims. There is no obvious reason that foreign patentees will have stronger cases on the merits only when the defendants also happen to be foreign.

Second, if domestic win rates were attributable to stronger cases, the win rate differential ought to exist in both judge and jury trials. As Table 1 indicates, however, the empirical results indicate a difference only in jury trials, and as discussed above, one plausible explanation for this difference is that jurors exhibit more bias in decisionmaking than judges. Win rates are nearly equivalent regardless of the party alienage in cases decided by judges. There is no reason to expect that foreign patentees would be more likely to opt for bench trials when they have stronger cases. If anything, foreign patent holders with stronger cases would be more likely to seek monetary damages in addition to injunctive relief, thus allowing the opposing party to demand a jury. The difference in performance between bench and jury trials also should produce skepticism of any attribution of greater success by domestic parties due to differential quality of counsel. It may well be that litigants who hire better attorneys would benefit from superior litigation skills.[60] Anecdotal evidence suggests that foreign parties are wealthier and generally retain elite American law firms.[61] Although the issue deserves further study, it seems likely that the prestige of counsel would correlate more with a lawyer's ability to persuade a judge than to convince a jury. Because it may be that the most credentialed lawyers are not the ideal jury trial lawyers, foreign party lawyer selection could be a partial explanation for the win rate differences between judge and jury trials.

Third, measurable differences in the quality of patents suggest that tried foreign party patents are stronger than their domestic counterparts. I will explore this issue in greater detail in Part III.A.3.

C. Additional Results

1. Analysis by Country.–There are two hypotheses posited by the psychology literature that can be applied to the data to measure or gauge potential bias and its impact on outcome. First, the literature suggests that coalition behavior or in-group bias is likely to be greatest when there is a perceived threat or sense of competition with the out-group members.[62] For example, prejudice against Muslims or citizens of Afghan heritage may have been particularly strong in the wake of the September 11 terrorist attacks. Similarly, American juries nationwide, but particularly in Detroit, Michigan, may harbor bias against Japanese manufacturers, especially car manufacturers, because of a sense of competition with U.S. industry.[63] Second, the psychology literature suggests that the more alike or similar, the stronger the bias; the more distant or different, the stronger the prejudice.[64]

As Table 3 shows, patent acquisition and patent enforcement are not proportional for all countries. While Japanese inventors acquire 21% of all U.S. patents granted, they initiate only 3.2% of all U.S. litigation. Japanese, however, are not sued much more often (3.8%). Although far from dispositive, it appears that the data may support the psychology literature's suggestion that bias or prejudice could be linked to likeness. In short, the more like Americans the parties are, the more likely they are to engage in litigation to enforce or defend their rights. For example, Canadians and citizens of the U.K. share the general physical characteristics of white, Anglo-Saxon Americans and speak the same language.[65] They enforce their patent rights in nearly direct proportion to their patent acquisition. By contrast, Japanese and Germans are much less likely to engage in U.S. litigation despite their high rate of U.S. patent acquisition. Of course, the

higher rates of enforcement could also be attributable to geographic proximity, which could be related to transaction costs or familiarity with the legal system.

Table 3: Comparison of Patent Grants with Enforcement By Country

Country	% US Patents 1997-1999	% US Litigation as Plaintiff	% US Litigation as Defendant
U.S.	55	87.0	83.0
Japan	21	3.2	3.8
Germany	6	1.3	2.5
France	2	0.5	0.4
Canada	2	1.4	2.4
United Kingdom	2	1.8	1.7

Because no individual country has a substantial number of claims resolved via jury trial, the magnitude of jury bias and any variation by country cannot be established. It is interesting, however, to note that no cases involving Japanese plaintiffs ever went to a jury trial in the period of this study. Not only do the Japanese enforce their patent rights infrequently, but they also tend to resolve their cases before trial, with 84% of the cases they initiate settling. These statistics suggest that the fear of jury bias amongst parties may vary by country of origin. Moreover, the absence of Japanese plaintiffs in the pool of cases tried to juries suggests that the win rate data presented above understates the degree of bias exhibited by juries.

While foreignness may be a proxy for racial prejudice or nativist bias,[66] this study does not seek to explain the rationale behind prejudice against litigants of a particular nationality. This Article performs no comprehensive analysis of the race, color, language, or birthplace of the individual or the representatives of the companies that are party to the lawsuits in this study. This Article studies only xenophobic bias as measured by party geography. Anti-foreign discrimination of this type may be particularly problematic in the jury context because foreign individuals are not permitted to serve on American juries.[67] Findings of discrimination on the basis of alienage, however, may in some cases be attributable in part to discrimination on the basis of race. One explanation of the apparently greater fears of discrimination among Japanese litigants is that these litigants fear a combination of alienage and racial discrimination, which this study does not disaggregate.

2. Prejudice Against Out-of-State Firms.–Domestic diversity cases are analogous in many ways to cases of mixed alienage. The enactment of diversity jurisdiction[68] and removal statutes[69] suggests that a perception existed in the late eighteenth century that state courts favored in-state parties and discriminated against out-of-state parties.[70] There is modern anecdotal evidence to justify this perception. For example, a former chief judge of the West Virginia Supreme Court remarked, "As long as I am allowed to redistribute wealth from out-of-state companies to injured in-state plaintiffs, I shall continue to do so."[71] Of the 4247 cases analyzed in this Article, 64% (2723 cases, 4360 claims) were brought by in-state plaintiffs. Parties were classified as in-state if they either resided in (principal place of business or headquarters) or were incorporated in the state where the litigation was brought. Because jurisdiction in patent cases is quite expansive, cases can be brought anywhere the defendant does business.[72] The

large percentage of cases brought in the plaintiff's home state, in addition to reflecting lower litigation costs, may reflect a belief by plaintiffs that there is likely to be a home court advantage to litigation, especially if they are litigating against an out-of-state adversary. Table 4 breaks down the domicile of the parties by whether the plaintiff and defendant were in-state or out-of-state.[73]

Table 4: Suits By State Diversity

Plaintiff	Defendant	Percent of All Cases
In-State	Out-of-State	46.1%
In-State	In-State	17.4%
Out-of-State	In-State	16.5%
Out-of-State	Out-of-State	20.0%

Win rate data by diversity mirrors that of classical foreignness. Juries favor in-state parties over out-of-state parties. In-state plaintiffs succeed against out-of-state defendants in 72% of the jury trials. Out-of-state plaintiffs who sue in-state defendants prevail in only 47% of the jury trials.[74] These data support the same out-group jury bias or similarity hypothesis; namely that jurors favor parties with whom they share some connection, some similarity. Note that a multivariate regression model on the 1999-2000 data, which includes variables to represent whether parties were in-state or out-of-state, indicates that in-state patentees prevail significantly more often than out-of-state patentees when juries adjudicate. The magnitude of this advantage was even greater than the pro-domestic patentee bias. Of course, foreign litigants are almost always out-of-state, so the regression indicates that there was a penalty from being foreign above and beyond the penalty for being out-of-state.[75]

D. Clermont and Eisenberg Revisited

In their landmark study published in the Harvard Law Review, Professors Kevin Clermont and Theodore Eisenberg found "the available data offer no support for the belief that there exists xenophobic bias in American courts."[76] In fact, as implied by the name of their article, Xenophilia in American Courts, they found that in actions between Americans and foreigners, the foreign party wins 63% of the cases.[77] After ruling out the possibility that American courts favor foreign litigants, Professors Clermont and Eisenberg conclude that foreign aversion to American courts coupled with selection effect theory (to be explored in further detail in Part III.B) explain their outcome statistics.[78] In short, they attribute the positive foreign party win rate to parties' overestimation of the prejudice against foreigners, leading them to the logical conclusion that "any xenophobic bias that does exist in American courts is perhaps less serious than commonly thought."[79] With regard to the judge-jury distinction, Clermont and Eisenberg conclude, "[T]he data do not suggest that juries are more xenophobic than judges. Rather, the data probably reveal that the widespread view of juries as generally pro-plaintiff is a misperception."[80]

The data utilized in this study supports Clermont and Eisenberg's suggestion of foreign aversion to American courts. As discussed below, although foreign inventors acquire 47% of all U.S. patents, they initiate litigation to enforce those property rights in only 13% of all cases. That, however, is where the two studies cease to reconcile. Our empirical results differ in a significant

respect: The data in this study substantiate the existence of xenophobic bias in the American courts with American juries in patent suits. Clermont and Eisenberg find that American parties win 37% of all cases in which their adversaries are foreign, while this study finds that American parties win 64% of such cases in the patent context.

There are several potential explanations for our different results. First, the two studies both measure the foreigner effect across civil cases, but involve two different, non-overlapping time periods. The Clermont-Eisenberg study uses data on civil cases terminated from 1987-1994; this study uses data on patent cases terminated from 1999-2000. Although intuitively it is difficult to imagine that American courts are substantially more prejudiced, biased, or hostile to foreign parties now than they were from 1987-1994, the Clermont-Eisenberg study does show a decline in foreign party win rate and an increase in domestic party win rate over the length of their study.[81] It is possible that if their study had been continued through 2000, there would be a greater convergence in our results. When I expanded my dataset, however, to cover the eleven-year time period from 1990-2000, the prejudice against foreign parties was even higher. In patent suits from 1999-2000, foreign parties won 36% of the jury trials; from 1990-2000, foreign parties only won 28% of the jury trials. The further back the study goes, the larger the magnitude of the bias. Although this study does not cover the entire period of the Clermont-Eisenberg study, the slight difference in time periods between the two studies does not seem to be a plausible explanation for our greatly differing results, because the prejudice measurable in both datasets has been declining over time.

Second, their study examines all civil diversity cases; the present study is limited to patent cases. Because jurisdiction in patent cases is based upon the existence of a federal question, there is no overlap between the two types of cases. This study considers no other civil cases, not even other federal question cases. It is possible that the foreigner effect could be impacted by the subject matter at issue in the lawsuit. The Clermont-Eisenberg study, however, delineated cases by subject matter and found that in seventeen of the twenty different kinds of civil cases in their dataset, the foreign plaintiffs did better than domestic plaintiffs against domestic defendants.[82] At least within the realm of civil diversity cases, the results are fairly uniform.

There may be reason to suspect, however, that patent cases, along with other factually complex litigation, may invite more prejudicial decisionmaking than other types of civil suits. The psychology literature suggests that prejudice is most likely to impact outcome in complex, difficult, and close cases.[83] This theory has been termed “the liberation hypothesis,” because complex or close cases liberate jurors to base their decision on personal prejudices.[84] The more difficult the adjudicators’ task is, the more likely their prejudice and bias will influence the outcome. Because patent cases are among the most factually complex of all civil cases,[85] and almost certainly more complex on average than contract, property, and tort disputes that make up the bulk of the Clermont-Eisenberg dataset, anti-foreigner prejudice may simply be more prevalent in patent cases.

Third, there is a difference in the way that “foreignness” is measured in each dataset. In the Clermont-Eisenberg dataset, a party is coded foreign if the first named party is foreign. This means that a wholly owned U.S. subsidiary of a foreign corporation is treated as domestic, even if the foreign corporation is also listed as a party. For example, if the plaintiff were Nissan USA and Nissan Japan, this would be treated as a domestic party in the Clermont-Eisenberg study. In the dataset used in this study, a party is foreign if any member of the party is foreign. Using the same example, the party would be coded as foreign. Accordingly, the Clermont-Eisenberg study might be underinclusive in its consideration of foreignness, and this study might be

overinclusive. There is no reason to think either of these measures of foreignness would produce systematically erroneous results that would explain the difference in win rates found, however.

Fourth, while the methodology of the Clermont-Eisenberg analysis is quite sound, the data may not be. There are several shortcomings of data reported by the Administrative Office.[86] For example, the Administrative Office reports judgments for the plaintiff, defendant, or both. Recognizing that a judgment for both makes no sense, Clermont and Eisenberg eliminated all cases from their dataset that reported both parties won. Clermont and Eisenberg determined that despite the "minor gaps and misclassifications" that likely exist in the Administrative Office data, "[i]n the aggregate, the data appear reliable."[87] Rather than relying upon the judgments reported by the Administrative Office, I independently verified all of the Administrative Office data.[88] Such verification would be nearly impossible for the large scale Clermont-Eisenberg study, which included 94,142 different cases. To ascertain whether errors in Administrative Office reporting might account for the difference in our foreigner win rates, I decided to compare the judgments I found after researching each case with the judgments reported in the Administrative Office data.[89] As I will detail in a separate article,[90] in a large percentage of the patent cases the Administrative Office reported the judgment incorrectly.

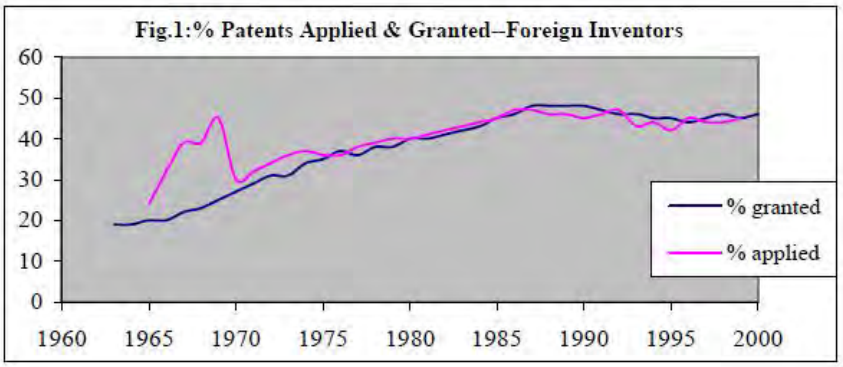
III. Prelitigation Sorting

This Part analyzes the effect of prelitigation sorting on the results in Part II. Because it is not possible to assess which side won or lost a settlement, Part II analyzes only outcomes, but these results may be skewed if cases that are tried are not a random sample of the broader universe of disputes and potential disputes, or if there are systematic differences between foreign and domestic patent holders. This Part concludes that tried cases are not likely to be a random sample in the patent context, but that the differences between the pools of disputes and tried cases on balance suggest that the win rate disparities identified in Part II understate the degree of bias in litigation. This is so for two reasons. First, although patents acquired by foreign inventors may be slightly weaker on average than those with domestic inventors, this effect is likely outweighed by the tendency of foreign patentees to seek enforcement in only a small number of cases. In fact, in cases which the parties litigate through to trial, foreign party patents appear to have stronger characteristics. Second, to the extent that bias is anticipated, it should not affect win rate data, so any disparities at trial suggest that parties underestimate the actual degree of bias in patent cases.

A. Patent Acquisition and Enforcement by Foreign Inventors

This section considers three sources of evidence to compare the quality of the patents held by foreign and domestic inventors. The first two sources of evidence–patent grant rates and patent enforcement rates–suggest, when taken together, that foreign parties seek to enforce only a relatively small number of patents. While foreigners obtain patents at the same rate as domestic parties, they enforce their patents far less often, perhaps in part because they anticipate bias, suggesting that the pool of foreign party patents actually litigated will be particularly strong. The third source of evidence is more direct, consisting of analyses of foreign and domestic patents themselves, but also more equivocal. Measures commonly used by economists to signal originality suggest that foreign litigated patents are stronger than domestic litigated patents and especially strong in the subset of cases tried to a jury. Some other measures that might be expected to correlate with patent strength, however, point in the other direction.

1. Patent Grant Rates.–As Figure 1 demonstrates, foreign inventors have been acquiring U.S. patents with increasing frequency.[91]



They now own nearly half of all patents granted in the United States each year. By and large, Japanese corporations dominate foreign patent acquisition in the United States. Of all patents granted from 1997-1999, 21% were granted to Japanese companies, 6% to German companies, and 2% to companies in each of France, Canada, Taiwan, United Kingdom and South Korea.[92] Foreign inventors acquired 47% of all U.S. patents granted from 1990-1999, and patents have historically been granted to foreign and domestic inventors with equal frequency. As Figure 1 indicates, foreign patent applicants have consistently received the same percentage of patent grants as their percentage of patent applications.[93] For example, according to the PTO data, in 1999, 45% of all patent applications were filed by foreign parties, and 45% of all granted patents were issued to foreign parties.

The relevance of patent application grant rates for the relative quality of the domestic and foreign party patent pools depends on whether there is any prejudice against foreign party patent applicants in the PTO. My own instinct is that there is no prejudice in the PTO's process, and the equivalence of application and grant rates provides some support for this instinct.[94] Because patent applications may be filed and prosecuted only by technically qualified individuals who are members of the patent bar,[95] there would be no reason to expect either foreign or domestic parties to have more skill at filing patent applications. The same patent attorneys and agents file patent applications for domestic and foreign parties, and the same patent examiners are examining them, using relatively technocratic and objective standards.[96]

Nonetheless, in the absence of independent knowledge about the relative qualities of the domestic and foreign applicant pools, the equivalence in grant rates does not prove the absence of prejudice in the PTO. Because this is a study of xenophobia in litigation and not in the PTO, I will explore the issue no further, but I will consider both the possibility that the PTO is or is not prejudicial to assess the implications of the equivalent grant rate for the relative quality of granted foreign and domestic patents.

First, assume that there is no prejudice against foreign applicants in the PTO. The equivalent grants suggest that the pool of foreign party patent applications and the pool of domestic patent applications are roughly similar, at least if one assumes that the incentives of domestic and foreign companies to file U.S. patents are similar. If foreign party patent applications were much more likely to be invalid than American party applications, then one should expect a lower grant rate for foreign applications. If the pools of applications are comparable and grant rates are

comparable, then so too should the pools of granted patents be similar.[97] Of course, rough similarity does not mean total similarity, and indeed, there are measurable differences between patents obtained by foreign and domestic parties that I will address below.[98]

Second, assume that there is prejudice against foreign applicants in the PTO. To explain the closeness of application and grant rates, we would then need to assume that the pool of foreign party patent applications is stronger than the pool of domestic party patent applications. Granted patents, of course, will tend to be the strongest of any pool of patent applications, and so we would then expect the pool of foreign party patents to be stronger than the pool of domestic party patents. If that were the case, then it would furnish a reason supplemental to the ones that I will present below that the win-rate data in Part II understates the actual amount of bias.[99] Thus, in sum, a look at patent grant rates alone provides tentative evidence that foreign party patents are at least as strong as domestic party patents.

2. Patent Enforcement Rates.–Although foreign inventors acquired 47% of all U.S. patents granted in the past ten years, foreign parties have sought to enforce their patent rights in only 11% of the litigated cases. This is a stark difference, and one that is likely sufficient to overcome any apparent relative weakness of foreign party patents as compared to domestic party patents. The relevant comparison for assessing whether the win rate disparity suggests bias is not between the pools of issued foreign party and domestic party patents, but between the pools of litigated foreign party and domestic party patents. As long as stronger patents are more likely to be litigated than weaker patents, the foreign party patents that are litigated should be at least as strong as the domestic party patents that are litigated.

Table 5 breaks down foreign-domestic litigation patterns in more detail. It shows that of the 4247 cases in the dataset, the foreign patent holders initiated suit against domestic defendants in 9.7% of the cases, and against foreign defendants in 3.3%. While this data reflects the litigants' alienage as indicated on the complaints, similar data would result regardless of which measure of foreignness we use (inventor, assignee at the time of patent issuance, or assignee/licensee who brings suit to enforce the patent right). Thus, even though foreign inventors acquire patents as often as domestic firms, they seek to enforce their patents only about one-eighth as often.

Table 5: Suits By Alienage[100]

Plaintiff-Patentee	Defendant-Infringer	% of All Cases
Domestic	Domestic	73.9%
Domestic	Foreign	13.0%
Foreign	Domestic	9.7%
Foreign	Foreign	3.3%

One apparent anomaly in the data that might appear to be inconsistent with the theory that foreign parties are hesitant to enforce their patents because of anticipation of bias requires explanation. While foreign parties sue domestic parties in only 9.7% of the cases, domestic parties do not bring suit against foreign parties with much greater frequency, as these lawsuits constitute just 13.0% of the cases. One possibility is that the aversion to litigation serves to reduce foreign involvement in litigation both as plaintiffs and defendants. Foreign parties can avoid lawsuits by settling before a suit is filed, a form of sorting that cannot be detected even

through analysis of all cases in which a suit is filed. For example, if a foreign party is accused of infringement by a domestic patent holder, it might be more likely to agree to a licensing arrangement than a domestic firm would be.

There is an additional, complementary explanation of the low rate of suits by domestic against foreign parties. Although Table 5 reports that in only 13.0% of the cases domestic patentees sue foreign infringers in U.S. district courts, the number of actual cases is in fact higher because many such actions are brought in the International Trade Commission (ITC) as Section 337 actions.[101] Patent holders suing foreign competitors may prefer the ITC to the district courts because it provides faster relief, there are no personal jurisdiction or venue hurdles to overcome, and enforcement of judgments is easy.[102] The ITC has the power to bar importation of products that infringe a U.S. patent or that are produced by a process that infringes a U.S. patent.[103] ITC actions for patent infringement can be brought only against companies importing goods into the United States. Because foreign infringers can be sued in either the district courts or the ITC, the measure of suits brought in district courts against foreign parties is lower than the actual number of such lawsuits.

There are a variety of possible explanations for the disparity between the rate at which foreign parties acquire patents and the rate at which they enforce these patents. One possibility, to be considered in Part III.A.3, is that foreign party patents are somewhat weaker than domestic party patents and therefore less often enforced. Several additional possibilities will be considered immediately below. First, and most consistent with the theme of this Article, foreign parties may be hesitant to sue because they perceive bias in American courts. Second, cultural considerations may make foreign parties less likely to sue. Third, foreign firms may seek patents for defensive or signaling purposes. Fourth, foreign firms may obtain patents in fields with relatively little litigation.

a. Perceptions of bias.–In theory, perceptions of bias might be focused either on decisionmakers or on the law itself. In recent years, however, great strides have been made towards international harmonization of intellectual property rights.[104] International intellectual property treaties have had two major goals: to establish universal minimum intellectual property standards and to eliminate prejudice against foreign parties in intellectual property laws.[105] In response to its treaty obligations, the U.S. has modified substantive patent laws to eliminate domestic favoritism to level the playing field between foreign and domestic inventors. For example, inventors are often required to provide their dates of invention to obtain a patent either to overcome prior art or to establish priority of invention.[106] Historically, only inventive activity that occurred on U.S. soil would qualify.[107] Foreign inventors who conceived of an invention or built the invention in their home countries could not introduce this evidence to establish their dates of invention. Pursuant to the North American Free Trade Agreement (NAFTA) and the Trade Related Aspects of Intellectual Property (TRIPS), foreign inventors can now establish dates of invention in foreign signatory countries.[108] Accordingly, foreign and domestic inventive activity is treated equivalently under U.S. law.

Indeed, the legislative zeal to eliminate bias has produced patent laws that may now be tipped slightly in favor of foreign inventors.[109] Specifically, the patent laws articulate several activities that could defeat patent rights but only if those activities take place “in this country.” If the invention was on sale or in public use “in this country” more than a year before date of the application, no patent may be obtained.[110] Because most invalidating offers for sale or public use are actually attributable to the inventor,[111] this provision limiting patent rights if an invention is offered for sale or put in public use only in this country predominantly limits the rights of domestic inventors. For example, if a domestic inventor makes an offer to sell his invention in

the U.S. and then files a patent application thirteen months later, his application will be rejected.[112] Assume the identical activity occurs in Japan; a Japanese inventor makes an offer to sell his invention and then files his U.S. patent application thirteen months later. In this case, the application will be granted. Thus, to the extent that there remains any difference in treatment between U.S. and foreign inventors, the substantive law may actually favor foreign inventors.[113] This suggests that foreign party litigation aversion and differential success are not due to fears of bias in substantive patent law, but rather are attributable to application, as foreign litigants have expressed with great frustration.[114]

b. Cultural litigation aversion.–The lack of enforcement of U.S. patent rights by foreign intellectual property owners may be attributable to the cultural norms of the foreign parties themselves and, in particular, to litigation aversion. Because the bulk of all patents obtained by foreign parties are acquired by Pacific Rim countries, and in particular Japan, the cultural approach to litigation as a dispute resolution mechanism indeed could have a significant effect on patterns of litigation. In many Asian countries, conflict avoidance is culturally encouraged, and litigation is not considered a socially acceptable form of dispute resolution. One commentator has even suggested that the Japanese believe that bringing a lawsuit is a "disgrace."[115] The low number of Bengoshi (Japanese lawyers) further evidences the aversion to litigation of the society.[116]

Although aversion to conflict could contribute to the low number of foreign filed lawsuits, if foreign cultural aversion to litigation dictates behavior, then we would expect knowledge of this aversion to cause a high number of domestic parties to sue their foreign competitors who compete in the U.S. with great frequency.[117] As one commentator has suggested, "Historically averse to confrontation, the Japanese have often sought to quietly settle disputes. But Japanese companies, believing opponents have taken advantage of them, have become indignant. Now they are learning to put up a fierce fight in court–often exploiting an armory of patents in their defense."[118] Foreign norms might have evolved so that it is acceptable to fight once dragged into court but not to sue. Interestingly, the data reveals that most foreign parties, especially when they are plaintiffs, are significantly less likely to settle cases than their domestic counterparts.[119]

On the other hand, cases initiated by domestic parties against foreign parties are much more likely to be resolved early in the litigation process than are cases brought by foreign parties against domestic parties,[120] suggesting that foreign parties pursue cases more vigorously when they initiate suit than when they are sued. If foreign parties are repeat players in the American marketplace, they cannot afford to develop a reputation for litigation aversion, or they will become targets for lawsuits. For foreign competitors to thrive in the U.S. marketplace, they must learn to play by U.S. rules, and those that play, play hard.[121] Foreign companies that develop reputations for not enforcing their patents can expect competitors or potential licensees to exploit this reluctance by infringing their patents.

To the extent that cultural factors do explain the gap between patent acquisition and enforcement rates, the inference that foreign parties generally have relatively strong cases on the merits becomes more likely. Presumably, a foreign party hesitant to engage in litigation would be most likely to overcome that hesitance when infringement is particularly egregious, when a substantial amount of money is at stake, or when the patent is particularly immune to validity challenges. None of these explanations would be consistent with litigation on relatively weak patents.

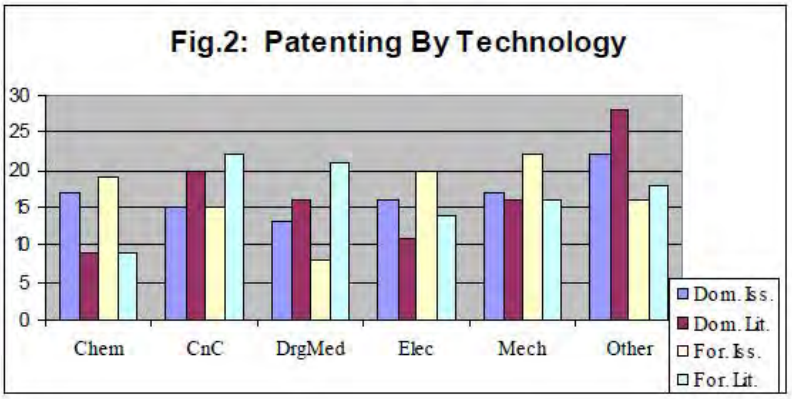
c. Alternative uses for patents.–The relative rarity of patent enforcement raises an interesting question: Why do foreign companies even bother to obtain patents, if they will not enforce them against infringers? Perhaps there are advantages to patents besides their utility as offensive weapons in patent litigation. For example, patents may generate revenue through licensing without the need to resort to litigation. Even without a credible threat of litigation, some companies, perhaps especially foreign ones, may wish to avoid infringing on competitors' patents. In addition, a mere threat to sue often may be sufficient to induce licensing arrangements, especially with a company that is not well positioned to assess the likelihood that a patent owner would sue or with a company that itself is averse to the possibility of being a defendant in a lawsuit. With prevailing perceptions of xenophobic adjudicators and cultural aversion to conflict, it is doubtful that foreign inventors are somehow better at extracting licensing revenues from their competitors.

Moreover, patents may be valuable apart from their explicit revenue generating functions as signaling mechanisms or defensive weapons. Patents can signal several types of information to competitors and the public generally. First, they convey positive information about the company and its products to the public, giving the public the impression of a technologically sophisticated company or product.[122] Second, patents signal to competitors the patentee's technological advancement in a particular area, which may discourage competition. Patents are often sought to secure for the patent holder not just a monopoly in the product they sell, but also to discourage competition through non-infringing alternatives (often called "patent blocking"). In this way, patentees can further secure market share in the products they commercialize. Third, patent applicants often acquire patents for defensive rather than offensive purposes.[123] Defensive patenting often exists in a crowded art to provide the party with a repertoire of patents to use defensively as counterclaim weapons. These patents are used to strengthen a firm's negotiating position with competitors (e.g., as in cross-licensing). These patents may never be asserted affirmatively, but are maintained for defensive purposes when the patentee is threatened by competitors in a related field. It may be that foreign inventors acquire U.S. patents for these defensive and signaling reasons to gain bargaining power in negotiations with competitors who threaten litigation.

If these alternative uses of patents were more important for foreign firms than for domestic ones, then a plausible inference would be that because foreign firms acquire patents for reasons other than as weapons in litigation, they may be weaker on average when used in litigation. There is little reason, however, to believe that these alternative uses would be particularly common among foreign firms. Indeed, if anything, the signaling benefit of patenting should be more significant on average for domestic firms. U.S. entrepreneurs are more likely to need to impress venture capitalists or widely dispersed shareholders than their foreign counterparts, who generally will rely more on bank financing. Thus, signaling is likely to be more important to American firms. Meanwhile, there is no reason to believe that patent blocking or defensive patenting should be of more importance to a foreign than to a domestic firm. In fact, patent blocking and defensive patenting are only strong strategies if the patentee can reliably enforce the patent.[124]

d. Differences across technology fields.–An additional possible explanation of differential patent rates is that foreign companies are obtaining different types of patents. Figure 2 divides the patents into six technological categories borrowed from the NBER database: Chemical (Chem), Computers and Communication (CnC), Drugs and Medicine (DrgMed), Electrical and Electronics (Elec), Mechanical (Mech), and Other.[125] As Figure 2 shows, both foreign and domestic inventors acquire patents in differing technology fields with different frequencies. Foreign inventors are more highly concentrated in the chemical, electronics, and mechanical

fields, and domestic inventors are more highly concentrated in the pharmaceutical and medical and other fields. Consistent with surveys conducted by other researchers, the empirical results demonstrate that litigation overall is more likely to enforce patents in particular technology fields.[126] Comparing patents issued and patents litigated for foreign and domestic inventors shows that both foreign and domestic inventors are more likely to litigate patents in the computers and communications, drugs and medical, and other fields, and less likely to litigate patent in the chemical and electrical fields. Although these results are consistent with survey results of other researchers suggesting that electronic inventions are less likely to be litigated and drugs are more likely to be litigated, these results contradict a survey that concluded that chemical inventions would also be more likely to be litigated.[127]



The data thus provide some modest support for the possibility that differences in technology fields may help explain the rarity of patent enforcement by foreign firms. Such firms patent relatively often in the chemical, electrical, and mechanical fields, which tend to have less litigation. Foreign patentees thus may not engage in litigation with the same frequency as domestic parties in part because they obtain disproportionately more patents in technological industries where litigation is not as common. This pattern, however, cannot explain much of the discrepancy, for two reasons. First, the differences in patenting rates by technological field between foreign and domestic inventors are relatively modest and could not explain the ten-fold difference in enforcement rates between foreign and domestic patentees. Second, the differences in litigated technology fields could be a function of the financial and economic climate in 1999-2000 (the time period of terminated litigations that were considered). These years represented an enormous boom in computer and Internet technologies, which would be captured in the CnC category. These years were also prominent for biotechnological and pharmaceutical advances.

3. Direct Comparison of Patents Acquired by U.S. and Foreign Parties.–Along with the equivalence of patent application and grant rates, the disparity between patent acquisition and enforcement rates suggests that litigated foreign party patents are, if anything, likely to be stronger than litigated domestic party patents. Although it is impossible to develop direct measures of the strength of patents, it is possible to compare directly foreign and domestic patents by using proxies for strength. Such examination is important in part because of the conventional wisdom among patent practitioners that many patents acquired by foreign inventors are simply English translations of patents acquired in other countries and are weaker than those filed in the U.S. by domestic inventors.[128] The patents obtained by foreign inventors could be weaker in that they are more prone to validity attacks or narrower in scope, or

concentrated in highly developed technological areas in which many patents have been granted, as considered above. The empirical evidence addressed in this section substantiates that the patents obtained by foreign inventors are systematically different in measurable ways from those obtained by domestic inventors, but the meaning of such differences is not easy to assess.

a. Patent validity.–Since invalidity defenses are brought by accused infringers in nearly all patent litigations, parties whose patents are more open to challenge may be less inclined to enforce them. It seems unlikely, however, that patents with foreign inventors are less valid than the patents issued to U.S. inventors. All U.S. patents are issued by the same patent office and the same examiners.[129] The PTO is a control on the patentability of issued patents that applies equally regardless of inventorship. In addition, because only registered patent agents and attorneys can file patent applications, even the applications themselves are largely prepared by the same attorneys. Finally, as Figure 1 showed, foreign inventors acquire patents at the same rate as they apply for patents, suggesting that applications filed by foreign inventors are no less likely to meet the standards of patentability.[130] At least, it seems implausible that the PTO would be biased in favor of foreign inventors, which would be required for the pool of patents acquired by such inventors to be less valid than the pool acquired by domestic inventors.

One significant difference between the patents granted to foreign inventors and the patents granted to domestic inventors provides some evidence that foreign party patents tend to be more valid than domestic party patents. Specifically, patent citations differ greatly between patents acquired by foreign and domestic inventors, as illustrated in Table 6. This table shows the mean number of citations made and received by patents issued to domestic and foreign inventors and also reports adjusted numbers that control for year of patent issuance by dividing the unadjusted numbers by the average number of citations in all patents issued in the same year.[131] Regardless of which set of numbers is used, the data indicate that patents acquired by foreign inventors cite fewer previously issued U.S. patents during prosecution than do patents acquired by domestic inventors. At the same time, patents acquired by foreign inventors are cited less often than domestic patents in subsequent patent applications.

Table 6: Citations in and to Patents Issued to Inventors, by Alienage

	Mean US Citations Made	**Mean Adj. US Citations Made**	**Mean US Citations Received**[132]	**Mean Adj. US Citations Received**
All Domestic Inventors	11.7	1.3	3.5	1.1
All Foreign Inventors	6.4	0.7	2.6	0.9

Patent citation data has become a popular tool for economists studying patents and innovation. Economists have suggested that patent citation data is useful as an indicator of spillovers, measuring the extent to which knowledge flows and the direction of such flows.[133] Economists have operated on the premise that the fewer citations on the face of a patent, the more original the invention must be. If this assumption is accurate, then foreign party patents are more original than domestic party patents. Yet a consideration of citations received immediately

places this conclusion into doubt. Presumably, more innovative patents receive more citations, yet domestic inventors have a slight edge in citations received.

Recognizing that the number of citations alone may be an insufficient basis to draw strong conclusions about patents, economists have suggested that patent citations could be variables in formulas to produce more sophisticated indicators of the originality and generality of invention.[134] This theory seems to have been widely accepted by economists studying patents and innovation, and it focuses not only on the raw number of U.S. patent citations adjusted by year, but also on the technology classes of those citations. In the NBER database, a patent that tends to cite U.S. patents in its own or related technological classes (as measured by the PTO classification system) is deemed less original than another patent with the same number of raw citations from unrelated technology fields. Thus, holding the number of citations constant, the more the citations in the patent draw from different technology classes, the more original the invention is assumed to be, on the premise that patents that make connections across technology fields are more likely to represent breakthroughs than those that rely entirely on existing technology fields. Similarly, the more citations a patent receives in subsequent applications from a range of technology fields, the more general it is assumed to be.

There are, however, alternative explanations besides originality to account for an invention whose patent cites an unusually high percentage of cites from other technology fields. First, the originality variable may indicate the extent to which an invention clearly lies within one technology field rather than in a gray area between two or more fields. Perhaps inventions that are not clearly in one technology field on average are more original or general than others, but the association is not self-evident or inexorable. Second, a patent applicant may have some ability and incentive to manipulate the number of citations in the patent document. A patent applicant who includes fewer citations to other relevant patents may increase the chance of receiving a patent from the PTO, but such patents might have a lower probability of being found valid in court. If this is the case, then economists have it exactly backward. Patents that include more citations or more diverse citations are more likely to be valid.[135]

Some legal background may help clarify the second explanation. Any U.S. patents cited as prior art on a granted patent were either disclosed to the PTO by the applicant or found by the examiner. The patent applicant has a duty to disclose all known prior art that materially bears on the question of patentability.[136] If the patent applicant knows of such prior art and does not disclose it, the applicant commits inequitable conduct, and the patent can later be held unenforceable.[137] The patent applicant is under no duty, however, to conduct a search into the relevant field to ascertain whether its invention is patentable.[138] In fact, because knowledge of other patents might constitute actual knowledge that could subject a company to a finding of willful patent infringement and accordingly treble damages and attorneys fees, there is a disincentive to search related technology fields for prior art. Because patent applicants do have a legal duty to disclose patents that they are aware of, low originality scores may reflect that the applicant decided only to cite prior art that it already knew about, but not to seek out prior art from other technological fields.

The obligation to search the prior art falls solely on the patent examiner, who determines the patentability of the claimed invention. Commentators have extensively criticized the adequacy of the patent examination procedure for issuing valid patents.[139] Critics have opined that patent examiners have insufficient time to search and evaluate prior art,[140] and in fact, have a financial incentive to issue patents.[141] If many invalid patents are issued because of inadequate time on the part of patent examiners to search and evaluate the prior art, then patents with lower numbers of patent citations may be more likely invalid. One empirical project appeared to

confirm the common wisdom that patents are more likely to be held invalid when the court is considering prior art that was not originally before the patent examiner (i.e., not cited on the patent itself).[142]

Table 7: Patent Citations in Cases Determining Validity of Patents
(n = 314)

	Valid	Invalid
Mean US Patent Cites Made	15	11
Mean Foreign Patent Cites Made	3	2
Mean Other Cites Made	4	6
Mean Total Cites Made	22	19
Mean Adj. US Cites Made[143]	1.83	1.35
Mean US Cites Received	16	10
Mean Adj. US Cites Received	2.83	2.13
Originality	.46	.41
Generality	.43	.40

As Table 7 suggests, validity is significantly associated with by the number of patent citations made and received,[144] but the magnitude of the effect is relatively small. Originality and generality measures, meanwhile, do not vary significantly with patent validity. Table 7 includes data on citations to foreign patents as well. Unfortunately, the NBER database includes data only on citations to U.S. patents. In fact, the economists who have quantified and analyzed patent citation data have thus far limited their analysis to counting citations to other U.S. patents.[145] Citations to U.S. patents are not the only form of prior art the PTO considers in determining whether to grant patents. Prior art often includes issued foreign patents and printed publications.[146] Moreover, there is reason to believe that U.S. patents would not be the best proxy for citations generally when comparing U.S. patents acquired by foreign and domestic inventors. Researchers have demonstrated that geography impacts knowledge spillovers,[147] so foreign inventors are more likely to be aware of related local technology–or at least they are likely to be aware sooner–than of related technology in other countries. Using only citations to other U.S. prior art patents is thus particularly problematic when comparing foreign and domestic inventors. Because the NBER database does not track cites of foreign patents, I researched all prior art cited in the 6861 patents that were litigated.[148] This could not be done for all issued patents; hence the results reported in Table 6 on issued patents likely underreport prior art disclosed and considered during prosecution of foreign party patents.

The most relevant comparison for purposes of assessing the impact of patent characteristics on case strength (in order to determine whether domestic parties win more jury trials because they are enforcing stronger patents) is between the foreign and domestic party patents for tried cases involving mixed alienage, as detailed in Table 8.

Table 8: Citations to and by Patents That Are Tried

Type of Trial	Jury	Jury	Judge	Judge
Patentee	**US**	**Foreign**	**US**	**Foreign**
Infringer	**Foreign**	**US**	**Foreign**	**US**
Mean US Patent Cites	9	16	7	6
Mean Foreign Patent Cites	1	10	2	2
Mean Other Prior Art Cites	5	2	5	8
Mean Adj. Total Cites[149]	1.99	3.64	1.51	1.82
Originality	.42	.59	.25	.37
Mean Cites Rec'd	18	8	9	18
Mean Adj. Cites Rec'd	2.73	1.21	1.51	2.65
Generality	.51	.29	.23	.43
Claims	16	13	10	10

Although it is true that both foreign and domestic inventors litigate patents with higher mean citations than their pool of issued patents, there is a large disparity among those patents selected for litigation. Patents litigated by foreign parties include significantly more citations and have a higher originality measure in both judge and jury trials than patents litigated by domestic parties. This provides further evidence that litigated foreign party patents are stronger (more likely valid) than litigated domestic party patents. Given the relatively small but significant distinctions in numbers of citations in patents found to be valid and those found to be invalid, and the much larger distinction in the number of citations in patents tried by foreign versus domestic parties, the empirical results suggest that foreign party patents are significantly stronger than their domestic counterparts. In fact, in jury trials, the patents litigated by foreign parties are remarkably strong as measured by citations made (3.64 total cites and originality measure of .59 versus 1.99 and .42, respectively for patents litigated by domestic parties), yet it is in exactly these cases that foreign parties experience their lowest win rates. This further supports the notion that the magnitude of xenophobic jury bias is larger than that suggested by win rate data alone. Even though the patent characteristic data provides evidence of the comparative strength of the pool of litigated foreign party patents, foreign party win rates in jury trials remain low. In contrast, in bench trials where the characteristics of the pool of foreign party patents are suggestive of stronger patents (higher citations made, originality, and generality), foreign parties win more often (54% of the cases).[150] In sum, even though foreign parties acquire nearly half of all U.S. patents and bring only one tenth of all U.S. litigation to enforce their patents, and the patents they do litigate at trial seem stronger than the patents of domestic parties, foreign parties lose significantly more often than domestic ones in jury trials.

b. Patent scope.–Foreign parties would be less likely to bring suit if their property rights were very narrow. A man with 100 acres of property is more likely to experience trespass than a man with 1 acre (all else being equal). A broad, "pioneering" patent covering basic technology would entitle its owner to exclude a wide range of competition, whereas a narrow patent on an invention that represents a small advance in a crowded art is not as likely to be infringed. Conventional wisdom among patent attorneys is that foreign inventors generally file U.S. patent

applications based upon previously filed foreign patent applications,[151] and that foreign patents are often narrowly drafted to protect incremental advances.[152]

The data in Table 9 compare patents acquired by foreign and domestic inventors, once again adding a variable measuring the number of claims to other variables discussed in the previous section.[153] The mean number of claims per patent is indeed significantly less for foreign applicants. It has been suggested that the number of claims may be indicative of patent "scope" or "breadth."[154] If these economic indicators are reliable, foreign patent applicants acquire more limited, narrow property rights than do domestic applicants. This is consistent with popular perceptions that foreign patentees acquire narrower patents.

Table 9:[155] Patents Issued to Foreign & Domestic Inventors

	Mean Adj. US Patent Cites Made	Mean Adj. US Patent Cites Received	# of Claims	Generality	Originality
All Domestic Inventors	1.3	1.1	15	.29	.42
All Foreign Inventors	0.7	0.9	12	.25	.33

The theory that the number of patent claims in a granted patent correlates to patent breadth makes little intuitive or logical sense, however. A patentee could file a patent with a single very broad claim or 50 narrow claims. According to some economists, the second patent (with 50 claims) would be 50 times broader than the single claim patent, but the correct interpretation easily could be the reverse. Drafters of patents sometimes file many narrow claims because they cannot succeed with a single broad claim. It is thus impossible a priori to determine whether the difference between patents with 15 claims on average and those with 12 claims on average indicate that one set or the other is narrower. There is thus no reason to believe that the number of claims in a given patent varies in any consistent way with patent scope or with the likelihood of patent enforcement efforts.[156]

Perhaps the most that can be said about data on the number of claims is that the number may correlate with patent value.[157] Filing more claims costs an applicant more money. The minimum PTO application fee covers twenty claims (three independent and seventeen dependent).[158] If the applicant wishes to submit more than twenty claims or more than three independent claims, she must pay an additional per claim fee.[159] The PTO fees are, moreover, pennies compared to the attorney expenses associated with patent drafting and prosecution. Prosecuting a patent application averages from $10,000 to $30,000.[160] The bulk of such expenses are spent drafting and prosecuting the claims, so more claims will raise prosecution fees.

A comparison of the results in Table 9 with those in Table 8, indicating respectively, the number of claims in issued patents with the number of claims in patents that were subject to a trial, might at first seem to undermine this theory. Patents litigated to trial include slightly fewer claims. A comparison, however, of the broader pool of litigated patents with the pool of issued patents does substantiate the idea that claims correlate to value.[161] This suggests that patent value is a strong predictor of litigation, but that other considerations determine which cases settle. Therefore, the finding that patents issued to domestic parties and patents litigated by domestic parties have more claims than those of their foreign counterparts seems equivocal at best. Even

if the number of claims is a measure of patent value, perhaps foreign patent applicants value their patents less because the patents are inherently narrower, but it is also possible that they value them less because they anticipate that the value of the patents in litigation in U.S. courts will be less as a result of bias in such courts. Either factor could explain the relatively small difference in the number of claims filed.

B. Theoretical Models of Case Selection

1. Divergent Expectations and Asymmetric Stakes Models.–If all legal disputes or even a random subset of legal disputes were litigated, then the inferences that could be drawn from win rate data would be straightforward. If legal rules or adjudicators favored one side, the outcomes would reflect the bias. Tried cases, however, are not a random or representative sampling of all legal disputes, and even litigations filed are not a random subset of all legal disputes.[162]

Economists and legal scholars have developed several formal economic models that predict the selection of tried cases–which cases fail to settle and proceed to trial.[163] These models assume that litigants act rationally[164] in pursuit of a single goal in litigation, wealth maximization.[165] The divergent expectations model proposed by George L. Priest and Benjamin Klein predicts that the tendency for plaintiffs to win at trial will approach a probability of 50% as the fraction of cases going to trial approaches zero.[166] According to this theory, because of the high transaction costs of trial,[167] trials will occur only when either or each side overestimates its own probability of success. That is, trial is most likely where outcome estimations diverge, creating mutual optimism about the outcome.[168] Parties will, of course, estimate their probability of success by considering in a myriad of factors such as the decisional standard and any perceived adjudicator bias. Mutual optimism about success, according to the Priest-Klein model, is most likely to occur in close cases. The selection hypothesis predicts that "tried cases tend to cluster close to the governing decision standard, regardless of the underlying distribution of disputes relative to that standard."[169] The implication of this theory is that the plaintiff will win 50% of all tried cases.[170]

The asymmetrical stakes variant of this model[171] provides for alteration of the 50% implication.[172] In the asymmetric stakes model, the disputes selected for trial will no longer tend to be the close cases gravitating towards 50%. Rather, the cases selected should tend to be those in which the party with greater stakes has a higher probability of success. As Priest and Klein explain, "where the stakes are greater to defendants than to plaintiffs, relatively more defendant than plaintiff victories ought to be observed in disputes that are litigated."[173] A similar analysis applies to asymmetrical litigation costs. Commentators have noted, for example, that frivolous suits are particularly likely to be filed when plaintiffs have much lower litigation costs than defendants.[174] When such suits proceed to trial, the party with the higher litigation cost will generally win.

2. Application to Foreign Party Bias Hypothesis.–Applying this theory to the hypothesis concerning foreign party bias, the selection of cases for trial[175] ought not to reveal any bias even if such bias exists, as long as it is accurately perceived by the parties. In fact, the win rate for foreign parties ought to be greater than 50% as a result of their higher transaction costs. Parties to a dispute will estimate their probabilities of success factoring in the perceived prejudice against foreigners, just as they factor in the decisional standard and the burdens of proof. Hence, tried cases are not those cases that are inherently close on the merits, but those cases that are close on the merits after adjustment for adjudicator bias. If the parties, therefore, both accurately assess the adjudicator bias, they will factor it into their outcome estimations, and any biases in the win rate data should be masked.

Parties, however, may underestimate or overestimate the degree of bias or prejudice. Win rates thus may deviate from 50% if the extent of prejudice against foreign parties is misunderstood by the parties. If parties systematically believe adjudicators to be biased when in fact they are not biased, the win rate ought to be higher for the party against whom the adjudicator was thought to be prejudicial. Assume, for example, that there are equal stakes between the parties, and that the parties perceive that juries favor domestic over foreign litigants. If the perception is accurate as to the existence of the bias and its magnitude, then the win rate ought to be 50%. If the perception is inaccurate, however, then the win rate for the foreign party will likely be greater than 50%, because the parties factored this belief into their decisions regarding which cases to settle and which cases to try. Because the parties believed that the adjudicator would be prejudiced against the foreign party, only cases which were objectively stronger for foreign parties would have been selected for trial.

When a perception of bias exists, as this Article has substantiated with both anecdotal and hard data, there are three possible outcomes. First, parties might accurately perceive the degree of bias, and the Priest-Klein win-rate of 50% results. Second, one or both of the parties might underestimate the magnitude of the prejudice against foreign litigants, resulting in a win rate for foreign parties below 50%, as this study found. Third, one or both parties might overestimate the magnitude of the prejudice against foreign parties, resulting in a win rate for foreign parties above 50%, as Clermont and Eisenberg appeared to show. The magnitude of the win rate differential would reflect the magnitude of the error between the prediction and the actual amount of prejudice.

Meanwhile, asymmetrical stakes or asymmetrical litigation costs may have an effect as well. Asymmetrical litigation costs are likely in cases between domestic and foreign parties, because of the expense associated with litigating cases abroad. Thus, foreigners' higher litigation costs provide an additional reason that foreigners should win more than half of cases and makes more startling the finding that foreigners win considerably less than half. This study's results are thus best interpreted as indicating an underestimation by the parties of the extent of prejudice by juries against foreigners, and a roughly accurate estimation by the parties of the extent of prejudice, if any, by judges.

Conclusion

In a separate study using a different dataset, I compared the results of judge and jury trials without regard to the alienage of the parties and concluded that there are substantial differences in judge and jury decisionmaking, with the differences generally suggesting that judges are superior decisionmakers.[176] This Article shows that jury decisions discriminate against foreign parties. The result, however, is less likely to reveal conscious animus by jurors than it is to emphasize the difficulty that jurors have in resolving patent disputes. If alienage matters when it should not, so too may a variety of factors that affect how sympathetic a party appears regardless of whether those factors are legally relevant. The apparent discrimination that this Article reveals may thus further call into question jurors' competence even in cases between domestic parties.

Because the Seventh Amendment prohibits abolition of juries in many federal cases, including most patent disputes, the most obvious reform– substitution of judge for jury decisionmaking–is unavailable. The impression that American courts are hostile to foreign parties thus is likely to have unavoidable economic implications in the intellectual property context.[177] The anticipated

difficulty of enforcing intellectual property rates may discourage foreign companies from entering U.S. markets or from developing products that will appeal to consumers in the United States. Moreover, in the last decade, the United States and foreign countries have entered into agreements to harmonize intellectual property laws in order to enhance global competition.[178] Free trade agreements aim to reduce barriers to entry for foreign competition and to stimulate economic growth.[179] Americans have long complained of "informal trade barriers" embedded in Japanese cultural and business practices,[180] but jury bias equally well could be considered such a barrier. Implementation of the international treaties NAFTA and TRIPS has eliminated much domestic favoritism that existed in substantive U.S. intellectual property laws.[181] Even if the underlying substantive law is not discriminatory, though, when xenophobic bias or the perception of such bias prejudices the implementation of the law, the goals of free trade are undermined. The perception of systematic discrimination against foreign parties by juries in patent cases functions as an implicit trade barrier and arguably may even be a violation of the United States trade obligations under NAFTA and TRIPS.[182] While the immediate effect of such a trade barrier on American consumers may be more equivocal than that of tariffs or quotas that directly lead to higher prices, other countries may be more hesitant to open their markets to American competition when U.S. courts are viewed skeptically. The perceptions, and verifiable accuracy of the perceptions, of xenophobic bias in the U.S. patent litigation process likely have substantial impact on international trade and foreign relations and undermine confidence in the U.S. legal process for foreign and domestic parties alike.

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[1] *See* Jack L. Lahr, *Bias and Prejudice Against Foreign Corporations in Patent and Other Technology Jury Trials*, 2 Fed. Cir. B. J. 405, 405 (1992) ("A widespread perception within the corporate communities of many industrial countries holds that they will be treated unfairly in U.S. jury trials due to the jury bias and prejudice against foreigners."); *Japanese Firms Fight Back as "Patent Wars" Heat Up*, Balt. Sun, Sept. 5, 1992, at 14C (reporting that Japanese companies perceive American juries as "inscrutable and biased against them"); Victoria Slind-Flor, *TV Spots Bash the U.S.: Japanese Still Uneasy on Patents*, Nat'l L.J., Nov. 30, 1992, at 3 (reporting that Japanese industries fear xenophobic U.S. juries); Daniel Akst, *Patent Suit Jury Trials Are the Rage*, L.A. Times, Apr. 20, 1994, at D8 ("Smart lawyers for patent holders want juries because jurors tend to favor independent inventors and small companies over large or foreign competitors."); Robert M. Kunstadt, *Don't Tailor Patent Law for Special Interests*, Nat'l L.J., Jan. 6, 1997, at A25 ("Foreign litigants have demonstrably well-founded concern about having to litigate patent claims before American juries."); Barry S. Wilson, *Patent Invalidity and the Seventh Amendment: Is the Jury Out?*, 34 San Diego L. Rev. 1787, 1787 n.4 (1997) (suggesting that juries are biased against large corporations or foreign corporations); David Bowen, *Foreign Firms Can Be Soft Targets in the 'Jackpot' Mentality of US Litigation*, Independent, Feb. 16, 1997, at 3 ("It is perhaps too easy to drum up an image of xenophobic rednecks determined to kick foreign butt, but it is undoubtedly true that small-town juries will give the home team an advantage.... My advice is to avoid a jury trial, especially if you're a foreigner going up against a local company."); George P. McAndrews et al., *Local Bias Alive and Well*, Metropolitan

Corp. Counsel, Dec. 2001, at 18 ("The 'us versus them' mentality is certainly strongest when dealing with foreign versus American corporations, but it is also raised in local versus out-of-state corporations, and can be difficult to dispel."); Catherine A. Rogers, *Fit and Function in Legal Ethics*, 23 Mich. J. Int'l L. 341, 408 ("Bias against foreign defendants is alive and well in all countries, including the United States.").

[2] Linda Himelstein, *Japan in the Dock: Beware of the Bashers*, Bus. Wk., Nov. 8, 1993, at 101. But *see id*. ("It doesn't make any difference if a defendant is German, Japanese, or whatever. Juries don't have these biases.") (quoting patent attorney Kenneth B. Herman).

[3] Jury trials of patent cases are especially troubling to foreign companies because almost no other industrialized country permits lay juries to resolve technically sophisticated patent cases. Philippe Signore, *On the Role of Juries in Patent Litigation*, 83 J. Pat. & Trademark Off. Soc'y 791, 794 (2001) ("Many non-Americans, especially if they are accused of infringing a U.S. patent, are astonished to learn that U.S. patent cases can be decided by juries. The U.S. may be the only country in the world that uses juries to decide patent disputes."). There is no shortage of pithy quotes in which corporate counsel question the abilities of lay juries to adjudicate patent cases, as the following illustrates: "Corporate defendants and patent lawyers have long griped that intellectual property litigation is too complex to leave to plumbers, housewives, mailmen and music teachers." *Jury Cases on Patent Infringement on Trial*, Chi. Trib., June 12, 1995, at 6, *available* at 1995 WL 6216112. In most countries, patent trials are exclusively to the bench and in some countries they are to expert or technically trained judges. *See* Signore, *supra*, at 794-95 (reporting that England, France, Germany, and Japan each have specialized trial court judges which resolve patents cases).

[4] After a Japanese company, Nintendo, lost a $208 million case before an American jury, the general counsel said "This kind of outrageous verdict presents an image of bias against foreigners or large companies. There is a serious issue of whether a jury trial is the appropriate way [of handling patent disputes]." Leslie Helm, *Jury Orders Nintendo to Pay $208.3 Million in Patent Case*, L.A. Times, Aug. 2, 1994, at D3. Japanese analysts frequently attributed lost jury trials to anti-Japanese bias. *Id.; see also* Victoria Slind-Flor, *Japanese Are Stung on Patents*, Nat'l L.J., Aug. 10, 1992, at 46 ("Japanese response to those large infringement-case verdicts 'is somewhere between anger and bewilderment, and they are blaming it on Japan-bashing'") (quoting patent attorney Norman S. Brunell).

[5] Himelstein, *supra* note 2, at 101 (reporting that Litigation Sciences Inc. tracks xenophobic bias for its clients). Another jury consulting firm, DecisionQuest, has found repeatedly that mock jurors discriminate against Japanese parties by making "different decisions when presented with identical cases except for the nationality of the defendant, which is changed from American to Japanese." *Id.* It is not uncommon, even in recent times, for foreign companies (and especially Japanese) to engage jury consulting firms to assist in the selection of a forum which exhibits the least prejudice against foreigners. *See, e.g.*, DecisionQuest, *Success Story #4*, at http://www.decisionquest.com/site/success4.htm (last visited March 31, 2003). Decision Quest advertises these services and reports the following success story on their website:

> DQ Finds Best Trial Venue for Client:
>
> Problem:
>
> A major Japanese corporation planned to file suit against a competitor for trademark infringement. Fearing that jurors in certain parts of the country might hold anti-Japanese biases which would cloud their ability to hear their arguments, counsel asked DQ to find a venue in which jurors would be receptive to the case and not prejudiced against the client.

> Solution:
>
> With hundreds of intellectual property cases to its credit, DecisionQuest knew the general profile of jurors predisposed toward infringed parties in trademark disputes. Combining that knowledge with our demographic and lifestyle databases to analyze the key factors impacting juror predisposition, DQ conducted telephone surveys to determine the extent of anti-Japanese bias in each venue.
>
> We knew from experience that American jurors are more biased against foreign corporations than they are against foreign countries and that they hold strong biases against Japanese corporations in particular. This bias is more common in venues suffering economic difficulties due to foreign competition and becomes much more pronounced when Japanese witnesses use translators on the stand.

Id.

[6] Kevin Clermont & Theodore Eisenberg, *Xenophilia in American Courts*, 109 Harv. L. Rev. 1120 (1996).

[7] *Id*. at 1132.

[8] Despite the perceptions of anti-foreigner bias in American courts and the deleterious effects this bias could have on international trade and foreign relations, there was a dearth of theoretical or empirical analysis of xenophobia's effects before the Clermont-Eisenberg study. *See* Kevin Johnson, *Why Alienage Jurisdiction? Historical Foundations and Modern Justifications for Federal Jurisdiction Over Disputes Involving Noncitizens,* 21 Yale J. Int'l L. 1, 43 (1996) ("It is difficult to verify bias against foreign business in the adjudicatory process. However, I would be surprised if the antipathy toward foreign business historically visible in the political process failed to influence the adjudicatory process in the United States."); Lahr, *supra* note 1, at 407 ("Significant also is the absence of published empirical evidence to document the extent to which jurors are inclined to base their verdicts on factors such as prejudice or bias."). The Clermont-Eisenberg study seems unlikely by itself to transform popular preexisting inferences made in the absence of data, and though the study might have succeeded in changing the academic consensus about xenophobia in litigation generally, it might not be sufficient to persuade practitioners and scholars in particular fields like patent law. Consider, for example, Professor Johnson's analysis:

> Despite the intuition that judges and juries may be influenced by antiforeign bias, empirical data demonstrating such bias in the state or federal courts is difficult to come by.... Nonetheless, the existence of antiforeign views in the general public, and the influence of such views on the political process, is difficult to question. One would be surprised if such views did not somehow influence the adjudicatory process.

Johnson, *supra*, at 39. As Professor Johnson observes, confirmation of the Clermont-Eisenberg data would hardly signal the end of a need for scholarship in the area, but instead would suggest a need for explanation of the anomaly. *Id*.

[9] *See, e.g.*, Saul M. Kassin & Lawrence S. Wrightsman, *The American Jury on Trial* 8 (1998) (discussing the similarity hypothesis). Concern over xenophobia goes as far back as the oldest book in the Old Testament: "[y]ou shall not oppress a stranger; you know the heart of a stranger, for you were strangers in the land of Egypt." Frank Crusemann, '*You Know the Heart of a Stranger' (Exodus 23.9). A Recollection of the Torah in the Face of New Nationalism and Xenophobia, in Immigrants and Refugees*

95, 97 (Dietmar Mieth and Lisa Sowle Cahill eds., 1993). Peter Rose's book quotes Rudyard Kipling as capturing the essence of ethnocentric thinking:

> All good people agree,
>
> And all good people say,
>
> All nice people like Us are We,
>
> And everyone else is They.

Peter I. Rose, *They and We* 85 (1997) (quoting Rudyard Kipling, *We and They, in Debits and Credits* 327-28 (1926)).

[10] Johan M.G. van der Dennen, *Ethnocentrism and In-group/Out-group Differentiation: A Review and Interpretation of the Literature, in The Sociobiology of Ethnocentrism* 1, 17 (Vernon Reynolds et al. eds., 1987) (citing experimental support for the hypothesis that "an individual will discriminate against a member of an out-group even when there is no conflict of interest and there is no past history of intergroup hostility"). Several theories have been proposed to explain xenophobia including: realistic group conflict theory (groups are in competition for scarce resources), evolutionary theories, and sociopsychological theories such as the frustration-aggression-displacement theory, group narcissism, self-esteem, reference group theory, projection, cognitive congruity theories, and transfer and reinforcement theories. *Id.* at 10-16 (listing and explaining theoretical explanations for ethnocentrism). "The essence of xenophobia is an aggressive response towards a complete social stranger." *Id.* at 22. Nativism, meaning a preference for those deemed native and an opposition to those deemed foreign, is another form of xenophobia. *See, e.g.*, Kevin R. Johnson, *The New Nativism, in Immigrants Out!* 167 (Juan F. Perea ed., 1997) (defining nativism as "intense opposition to an internal minority on the grounds of its foreign (i.e. 'Un-American') connections").

[11] *See* Robert Kurzban et al., *Can Race be Erased? Coalition Computation and Social Categorization*, 98 PNAS 15387, 15387 (2001), available at http://www.pnas.org/cgi/content/full/98/26/15387 ("Following on historical experience, field and laboratory studies have confirmed that this behavior is remarkably easy to elicit: people discriminate against outgroups even when they are assigned to groups temporarily and anonymously by an experimenter who uses dimensions that are trivial, previously without social significance, and random with respect to any real characteristics of individuals assigned."); Marilynn B. Brewer, *In-Group Bias in the Minimal Intergroup Situation: A Cognitive-Motivational Analysis*, 86 Psychol. Bull. 307 (1979); Sheri L. Johnson, *Black Innocence and the White Jury*, 83 Mich. L. Rev. 1611, 1640 (1985) ("own-race bias"); Cookie W. Stephan & Walter G. Stephan, *Habla Ingles? The Effects of Language Translation on Simulated Juror Decisions*, 16 J. Applied Psychol. 577, 587 (1986) ("ethnocentrism").

[12] *See, e.g.*, Nancy J. King, *Postconviction Review of Jury Discrimination: Measuring the Effects of Juror Race on Jury Decisions*, 92 Mich. L Rev 63 (1993) (reviewing evidence and experiments of the effect of racial composition on jury decisions); John Guinther, *The Jury in America* 93 (1988) ("Whether it has its wellspring in psychological or socioeconomic causes, or some combination of both, prejudice whether on the part of jury or judge or lawyer is justice's well-recognized and most formidable enemy.").

[13] *See* Linda Hamilton Krieger, *The Content of Our Categories: A Cognitive Bias Approach to Discrimination and Equal Employment Opportunity*, 47 Stan. L. Rev. 1161, 1188 (1995) (discussing how,

in the process of deciding cases, biases influence the decisionmaker's judgment long before the decisional moment and often beyond the reach of the decisionmaker's self-awareness).

[14] One such study undertaken by the Rand Corporation determined that over the 20 year period 1959-1979, black plaintiffs were less likely to win and black defendants more likely to lose civil cases than their white counterparts. Guinther, *supra* note 12, at 93. Even these seemingly clear results were not offered as conclusive proof of racial bias by juries because the Rand Corporation acknowledged that the types of civil cases brought by black and white plaintiffs differed substantially, which could contribute to the differences in win rates. *Id*. at 94.

[15] Rene Lettow Lerner, *International Pressure to Harmonize: The U.S. Civil Justice System in an Era of Global Trade*, 2001 B.Y.U. L. Rev. 229, 293-94 (2001) (discussing foreigner bias as the historical ground for alienage jurisdiction); Jonathan Shafter, *Originals Intentions and International Reality: States, Sovereignty, and the Misinterpretation of Alienage Jurisdiction* in Matimak v. Khalily, 39 Colum. J. Transnat'l L. 729, 746 (2001) (explaining that alienage jurisdiction was intended to protect foreign investments in the United States from populist bias and prejudice by assuring "foreign investors that their disputes would be resolved in a forum relatively insulated from local populist pressures, thus reducing the political risk profile of their investments"); Johnson, *supra* note 8, at 43. In one of the more colorful examples of appealing to xenophobic biases in state court, a Texas attorney made the following argument during his closing statement to the jury:

> In some places the very rich are almost like God. They can do anything they want. Mr. Soerono Haryanto thinks he is that kind of person, and he thinks America is that kind of place.... You have the opportunity to emphasize what America stands for ... [I]s it a place where we should allow someone from Singapore or Indonesia or Philippines, or whatever this man is, to come over and say, 'When I'm here, slavery is fine: and if I say to kiss my feet and if I say I will kill you, if I have the right to terrorize you for a period of time, it's fine for who I am?' ... He is thumbing his nose at you, at this process, at this country.... You need to send a message not just to Soerono Haryanto in the Philippines or Singapore or wherever he is hiding out, but to send a message all the way around that in America you can't do this ... Do something right for America.

Haryanto v. Saeed, 860 S.W.2d 913, 927-28 (Tex. Ct. App. 1993) (Robertson, J., dissenting) (rejecting majority's decision to affirm jury verdict of $1 million in compensatory damages and $2 million in punitive damages in a tort case).

[16] Federal judges with their life appointments are not subject to the same political pressures as elected state court judges and can therefore more closely monitor attorney attempts to stir up local prejudice or bias among juries. *See* Johnson, *supra* note 8, at 47. Moreover, removal to federal court affords an opportunity to transfer a case (if venue and jurisdiction requirements warrant transfer) to other federal district courts anywhere in the country. Finally, the federal court system would likely be preferred by foreign litigants because it may offer greater certainty and uniformity than the multitude of state systems. *Id*.

[17] *See, e.g*., McAndrews et al., *supra* note 1, at 18 (suggesting that "diversity jurisdiction may not eliminate problems of local bias"); Johnson, *supra* note 8, at 47 ("The influence of xenophobia on juries may affect adjudication in the federal as well as state systems."). A 1996 patent trial in the U.S. District Court for the District of Delaware stirred up concerns over xenophobia prejudicing the jury when attorneys for the American company suggested that if the patent holder won the lawsuit, an American company,

Motorola, which employs American workers would have to stop making cellular phones and all of these jobs would be lost to the Japanese. The company's opening statement to the jury went as follows:

> The evidence will show [Motorola] started out as a very small company. But it was successful. It came out with good products. And it was successful. And it got to the point that it was the largest cellular telephone company in the United States. It made cellular phones. It made cellular telephones so well that it gave jobs to people here in the United States to make these cellular telephones to be sold not only here, but we sell [them] in Europe, and something that is almost unheard of in this country, they are sold in Japan. They are made here and sold there. So Motorola felt a duty. Certainly it was looking out for its own interests. This is an important part of Motorola's business. [If] Interdigital has its way, Motorola will have to stop making digital cellular telephones. Stop. The people that are making them will have to stop going to work. The people that are selling them will have to stop selling them. That is what they want. That is what they ask for.

Motorola, Inc. v. Interdigital Tech. Corp., 121 F.3d 1461, 1469 (Fed. Cir. 1997) (emphasis omitted) (holding that the comments that suggested that American jobs would be lost to the Japanese unless Motorola won ranged from "innocuous to slightly improper, with most of them being somewhat ambiguous"). Attorneys for Interdigital complained that these statements were especially troubling because:

> The anti-Japanese sentiment in the region where the case was tried was well known, due primarily to the fact that some 7000 jobs in the area of the trial were threatened with extinction due to apparent Japanese competition. In fact, just prior to the filing of the case there had been research published by the American Bar Association commenting that anti-Japanese sentiment in that area was stronger there than in other areas. The publication stated that: "The strength of anti-Japanese sentiment [in that area] is directly related to two main factors; (1) the nature of the industrial base of the community where the trial is being held and the perceived impact that Japanese corporations have had on the local economy, and (2) juror's personal experience with the Japanese."

McAndrews et al., *supra* note 1, at 18.

[18] *See* Johnson, *supra* note 8, at 35-43.

[19] This survey was administered in 1999 at the annual conference of the Association of Chief Patent Counsels. In order to be a member of this organization and attend the conference, a lawyer must head the intellectual property legal group of a corporation with at least five full-time intellectual property attorneys. The average level of experience of the group surveyed was 25.3 years of practice. In fact, all but three of the respondents had at least fifteen years of experience practicing patent law.

[20] When asked, "Do you believe that jurors are biased in any of the following ways: Jurors favor domestic parties over foreign parties? YES or NO," 88% or fifty-two of the respondents answered affirmatively, indicating their belief that juries are biased against foreign parties. Seven Chief Patent Counsels answered that there was no bias and three did not answer the question.

[21] Kimberly A. Moore, *Jury Demands: Who's Asking?*, 17 Berkeley Tech. L.J. 847, 855 (2002) [hereinafter Moore, Jury Demands] (finding that jury demands were made in 78% of all patent cases terminated from 1999-2000); *see also* Kimberly A. Moore, *Judges, Juries, and Patent Cases: An Empirical Peek Inside the*

Black Box, 99 Mich. L. Rev. 365, 366-67 (2000) [hereinafter Moore, *Judges, Juries, and Patent Cases*] (finding that jury trials in patent cases have risen from 2.6% in 1970 to 62% in 1999).

[22] Moore, *Jury Demands*, *supra* note 21, at 865-66.

[23] There does not appear to be any xenophobic bias in the patent acquisition process as patents have historically been granted to foreign and domestic inventors in direct proportion to their application filings. For example, in 1999, 45% of all patent applications were filed by foreign parties and 45% of all granted patents were issued to foreign parties. *See infra* text accompanying notes 91-94.

[24] *See, e.g.*, Jean O. Lanjouw & Mark Schankerman, *The Quality of Ideas: Measuring Innovation with Multiple Indicators* (Nat'l Bureau Econ. Research, Working Paper No. 7345, 1999) (suggesting that the number of claims is a measure of the breadth of the patent); *Bronwyn Hall et al., The NBER Patent Citation Data File: Lessons, Insights and Methodological Tools* (Nat'l Bureau Econ. Research, Working Paper No. 8498, 2001) [hereinafter NBER Data] (suggesting that the number of citations a patent receives is a measure of the importance of the cited patent).

[25] *See supra* note 21 and accompanying text.

[26] *See supra* notes 1-4 and accompanying text.

[27] The low rate of enforcement also raises the obvious question: "why are foreign parties even bothering to obtain U.S. patents if they refrain from enforcement?" This Article also discusses the value of U.S. patents as defensive mechanisms, their use for signaling purposes, and, of course, the licensing revenue generated by a patent even without enforcement. *See infra* Part III.A.2.c.

[28] George L. Priest & Benjamin Klein, *The Selection of Disputes for Litigation*, 13 J. Legal Stud. 1 (1984) (explaining the divergent expectation model of case selection theory).

[29] *See id*. at 25-26 ("[W]here the stakes are greater to defendants than to plaintiffs, relatively more defendant than plaintiff victories ought to be observed in disputes that are litigated."); Bruce Kobayashi, *Case Selection, External Effects, and the Trial/Settlement Decision, in Dispute Resolution: Bridging the Settlement Gap* 17, 29 (David A. Anderson ed., 1996) (explaining that differential stakes will result in a high win rate for the party with the higher stakes); Daniel Kessler et al., *Explaining Deviations From the Fifty Percent Rule: A Multimodal Approach to the Selection of Cases for Litigation*, 25 J. Legal Stud. 233, 257 (1996).

[30] Many patent suits charge the defendant with infringing more than one of plaintiff's patents. In fact, one of the cases in this dataset involved twenty separate patents.

[31] In many cases, a patent infringement suit is brought by an unrecorded assignee. Any time ownership rights to a patent are conveyed after the patent is issued, they are not reported on the patent. Assignees are permitted to bring a patent suit without joining the actual patentee.

[32] *See Administrative Office of the U.S. Courts, Guide to Judiciary Policies and Procedures*, Transmittal 64, vol. XI, at II-19-II-28 (March 1, 1985).

[33] A few cases were eliminated because they were not patent suits. For example, a case may be categorized as a patent case by the Administrative Office when it is a contract dispute over assignment or licensing of the patent rights. Because these are in actuality contract rather than patent infringement actions, they are excluded from this study. Also, two cases were eliminated because the courts lost the

files and the parties and their attorneys were unable to assist in providing the underlying characteristic data.

[34] The inaccurate and sometimes inconsistent reporting of the courts necessitated independent verification of all data. A detailed discussion of the flaws in the Administrative Office data is the subject of another article in progress.

[35] NBER Data, *supra* note 24.

[36] Although U.S. patents make up the bulk of all citations considered during patent prosecution, the examiner also considers foreign patents and other types of foreign and domestic prior art such as printed publications. All of these would be important to assessing the patentability of a particular application. The NBER database only reports U.S. patents cited. Because this article analyzes differences between U.S. and foreign inventors and litigants, intuitively it seems important to consider foreign as well as domestic prior art. A foreign inventor seems more likely to disclose foreign prior art and a domestic inventor domestic prior art. *See infra* Tables 7 and 8.

[37] Of the litigated patents, 17.6% have some foreign inventors.

[38] Of the litigated patents, 12.7% were assigned to foreign corporations or foreign individuals at the time of issuance.

[39] This underestimates rates of assignment because it only counts assignments made at the time the patent issued. Of those patents that are assigned at the time of issuance, 47% are assigned to U.S. corporations and 33% are assigned to foreign corporations. The remainder of the 1,108,395 granted patents are assigned to U.S. individuals (0.8%), foreign individuals (0.3%), the U.S. government (1.6%) or a foreign government (0.4%).

[40] This is not to suggest that foreign inventorship would not impact the decision to bring suit even where the patent owner is domestic. In most patent cases, the validity of the patent is at issue. A validity dispute generally requires the testimony of the inventors of the patent because it often involves the determination of dates of inventorship. If there is concern about prejudice against foreign parties, even a domestic patent owner may be fearful of having a foreign inventor testify. Accordingly, alienage of inventors was included in the multivariate regression model. *See infra* Table 2 and accompanying text. *Cf.* Akst, *supra* note 1, at D8 ("The demeanor of the inventor and the corporate representative may be more important than the analyses offered by the battling experts [in jury trials.]").

[41] The 56% foreign party win rate is almost exactly the win rate predicted by the Priest/Klein selection effect model after incorporating the parties' asymmetric litigation expenses. *See infra* notes 170-174 and accompanying text (applying economic models of case outcome to predict a slightly higher foreign party win rate).

[42] This Table measures patentee win rate in patentee-initiated patent infringement lawsuits. It does not include declaratory judgment actions.

[43] Fed. R. Civ. P. 52(a) (requiring judges to articulate findings of fact and conclusions of law).

[44] The judge may do this by granting or denying summary judgment motions, motions in limine, or evidentiary rulings throughout the litigation or in pretrial or other conferences with the parties.

[45] Prior to voir dire, the parties have no information about the individuals who may serve on their jury. Through the voir dire process, it is likely that all useful information about how a particular juror may decide a case, will be eliminated by exercise of preemptory challenges. If a party perceives a juror as bad for their side, either because it appears the juror may harbor bias or prejudice or have some predisposition with regard to the legal issues, this juror will almost certainly be struck from the jury. Only jurors who appear impartial will likely survive voir dire.

[46] Other than the occasional involuntary head nod by a juror, the jury gives the parties little information from which to predict likely outcome. Some jury consultants, however, claim to be able to ascertain quite a great deal of information about the jurors' tendencies by observing their body language, eye contact, note taking, and posture during trial. In a few courts, the judges will actually permit the jurors to submit questions to be asked of individual witnesses. This process could reveal a lot of information to the parties and foster settlement if it was widely utilized.

[47] *See Moore, Judges, Juries, and Patents Cases*, *supra* note 21, at 401 (discussing "black box" jury verdicts); Kimberly A. Moore, *Juries, Patent Cases, and a Lack of Transparency*, 39 Hous. L. Rev. 779 (2002) (observing the deficiencies in most special verdict forms used in patent cases).

[48] *See infra* Table 8 and accompanying text (outlining differences in patent characteristic data).

[49] While tried foreign party patents make more citations and are more original than tried domestic party patents, in jury cases, they receive fewer cites and correspondingly have a lower generality score. It is difficult to draw a conclusion about the inherent strength of the foreign and domestic patent pools from the citations received and generality scores, however. There are two reasons why this proxy seems less reliable as a measure of patent strength. First, the fact that a patent is more general, meaning that it is more widely cited across a variety of fields, does not mean that it is necessarily more valid. Second, knowledge flows (spillovers) have been documented by economists to have some geographic dependence. *See* Adam B. Jaffe et al., *Geographic Localization of Knowledge Spillovers as Evidenced By Patent Citations*, 108 Q.J. Econ. 577 (1993) (finding that patent citations are localized geographically–patentees are more likely to cite the work of others in close geographic proximity). Because patent citations are at least partially a function of applicant disclosure, and knowledge diffuses in relation to geographic proximity, foreign party patents may not be cited by other U.S. patents in great frequency because other inventors filing patent applications in the United States are less likely to be aware of the work of foreign inventors. The geographic proximity lag in knowledge spillover may account for the low number of citations received by the work of foreign inventors.

[50] Fed. R. Civ. P. 38(b). *Cf*. Moore, *Jury Demands*, *supra* note 21, at 855 (finding that juries are demanded in 78% of all patent cases).

[51] My previous empirical study of jury demands and the characteristics that impact who demands a jury did substantiate that a plaintiff is significantly more likely to demand a jury trial if it is an in-state, domestic individual and the defendant is an out-of-state corporation. Moore, *Jury Demands*, *supra* note 21, at 870 (finding that whether a plaintiff demands a jury is significantly affected by party characteristic data in predictable ways).

[52] Tegal Corp. v. Tokyo Elec. Am. Inc., 257 F.3d 1331, 1339 (Fed. Cir. 2001) (holding that a defendant who asserts only affirmative defenses and no counterclaims does not have a right to a jury trial when the only remedy sought by the plaintiff-patentee is an injunction).

[53] There are a large number of cases in the two year period resolved on summary judgment motions (887 patents) thus affording an opportunity to examine a larger number of dispositions on the merits for comparison of the impact of alienage. These dispositions, of course, only provide insight on any impact this characteristic may have on the judge, as juries are not involved in summary judgment dispositions.

[54] Even with the small numbers, many of the results were still significant and are discussed in the relevant sections.

[55] Multivariate regression facilitates examination of the separate effect of each independent variable on the dependent variable (patentee win rate)–that is, the statistical significance of each independent variable in predicting plaintiff win rate.

[56] The results reported are for a multivariate regression model; an OLS model has the same significance results.

[57] Actually, a multivariate regression with all tried cases from 1990-2000 (judge and jury) produces even stronger xenophobic results. In the larger regression, the patentee is more likely to win if the patentee is domestic and more likely to win if the infringer is foreign, as well as more likely to win if the patentee initiates the suit.

[58] Whether the inventor was foreign also had a significant impact on win rate. The more foreign the inventorship entity (meaning the greater the percentage of inventors were foreign), the less likely the patentee was to win the lawsuit with a jury. I left this variable out of the multivariate regression results reported in Table 2 because inventorship correlated very highly with party domicile. In almost all cases if the inventorship was foreign, the party was foreign.

[59] *See* Joel Waldfogel, *The Selection Hypothesis and the Relationship Between Trial and Plaintiff Victory*, 103 J. Pol. Econ. 229, 232-35 (1995) (discussing the effect of case strength on win rates under economic theory of case selection).

[60] *See* Donald Wittman, *Dispute Resolution, Bargaining, and the Selection of Cases for Trial: A Study of the Generation of Biased and Unbiased Data*, 17 J. Legal Stud. 313, 325-27 (1988) (discussing the effect of different abilities on win rate).

[61] *See* Clermont & Eisenberg, *supra* note 6, at 1133 (hypothesizing that foreign parties generally hire better skilled lawyers when involved in U.S. litigation); Leslie Helm, *United States-Japan Battle of the Patents: Japanese Firms are No Longer Quick to Settle American Claims to Lucrative Inventions*, L.A. Times, Apr. 24, 1992, at A1, A9 ("Japanese ... hire the best litigators, the 'best samurai in the forest."' (quoting a patent attorney)); Leslie Helm, *Fear of Litigation: Japanese Firms Prepare for U.S. Patent Jury Trials*, Seattle Times, Apr. 27, 1992, at C3 ("'Japan is greatly exaggerating the extent to which Japanese companies are being especially targeted in lawsuits.' When Japanese do find themselves in court ... they hire the best patent litigators and frequently go on to win their cases.").

[62] Elizabeth Cashden, *Ethnocentrism and Xenophobia: A Cross-Cultural Study*, 42 Current Anthropology 760, 761 (2001) (stating that "threats and competition from outside groups are often cited as an important force in fostering ethnic loyalty").

[63] *See* David E. Sanger, *Enterprises Complicate Car Criticism*, Portland Oregonian, Feb. 29, 1992, at A3 (discussing anti-Japanese racial prejudice in Detroit); Jonathan Peterson, *Loose Lips Can Sink Sales:*

Rumormongers Damage Company Images, L.A. Times, Aug. 16, 1987, at 4 (discussing American prejudice against foreigners due to foreign product competition).

[64] *See generally* Tom W. Smith & Glenn R. Dempsey, *The Polls: Ethnic Social Distance and Prejudice*, 47 Pub. Opinion Q. 584 (1983) (finding variations in American bias and prejudice against foreigners by their country or region). This study found that for Americans, social standing, trustworthiness, and willingness to interact varied by geographic background. In particular, it found that Americans favored people of varying nationalities in the following order: English, Canadians, French, Italians, Swedish, Irish, Hollanders, Scots, American Indians, Germans, Norwegians, Spanish, Finns, Jews, Greeks, Negroes, Poles, Mexican-Americans, Japanese-Americans, Armenians, Czechs, Chinese, Filipinos, Japanese, Mexicans, Indians (of India), Turks, Russians, and Koreans. *Id*. at 588. This hierarchy is likely to be time-sensitive. At different points in time, various groups are likely to be more or less preferred depending on economic conditions and current events.

[65] Of course, many Canadians speak French as well or exclusively.

[66] Nativism is a preference for those deemed native, which translates into a prejudice against those deemed foreign, and an "intense opposition to an internal minority on the grounds of its foreign (i.e., 'un-American') connections. Nativism translates into a zeal to destroy the enemy of a distinctively American way of life." Johnson, *supra* note 10, at 167. In support of anti-immigration laws in California, one legislative drafter expressed her xenophobic prejudice as follows:

> You get illegal alien children, Third World Children, out of the schools and you will reduce the violence. That is a fact ... You're not dealing with a lot of shiny face, little kiddies ... . You're dealing with Third World cultures who come in, they shoot, they beat, they stab and they spread their drugs around in our school system.

Kevin R. Johnson, *Public Benefits and Immigration: The Intersection of Immigration Status, Ethnicity, Gender, and Class*, 42 UCLA L. Rev. 1509, 1575 n.178 (1995) (quoting Pamela J. Podger & Michael Doyle, *War of Words*, Fresno Bee, Jan. 9, 1994, at A1 (quoting Barbra Coe)). If there were some way to measure nativism in case adjudication directly, by assessing party characteristics that suggested or implied foreignness, it would be very useful. It must be acknowledged that although the lawyers for the domestic party are likely to bring up the "foreignness" of their adversary in hopes of prejudicing the jury, the jury may not be aware that a company is foreign. With many companies, the party name alone conveys the foreignness. For example, Hitachi or Samsung have Asian sounding names, and even if the jury did not know that Hitachi was Japanese and Samsung was Korean, they would be likely to presume that they are not domestic companies. There are, however, American sounding company names such as DH Technology, Inc. or Zeneca Limited which are actually foreign companies. It is possible that the jury may not immediately be aware of the fact that these companies are foreign; however, it is likely that this fact would become known during the trial through attorney argument or witness testimony.

[67] *See* 28 U.S.C. § 1861 (2000) (jury shall be composed of U.S. citizens). Of course, the plaintiff or defendant could be foreign, say Japanese, and there could be American jurors of Japanese descent deciding the case.

[68] *See id*. § 1332.

[69] *See id*. § 1404.

[70] Commentators have long opined that juries are prejudiced against out-of-state parties. *See, e.g.*, Martin H. Redish, *The Need for Jurisdictional and Structural Class Action Reform*, 32 Envtl. L. Rep. 10,984 ("Anecdotal data exists concerning abuses committed against out-of-state class action defendants in state courts from Texas to Madison County, Illinois, demonstrating that concerns about prejudice toward out-of-state interests go considerably beyond the purely theoretical."); Ann Woolhandler & Michael G. Collins, *The Article III Jury*, 87 Va. L. Rev. 587, 594 (2001) (explaining that diversity jurisdiction attempts to minimize the bias against out-of-state plaintiffs by local juries).

[71] Richard Neely, *The Product Liability Mess: How Business Can Be Rescued From the Politics of State Courts* 4 (1988).

[72] *See* Kimberly A. Moore, *Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation*, 79 N.C. L. Rev. 889, 897 (2001) [hereinafter Moore, *Forum Shopping*].

[73] There are several possible motivations for a plaintiff's preference for filing in their home state. Plaintiffs may believe that the local judge and jury are more likely to favor them over the out-of-state strangers. It could simply be attributable to a familiarity with the local judges and local procedures or a matter of convenience for the plaintiff and/or its attorneys. Of course, the convenience for the plaintiff when he sues an out-of-stater at home also translates into higher transaction costs for the out-of-stater–asymmetrical stakes.

[74] In judicial decisions (summary judgment and trial), in-state plaintiffs only win 30.0 % of the cases against out-of-state adversaries and out-of-state plaintiffs win 26.9% of the cases against in-state defendants.

[75] There were actually four parties who were coded as foreign and in-state because in these cases there were multiple defendants being sued and one was foreign, while the other domestic and in-state.

[76] Clermont & Eisenberg, *supra* note 6, at 1132.

[77] *Id*. at 1123.

[78] *Id.* at 1133-34.

[79] *Id*. at 1132. I agree with the conclusion by Professors Clermont and Eisenberg that the actual magnitude of the bias is not ascertainable from the win rate statistics because of selection effects. *See id*. at 1132 ("We are not saying that anti-foreign bias is necessarily nonexistent ... The parties' strategic behavior, based on their expectations, could be masking the bias and offsetting its influence to such a degree that an opposite foreigner effect appears in case outcomes."). *See* discussion of case selection theory Part III.B.

[80] Clermont & Eisenberg, *supra* note 6, at 1139. Although the Clermont-Eisenberg study finds that judges find for foreign parties more often than juries, juries have lower plaintiff win rates across the board regardless of alienage of the parties. *Id*. at 1139 tbl.4.

[81] *Id*. at 1125 fig.1 (showing a steady decline in foreign party win rate from 85% in 1987 to 64% in 1994 and an increase in domestic party win rate from 45% in 1987 to 55% in 1994).

[82] *Id*. at 1126-28 & tbl.1.

[83] *See, e.g.*, Denis Chimaeze E. Ugwuegbu, *Racial and Evidential Factors in Juror Attribution of Legal Responsibility*, 15 J. Experimental Soc. Psychol. 133, 145 (1979) (demonstrating that in cases where there was only marginal evidence (close cases) against the defendant, the defendant was more likely to be found guilty if he was racially different (black or white) from the jurors). This study was particularly interesting because it varied the strength of the evidence while testing for impact of racial bias in decisionmaking. *Id*. at 135; *see* also Jeffrey R. Boyll, *Psychological, Cognitive, Personality and Interpersonal Factors in Jury Verdicts*, 15 Law & Psychol. Rev. 163 (1991) ("as the strength of the evidence increases, the effects of non-legal or extra-evidentiary factors decreases, and vice versa").

[84] *See* Ugwuegbu, *supra* note 83, at 145 ("[T]he present studies provide substantial laboratory support for the liberation hypothesis by showing that ambiguity in the facts of a case serves to liberate the juror to respond to racial prejudices and bias.").

[85] *See* Moore, *Forum Shopping*, *supra* note 72, at 933 (finding patent cases more complex than other civil litigation); National Academies Committee on Intellectual Property Rights in the Knowledge-Based Economy Conference on the Operation of the Patent System Transcript (October 22, 2001), available at http://www7.nationalacademies.org/step/transcript1022_PDF.pdf at 295 (consisting of the comments of Judge T.S. Ellis of the Eastern District of Virginia, who reports that the Administrative Office of the Courts considers patent cases 1.7 times more complex than the average civil case and commenting that "the NEC-Hyundai case involved 25 transistor circuitry patents, and I can tell you it's far more than 1.7. It may be 100.7 because it's very labor intensive"). *Cf*. John Allison & Mark Lemley, *The Growing Complexity of the United States Patent System*, 82 B.U. L. Rev. 77 (2002) (finding that patents have become increasingly complex by comparing a sample of patents from the 1960s with patents from the 1990s).

[86] *See* Moore, *Judges, Juries, and Patents Cases*, *supra* note 21, at 381 (discussing some shortcomings in the Administrative Office data). I am presently working on a study which identifies and explains the shortcomings in greater detail to improve future reliance upon the data. Kimberly A. Moore, Empirical Studies: Fact or Fiction (unpublished work in progress and on file with author).

[87] Kevin M. Clermont and Theodore Eisenberg, *Do Case Outcomes Really Reveal Anything About the Legal System? Win Rates and Removal Jurisdiction*, 83 Cornell L. Rev. 581, 585 (1998).

[88] Verifying the data is expensive and time consuming. It requires obtaining all original court documents (complaint, judgment, order, findings of fact and conclusions of law, and special verdict forms). Obtaining these documents requires contacting each of hundreds of district court offices throughout the country. Copies of the documents are then supplied at a cost of $0.50 per page plus a $35.00 retrieval fee if the case has been archived which generally occurs 6 months to a year after the case terminates.

[89] Like the Clermont-Eisenberg study, the Administrative Office judgments only include judgment for the plaintiff or judgment for the defendant, but not both. Since I verified each judgment, the report of the Moore study includes all judgments (even the ones erroneously reported by the Administrative Office as won by both parties).

[90] *See supra* note 86.

[91] Figure 1 compiles data reported by the United States Patent & Trademark Office (PTO) on inventorship of filed patent applications and issued patents. The compilation is original, and the source data comes from U.S. Patent and Trademark Office/ Office of Information Dissemination Services/ Technology Assessment and Forecast program. Because the PTO data only considers inventors foreign if the first named inventor is foreign and there is no consistent, logical rationale for the ordering of

inventors on a patent (it could be alphabetical, by order of contribution, by order of seniority, or any other ordering scheme the patentee chooses), these data actually underestimate the percentage of U.S. patents with foreign inventors. The NBER database which includes the data on the alienage of all named inventors confirms that there is one or more foreign inventor listed on 47% of all patents granted from 1990-1999. PTO data from the same time period reporting only the alienage of the first named inventor finds 45.7% of all patents acquired by foreign inventors. I found that inventorship is largely all or nothing in terms of alienage–all of the inventors are domestic or all of the inventors are foreign. In fact, of the 1,108,395 patents granted from 1990-1999, only 21,575 (1.9%) had mixed inventorship.

[92] *U.S. Patent & Trademark Office, Patenting By Organizations: A Technology Assessment and Forecast Report A1-1* (2000), available at http://www.uspto.gov/go/taf/topo_99.pdf [hereinafter "1999 PTO Report"]; *U.S. Patent & Trademark Office, Patenting By Organizations: A Technology Assessment and Forecast Report A1-1* (1999), available at http://www.uspto.gov/go/taf/topo_98.pdf [hereinafter "1998 PTO Report"]; *U.S. Patent & Trademark Office, Patenting By Organizations: A Technology Assessment and Forecast Report A1-1* (1998), available at www.uspto.gov/go/taf/topo_97.pdf [hereinafter "1997 PTO Report"]. Other countries had one percent or less of U.S. patent grants. In fact, ten of the top thirteen organizations that acquired more than 1000 patents each in 1999 were foreign corporations. Of those ten, all were Asian: nine Japanese and one Korean. The top thirteen were: IBM Corp. (U.S.), NEC Corp. (Japan), Canon Kabushiki Kaisha (Japan), Samsung Elec. Co. (Korea), Sony Corp. (Japan), Toshiba Corp. (Japan), Fujitso Ltd. (Japan), Motorola (U.S.), Lucent Tech., Inc. (U.S.), Mitsubishi Denki (Japan), Kabushiki Kaisha (Japan), Matsushita Elec. Indus. (Japan), and Hitachi, Ltd. (Japan). 1999 PTO Report, *supra*, at A1-2.

[93] Because there is a lag between patent filing and issuance, the patents filed for in any given year are not the ones that issue that year. At present, the prosecution process takes on average two years, but there is significant variance across different technology classes. *See* NBER Data, *supra* note 24, at 9-10. Accordingly, in looking at a comparison of patents applied for by foreigners and patents issued to foreigners, it might be more meaningful to look at patents applied for in a given year, *N*, and patents issued in the year *N*+2. In both cases, the percentage of applications is nearly identical to the percentage of issuances to foreign inventors.

[94] It is interesting that foreign inventor applications are not granted with greater frequency than applications by U.S. inventors because of the higher costs of application for the foreign inventors. Although the PTO fees are identical for all applicants, foreign inventors are likely paying more in communication and interaction fees with their U.S. patent attorneys. Because these transaction costs are higher for foreign applicants, I might have expected a slightly higher grant rate to reflect their filing stronger applications. It could be that the foreign companies that acquire patent rights in the United States acquire them in such bulk that the difference in transaction costs is virtually zero.

[95] Although patent applications can be filed and prosecuted pro se, because of the technical and legal complexity involved, they almost never are.

[96] Patent examiners at the PTO are organized by technological skills into art groups. This way they have work concentrated in their technical background.

[97] This is not meant to suggest that all issued patents are actually valid. *See* Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1497 (2001) (discussing the extensive literature criticizing the PTO for not doing a good job of weeding out invalid patents).

[98] *But see infra* Part III.A.3.

[99] For the same reason, if the PTO were biased against domestic patent applicants, then the data in Part II would overstate the bias against foreigners in the litigation process. In the absence of any theoretical reason to expect anti-American bias among patent examiners, I will give this possibility no further consideration.

[100] Although this table only reports cases when the patent holder initiates suit, the results are virtually identical when declaratory judgment actions are incorporated and rate of filing is measured by plaintiff rather than patent holder (75.8%, 12.9%, 8.7%, 2.6%). Foreign parties are not initiating U.S. litigation with as great a frequency as patent holders or in the declaratory judgment context.

[101] 19 U.S.C. § 1337(a)(1)(B) (2000). A simple Westlaw search for patent infringement actions brought in the ITC under section 337 during the same two year period as this dataset revealed 112 cases. All of these actions could have alternatively been brought in U.S. district courts.

[102] Although the ITC cannot award monetary damages for infringement, some patent holders may prefer these actions, because the ITC docket is fast, which affords rapid injunctions that prevent importation of infringing products. *See* John Pegram, *Should the U.S. Court of International Trade Be Given Patent Jurisdiction Concurrent with that of the District Courts?*, 32 Hous. L. Rev. 67, 98-99 (1995); Ernest P. Shriver, *Separate But Equal: Intellectual Property Importation and the Recent Amendments to Section 337*, 5 Minn. J. Global Trade 441, 443 (1996) (arguing that the ITC is preferred for patent suits over district courts which are "harder to access, slower, and less likely to provide significant relief to domestic producers whose goal is to exclude all infringing products from the U.S. market"); Donna M. Tanquay & Audrey M. Sugimura, *Patent Litigation Before the ITC*, 397 PLI/Pat 734, 765-67 (1994) (arguing that advantages of ITC litigation for patents include expedited adjudication, broad jurisdiction, single litigation, and the no injury requirement). A rapid injunction which protects ex ante against loss of market share and price erosion may be preferable over ex post damages. One possible disadvantage of the ITC is that all ITC actions are judge, not jury, trials. If domestic parties believe that a jury may harbor some bias or prejudice against a foreign party, then they would be giving up this advantage by filing in the ITC rather than the district court.

[103] Because the ITC has the power to bar infringing imports, the magnitude of the difference in stakes may be greater in ITC actions. Foreign importers have more at stake when their ship pulls up to a U.S. port and is prevented from unloading pending the outcome of a patent infringement action. Foreign infringers, if unsuccessful, would not be permitted to bring the goods into the United States.

[104] Edward G. Fiorito, *The "Basic Proposal" for Harmonization of U.S. and World-Wide Patent Laws Submitted by WIPO*, 73 J. Pat. & Trademark Off. Soc'y 83 (1991) (summarizing harmonization efforts of the World Intellectual Property Organization).

[105] In addition to establishing universal minimum intellectual property standards governing intellectual property, the TRIPS agreement also included an express prohibition against discriminating among applications according to where the invention occurred–this is, in effect, a prohibition of discriminating against foreign inventions. *The Results of the Uruguay Round of Multilateral Trade Negotiations–The Legal Texts §27* (GATT Secretariat ed., 1994). *Cf.* Toshiko Takenaka, *The Role of the Japanese Patent System in Japanese Industry*, 13 U.C.L.A. Pac. Basin L.J. 25 (1994) (arguing that patent systems are biased towards nationals).

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[107] 35 U.S.C. § 104 (2000).

[108] *Id*.

[109] There do appear to be a few vestiges of anti-foreign prejudice left in the U.S. laws. For example, a foreign patent application can be used to secure priority of invention if filed in the United States within twelve months, 35 U.S.C. § 119 (2000), but it does not count as the U.S. application date, and therefore does not insulate against any 102(b) prior art. *See id* § 119(a). Hence, while earlier filed U.S. applications, such as continuations or provisional applications, will move the inventor's filing date and thereby avoid considerable prior art, foreign patent applications are not provided comparable benefit.

[110] *Id*. § 102(b).

[111] On-sale or public use activity that could bar a patent is usually the inventor's own activity. Of course, if a third party offered for sale or used in public, it would still be a bar. But this would require the third party to have either obtained the invention from the inventor or have independently simultaneously invented. Because the inventor usually maintains control over the invention, it is generally the inventor's own pre-filing activity that falls with the section 102(b) parameters.

[112] The on-sale bar has two requirements: a commercial offer for sale is made, and the invention is ready for patenting. Pfaff v. Wells Elec., Inc., 525 U.S. 55 (1998).

[113] The advantage that any foreign inventors may acquire from being able to file in the United States even after they have offered for sale or used an invention in public in their countries is likely very small. In most foreign countries, on-sale or public use activity any time prior to filing your patent application effects a bar to filing; most countries require absolute novelty– they have no one year grace period. Russel O. Primeaux, *What Every Lawyer Should Know About Intellectual Property*, 46 La. B.J. 14, 16 (1998) (noting that in most foreign countries there is no grace period); Michael N. Meller, *Principles of Patentability and Some Other Basics for a Global Patent System*, 83 J. Pat. & Trademark. Off. Soc'y 359 (2001) (acknowledging that the European patent system requires absolute novelty when patent applications are filed). Foreign parties, therefore, generally file their foreign applications prior to offering an invention for sale or putting it in public use.

[114] *See supra* notes 2-4 and accompanying text.

[115] Linda Coulter, *Japan's Gaiben Law: Economic Protectionism or Cultural Perfectionism?*, 17 Hous. J. Int'l L. 431, 439-40 (1995).

[116] "There were 11,466 registered practicing attorneys [Bengoshi] in Japan in 1980. With a population of approximately 116 million, this gave Japan a ratio of one practicing attorney to 10,000 persons. This ratio is ... in stark contrast to that of the United States; in 1980, 542,205 licensed attorneys gave the US a ratio of one attorney to every 403 persons." David Hood, *Exclusivity and the Japanese Bar: Ethics of Self-*

Interest?, 6 Pac. Rim L. & Pol'y J. 199 (1997). Coulter, *supra* note 115, at 444 ("As of 1993, there were slightly more than 14,000 Bengoshi. In contrast, America had approximately 850,000 lawyers.").

[117] "[P]erceptions of Japanese firms being soft touches could further incite people in the U.S. to file complaints of patent violations." Victoria Slind-Flor, *Japanese Are Stung on Patents*, Nat'l L.J., Aug. 10, 1992, at 46 (quoting the chairman of Japanese company Canon, Inc., Ryuzaburo Kaku); Helm, *supra* note 4, at D3 ("Many Americans believe that the Japanese are 'an easy target because they are risk-averse and tend to want to settle."') (quoting attorney Preston Moore).

[118] Helm, *supra* note 61, at C3.

[119] A simple linear regression that tests the impact of foreignness on settlement shows that if either the plaintiff or the defendant is foreign, the case is significantly less likely to settle (both variables are significant at the .001 level). In fact, the cases which are least likely to settle and most likely to go to trial are foreign versus foreign-party cases. Breaking foreign parties down by general continent descriptor of Asian and European produce more detailed results. European and Asian plaintiffs are both significantly less likely to settle their cases; Japanese plaintiffs (a subset of Asian plaintiffs), however, are significantly more likely to settle their cases.

[120] Cases with domestic plaintiffs suing foreign defendants are resolved early 64% of the time, whereas cases brought by foreign plaintiffs against domestic defendants are resolved early 58% of the time. Early resolution indicates that the case was resolved during the pleading stage of the litigation.

[121] *Japanese Firms Ready to Fight Patent Disputes*, N.Y. Times News Serv., Nov. 25, 1996 (reporting that although Japanese companies have long had the reputation of being quick to sign licensing agreements to avoid litigation they are increasingly fighting patent suits to "be free of wrongful licensing demands"); Helm, *supra* note 4, at D3 ("Some Japanese executives urged their cohorts to fight lawsuits rather than boosting Japanese corporations' reputation as litigation-shy companies that could always be persuaded to settle."); *Japanese Firms Fight Back as "Patent Wars" Heat Up*, Balt. Sun, Sept. 5, 1992, at 14C (relating the words of Hitachi's General Manager of IP, Katsuo Ogawa: "[w]e want to aggressively utilize intellectual property rights as our biggest asset").

[122] *See* Clarisa Long, *Patent Signals*, 69 U. Chi. L. Rev. 625 (2002) (discussing the value of patents as signaling mechanisms). Professor Long's article explains how patents may be useful informational mechanisms to: (1) convey information about the invention and the firm such as productivity, innovative activity, and firm size; and (2) to signal low future rent discounts. *Id*. at 651-53.

[123] *See* William A. Tanenbaum, *Current Topics in Software Licensing*, 620 PLI/Pat 97, 111-12 (2000).

[124] *See* William A. Tanenbaum, *Current Topics in Software Licensing*, 620 PLI/Pat 97, 111-12 (2000).

[125] This technology field classification system is based upon the PTO classification system. I have entirely relied on the representations in the NBER database regarding technology class.

[126] *See*, *e.g.*, Richard C. Levin et al., *Appropriating the Returns from Industrial Research and Development*, 3 Brookings Papers on Econ. Activity 783, 795-97 (1987) (demonstrating industry variation in patent effectiveness); Wesley Cohen et al., *Protecting Their Intellectual Assets: Appropriability Conditions and Why U.S. Manufacturing Firms Patent (Or Not)* 18 (Nat'l Bureau Econ. Research, Working Paper No. 7552, 2000) (stating that "[t]he legal and qualitative literature as well as our interviews suggest that the reasons firms patent may differ across industries and technologies").

[127] *See* Cohen *et al., supra* note 126, at 19. The survey suggested that differences in motives for patenting across industries may be attributable to a distinction between complex and simple (or discrete) technologies. *Id*. at 19-20. It then went on to suggest that chemical and drug inventions that have a discrete number of patentable elements are more likely to be litigated and electrical inventions, which tend to be comprised of a larger number of patentable elements, are less likely to be litigated. *Id*. at 20. This is true, according to the authors, because "in complex product industries, firms often do not have proprietary control over all the essential complementary components." *Id*.

[128] As some U.S. patent attorneys have commented,

> But Japan's vulnerability is not so much a function of the American jury system as it is the inherent weakness of many Japanese patents filed in the United States ... the reams of Japanese corporations' patent applications filed here– many of which are little more than English-language translations of typical Japanese patents covering only narrowly defined technological innovations– probably will not hold up well in infringement litigation in this country.

Slind-Flor, *supra* note 1, at 3 (citing U.S. patent attorneys); *see also* Slind-Flor, *supra* note 117, at 46 (reporting that, although many in Japan attribute lost patent cases to anti-foreign sentiment in the U.S., "others in Japan–and many U.S. patent attorneys–acknowledge that the problem many not be so much U.S. companies' avariciousness as it is the weak protection Japanese-style patents offer in the U.S. marketplace").

[129] Examiners are separated by technical expertise and review all patents applied for regardless of inventorship in a given subject matter.

[130] If the PTO data suggested that foreign inventors constitute 60% of all U.S. patent applications but only 45% of all issued patents, then it may support the notion that the foreign inventions as claimed in the applications were less likely to meet the standards of patentability. But this is not the case, and even if it was, if the examiners successfully prevented the unqualified applications from issuing, then it still would not explain why foreign parties are not enforcing their issued patents.

[131] As commentators have cautioned, patent citation data needs to be placed in temporal context because citation practice has changed over the years. NBER Data, *supra* note 24, at 25-27 ("[T]he average patent issued in 1999 made twice as many citations as the average patent issued in 1975 (10.7 versus 4.7).").

[132] The number of citations received is artificially low because of the truncation of the data. The patents considered were those issued from 1990-1999. A patent issued in 1999, is not likely to have received many citations in 1999. In fact, a patent will receive just 50% of their citations in the first 10 years after issuance, 75% within 20 years. *Id*. at 17.

[133] *See, e.g*., Manuel Trajtenberg, *A Penny for Your Quotes: Patent Citations and the Value of Innovation*, 21 Rand J. Econ. 172 (1990); Ricardo J. Caballero & Adam B. Jaffe, *How High are the Giant's Shoulders: An Empirical Assessment of Knowledge Spillovers and Creative Destruction in a model of Economic Growth*, 8 Nat'l Bureau of Econ. Research Macroeconomics Annual (1993) (positing that patent citations are indicators of spillovers); Jaffe et al., *supra* note 49 (finding that patent citations are localized geographically, implying that regions are more likely to utilize knowledge created locally over knowledge from remote regions); Adam B. Jaffe & Manuel Trajtenberg, *International Knowledge Flows: Evidence From Patent Citations*, 8 Economics of Innovation & New Technology 105 (1999) (using patent citations as a measure of the rate at which knowledge diffuses which in turn has important implications for

technological change and economic growth); Adam B. Jaffe et al., *Knowledge Spillovers and Patent Citations: Evidence From a Survey of Inventors*, Am. Econ. Rev. 215 (2000).

[134] *See, e.g.*, Manuel Trajtenberg et al., *University Versus Corporate Patents: A Window on the Basicness of Invention*, 5 Econ. of Innovation & New Tech. 19 (1997); NBER Data, *supra* note 24, at 6 (utilizing patent citation data to measure originality and generality of patented inventions).

[135] An applicant might also seek to bury bad prior art by citing a large number of marginally relevant or cumulative references to the examiner.

[136] 37 C.F.R. § 1.156 (2000). However, the Patent Office recently asked Congress to increase patent filing and examination fees and requested that the PTO be able to reduce examination fees for applicants who submit their own search report to the Patent Office with their application in order to encourage searching by applicants to assist the Patent Office. *See* Brenda Sandburg, *Creativity Comes with Higher Price Tag*, The Recorder, July 2, 2002, at 1.

[137] In fact, all related patents could be unenforceable under the doctrine of unclean hands. Accordingly, inequitable conduct is a deadly sin.

[138] *See, e.g.*, FMC Corp. v. Hennessy Indus., 836 F.2d 521, 526 n.6 (Fed. Cir. 1987) ("As a general rule, there is no duty to conduct a prior art search, and thus there is no duty to disclose art of which an applicant could have been aware.").

[139] *See, e.g.*, Julie E. Cohen, *Reverse Engineering and the Rise of Electronic Vigilantism: Intellectual Property Implications of "Lock-Out" Programs*, 68 S. Cal. L. Rev. 1091, 1177-80 (1995); Andy Johnson-Laird, *Looking Forward, Legislating Backward?*, 4 J. Small & Emerging Bus. L. 95, 120-24 (2000); Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 Berkeley Tech. L.J. 577 (1999); John R. Thomas, *Collusion and Collective Action in the Patent System: A Proposal for Patent Bounties*, 2001 U. Ill. L. Rev. 305, 316-22. In fact, one commentator has gone so far as to argue that "the PTO doesn't do a very detailed job of examining patents, but we probably don't want it to. It is 'rationally ignorant' of the objective validity of patents ... ." Lemley, *supra* note 97, at 1497.

[140] *See* Lemley, *supra* note 97, at 1500 (noting that patent examiners have on average only 18 hours per patent application to determine patentability–a process that takes place over 2-3 years); Thomas, *supra* note 139, at 314 (estimating that patent examiners spend sixteen to seventeen hours on each patent application).

[141] Merges, *supra* note 139, at 609 ("The current bonus system [for examiners] is believed to skew incentives in favor of granting patents.").

[142] John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 A.I.P.L.A. Q.J. 185, 232-33 (1998) ("The likely result therefore confirms the conventional wisdom and the results of earlier work, which concluded that uncited prior art is a more effective tool for invalidating patents than cited prior art."). All prior art considered by the examiner in assessing patentability would be cited on the patent itself.

[143] Adjusting for the total cites (U.S. patents, foreign patents, and other prior art cites) by mean number of U.S. cites per year produces the following results: Valid = 2.69; Invalid = 2.23. Although there is no way of adjusting the total cites by the mean total cites on issued patents each year because the NBER

database is limited to U.S. patent cites only, the U.S. citation practice should produce a close approximation. U.S. citation practice has changed quite substantially over the years. For issued patents, the average patent issued in 1999 made twice as many cites as the average patent issued on 1975 (10.7 versus 4.7). This disparity is even greater among litigated patents where the average litigated patent that was issued in 1999 had 20.4 cites and the average litigated patent that issued in 1975 had 5.0 cites. For foreign cites, the changes in citation practice though equally if not more dramatic will have a smaller impact on the magnitude of the total citations. While the averages are unavailable for all issued patents, the average litigated patent that issued in 1999 had 2.4 foreign cites and the average litigated patent that issued in 1975 had 0.0 foreign cites.

[144] A linear regression demonstrates that both citations made and citations received significantly affect validity. *But see* Allison & Lemley, *supra* note 142, at 230 (finding no statistical significance in the raw number of citations per patent on validity). There are several possible explanations for their differing outcome. First, it must be noted that the datasets are quite different. The Allison & Lemley empirical study covers a different time period (opinions from 1989-1996) than this study (cases terminated 1999-2000). The Allison & Lemley study does not cover all patent terminations or a random or representative set of patent terminations. Their study is limited to cases in which a reported opinion exists. *See* Kevin M. Clermont & Theodore Eisenberg, *Litigation Realities*, 88 Cornell L. Rev. 119, 126 (2002) (criticizing empirical studies whose dataset is limited to reported court opinions as a "skewed sample"). It therefore misses almost all jury decisions because juries do not generate or publish opinions. The dataset collected and used in this study includes all validity decisions made for all patent cases terminated during the two year time period of this study. Finally, Allison & Lemley only measure the raw number of citations, not citations adjusted by year. Because citation practice has changed over the years, you cannot compare the number of citations on a patent issued in 1990 with the number of citations on a patent issued in 2000. Control by year is crucial before comparisons can be made.

[145] *See* NBER Data, *supra* note 24, at 6 (counting only U.S. patent citations).

[146] *See, e.g.*, 35 U.S.C. § 102(a) (2000) (negating patentability when an invention is patented (foreign or domestic) or described in a printed publication prior to the applicant's invention); 35 U.S.C. § 102(b) (2000) (negating patentability when an invention is patented (foreign or domestic) or described in a printed publication more than one year before the date of the patent application).

[147] Jaffe & Trajtenberg, *International Knowledge Flows*, *supra* note 133, at 130 (examining foreign patent citations (comparing U.S., Japan, Great Britain, France, and Germany) and concluding that "the [empirical] results confirm our earlier finding that there is a significant geographic localization of knowledge flows"); Jaffe et al., *supra* note 49 (noting that spillovers as measured by U.S. patent citations are usually in close geographic proximity).

[148] While obviously the characteristics of litigated and issued patents differ quite substantially as a quick glance at Tables 3 and 4 prove, for purposes of comparing foreign and domestic inventors, and for the limited purpose of examining the likely citation of foreign prior art in patents, the smaller database of litigated patents serves as a proxy for all issued patents. I am not meaning to suggest that issued and litigated patents would be likely to cite the same number of foreign patents and other prior art, but rather that they are likely to do so in the same proportions for foreign and domestic inventors. In short, the litigated data shows that, although foreign inventors are more likely to cite foreign prior art then domestic inventors, they still cite significantly less prior art overall to the examiner.

[149] The adjustment was by mean U.S. citation rate according to the year of patent issuance. As explained, this is a close proxy for adjustment by total cites, because citation practice for foreign prior art has not changed significantly over time the way that citation practice for U.S. patent prior art has.

[150] This is also true for cases resolved on motion where the win rate was 57% in favor of domestic parties. In these cases, the patent characteristic data (cites made, originality, cites received, and generality) all support the fact that domestic parties had stronger patents in these cases.

[151] In fact, more than half of the litigated patents that had foreign inventors relied upon their foreign filing date for priority purposes. A foreign inventor who first files for a patent in her home country is encouraged to rely on this filing when she files her U.S. application, because the U.S. PTO will recognize the foreign filing date for priority purposes for her U.S. application. 35 U.S.C. § 119 (a) (2000) (permitting use of foreign filing date for priority purposes as long as U.S. application is filed within twelve months of foreign filing). Reliance on a foreign filing limits the foreign inventor to only claiming in her U.S. application what is supported by her foreign application. If her foreign application is drafted very narrowly, her U.S. patent rights will be similarly restricted.

[152] Victoria Slind-Flor, *Japanese Are Stung on Patents*, Nat'l L.J., Aug. 10, 1992, at 14 (reporting former PTO Commissioner Harry F. Manbeck remark that Japanese inventors "file scads and scads of patents on seemingly small differences"); Helm, *Fear of Litigation*, *supra* note 61, at C3 (reporting that Japanese patents are generally more narrowly drafted than U.S. patents).

[153] The characteristic information is virtually the same if I separate the patents by assignee rather than inventor.

[154] Lanjouw & Schankerman, *supra* note 24.

[155] Again the acknowledgment must be made that all of the citation data on issued patents in Table 5 is limited to studies of U.S. patent prior art and excludes all foreign patent citations made and received, as well as all other forms of prior art that could be cited on the patent.

[156] Other proposed measures of patent scope or breadth include the number of subclasses into which the PTO assigns a patent. *See* Joshua Lerner, *The Importance of Patent Scope: An Empirical Analysis*, 25 Rand J. Econ. 319, 320-32 (1994) (validating the IPC classifications as a proxy for patent scope).

[157] By patent value, I mean value to the applicant, rather than value to society. Other economic measures of value to the applicant, also known as patentee's strategic stakes, include number of self-citations to the litigated patent and the lag between patent issuance and suit. *See* Deepak Somaya, *The Duration of Patent Litigation: Firm Strategies and Litigation Tactics in Computers and Research Medicines* (on file with author).

[158] The minimum fee is $750.00 for a regular applicant and $375.00 for a small entity applicant. *See* U.S. Pat. & Trademark Off., PTO Fees-FY 2003, at http://www.uspto.gov/web/offices/ac/qs/ope/fee20030101.htm (last modified Apr. 15, 2003) (listing patent application fees).

[159] The fee is $84.00 for each additional independent claims and $18.00 for each dependent claim ($42.00 and $9.00 for small entity applicants). *See id*.

[160] *See* Lemley, *supra* note 97, at 1498.

[161] Patents issued to foreign parties average twelve claims, whereas patents litigated by foreign parties average seventeen claims. Similarly, patents issued to domestic parties average fifteen claims, whereas patents litigated by domestic parties average twenty claims.

[162] As Karl Llewellyn observed, litigated cases bear the same relationship to disputes "as does homicidal mania or sleeping sickness, to our normal life." Karl N. Llewellyn, *The Bramble Bush: On Our Law and its Study* 58 (2d ed. 1951); *see also* Priest & Klein, *supra* note 28, at 4 ("For the rate of plaintiff verdicts to be an accurate measure of the influence of a legal standard, *of judicial or jury attitudes*, or of the substantive fairness of any adjudicatory process, litigated disputes must be representative of the entire class of underlying disputes.") (emphasis added); Theodore Eisenberg, *Litigation Models and Trial Outcomes in Civil Rights and Prisoner Cases*, 77 Geo. L.J. 1567, 1568 (1989) (suggesting that tried cases might not reflect the pool of all disputes).

[163] *See* Leandra Lederman, *Which Cases Go To Trial?: An Empirical Study of Predictors of Failure to Settle*, 49 Case W. Res. L. Rev. 315, 322-24 (1999) (discussing three formal models for predicting the selection of cases for trial: divergent expectations, asymmetrical stakes, and asymmetrical information).

[164] *Scholars* have in recent years questioned the rational actor assumption underlying economic decision and choice models. *See, e.g.*, Cass R. Sunstein, *Behavioral Analysis of Law*, 64 U. Chi. L. Rev. 1175 (1997); Christine Jolls et al., *A Behavioral Approach to Law and Economics*, 50 Stan. L. Rev. 1471 (1998) (suggesting that traditional law and economics analysis would benefit from increased attention to insights about actual human behavior, which have been shown to vary systematically from rational assumptions); Russell B. Korobkin & Thomas S. Ulen, *Law and Behavioral Science: Removing the Rationality Assumption from Law and Economics*, 88 Cal. L. Rev. 1051, 1055 (2000) (reporting that "[t]here is simply too much credible experimental evidence that individuals frequently act in ways that are incompatible with the assumptions of rational choice theory"). One scholar has explained how parties behave irrationally, but systematically, when comparing expected gains and expected losses. Jeffrey J. Rachlinski, *Gains, Losses, and the Psychology of Litigation*, 70 S. Cal. L. Rev. 113, 116-18 (1996) (recommending incorporation of behavior decision theory into economic modeling of case selection and outcome). Professor Rachlinski observes framing affects party behavior in the litigation context. In particular, he finds that "[w]hen people choose among potential gains, they tend to be risk-averse, but when they choose among potential losses, they tend to be risk-seeking." *Id*. at 123.

[165] Commentators criticize the economic models of selection effect theory as not predictive of the set of tried cases, because not all parties to a litigation behave in a rational, wealth-maximizing fashion.

> The model's basic assumptions of wealth maximization and completely rational behavior ring hollow in the ears of lawyers who have observed the behavior of litigants.... Litigants litigate not just for money, but to attain vindication; to establish precedent; 'to express their feelings;' to obtain a hearing; and to satisfy a sense of entitlement regarding use of the courts, all of which can easily preclude out of court settlement. Moreover, their decisions to settle or litigate may be affected by the context of the choice, the frame in which it is presented, the identity of the person describing the choice, whether the litigants have faced similar choices before, the litigants' self-serving biases concerning the fairness of their position, habit, unyielding conceptions of justice and myriad other factors.

Russell Korobkin & Chris Guthrie, *Psychology, Economics, and Settlement: A New Look at the Role of the Lawyer*, 76 Tex. L. Rev. 77, 78 (1997).

[166] Priest & Klein, *supra* note 28, at 4-5. The divergent expectations model, and its 50% prediction, depends upon the following assumptions: (1) the parties have equal stakes; (2) the parties have equal information; (3) the parties are risk-neutral; (4) the parties do not differ in how they value monetary (damages) and nonmonetary (injunctive) awards; and, (5) the parties do not engage in strategic behavior with regard to division of surplus transaction costs. *See* Moore, *Judges, Juries, and Patent Cases*, *supra* note 21, at 376-77.

[167] Patent litigation routinely costs each side in excess of $1.5 million if a case proceeds to trial. *See American Intellectual Property Law Association*, Report of Economic Survey 2001, at 84-85.

[168] Priest & Klein, *supra* note 28, at 19-20.

[169] Samuel R. Gross & Kent D. Syverud, *Getting to No: A Study of Settlement Negotiations and the Selection of Cases for Trial*, 90 Mich. L. Rev. 319, 324 (1991).

[170] Priest & Klein, *supra* note 28, at 17.

[171] Symmetric stakes means that the plaintiff stands to gain exactly what the defendant stands to lose. For example, if the plaintiff wins the suit, it will receive $1,000,000 in damages from the defendant. Here the plaintiff wins $1 million and the defendant loses $1 million. There is $1 million at stake to each party, no more, no less. There are many circumstances in which one party to the dispute may have more to gain or more to lose then the dollar value of the dispute. It could be that one party is likely to be a repeat player in this type of litigation and therefore is particularly concerned with the precedential value of the decision, or particularly concerned with their reputation as a disputant. It could also be that there is actually an asymmetry in the stakes where there is a significant difference in transaction costs to the parties.

[172] Priest & Klein, *supra* note 28, at 24-26.

[173] *Id*. at 25.

[174] *See, e.g*., Chris Guthrie, *Framing Frivolous Litigation: A Psychological Theory*, 67 U. Chi. L. Rev. 163, 172-73 (2000).

[175] The subset of tried patent cases is nearly zero. *See* Moore, *Forum Shopping*, *supra* note 72, at 913 (finding that only 5% of all patent suits are resolved via trial).

[176] Moore, *Judges, Juries, and Patent Cases*, *supra* note 21.

[177] *See* Himelstein, *supra* note 2, at 101 ("Some lawyers even say some clients resist U.S. markets altogether because of litigation fears. While such setbacks do occur, most international legal experts say the advantages of doing business in the U.S. ultimately outweigh any negative impressions of American juries. Just as long as they don't get sued.").

[178] *See* Susan K. Sell, *The Origins of a Trade Based Approach to Intellectual Property Protection*, 17 Sci. Comm. 163 (1995) ("One of the most significant new issues in international trade is the protection of intellectual property."); Robert Weissman, *A Long, Strange TRIPS: The Pharmaceutical Industry Drive to Harmonize Global Intellectual Property Rules, and the Remaining WTO Legal Alternatives Available to Third World Countries*, 17 U. Pa. J. Int'l Econ. L. 1069 (1996) ("[I]ntellectual property protection has become a central part of the free trade agenda, as well as the major global trade agreements.").

[179] As John Barrett observed,

> [F]ree trade agreements ... have helped fuel the economic prosperity that the world has seen at the end of the twentieth century. Their major premise is that by removing trade barriers, consumers will benefit from the comparative advantages that different nations have in producing goods. Those nations that have a resource, technological, labor, or other type of advantage will be able to produce a better product at a lower cost to the consumer if artificial barriers protecting domestic producers are removed.

John A. Barrett, Jr., *The Global Environment and Free Trade: A Vexing Problem and a Taxing Solution*, 76 Ind. L.J. 829, 831 (2001).

[180] David E. Dreifke, Note, *The Foreign Commerce Clause and the Market Participant Exception*, 25 Vand. J. Transnat'l L. 257, 259 (1992) (arguing that "aided by informal, but nonetheless protectionist, trade barriers entrenched in Japanese custom, Japan only sparingly imports finished goods from the United States"); Nancy J. Linck & John E. McGarry, *Patent Procurement and Enforcement in Japan–A Trade Barrier*, 27 Geo. Wash. J. Int'l L. & Econ. 411, 411 (1993) (finding that the Japanese patent system acts as a trade barrier to U.S. competition in Japan).

[181] In fact, substantive patent law may now actually favor foreign over domestic inventors in some small respects. *See infra* notes 104-113 and accompanying text.

[182] There are essentially three types of recognized trade barriers that an imported product can face: tariffs, import quotas, and product standards and specifications. Product standards and specifications prevent products that do not comply with the standards from being imported into the U.S. Product specifications and standards could include: mandatory inspections for health reasons (agricultural products and pharmaceuticals), minimum product design standards (emissions control devices on cars), or labeling requirements (nutritional information on food packaging). Barrett, *supra* note 179, at 851. Although these standards would apply equally to foreign and domestic products, they may create expense and delay for foreign companies that need to modify their products to comply with the standards of each foreign country to which they would *like to export products. Id. Discriminatory legal enforcement, like product standards and specifications, is a* less transparent form of trade barrier. *Cf*. Michael I. Krauss, *NAFTA Meets the American Tort Process: O'Keefe v. Loewen*, 9 Geo. Mason L. Rev. 69 (2000) (discussing a case brought against the U.S. under NAFTA by a foreign company claiming that the U.S. judge violated NAFTA's fair and equal treatment provision by allowing repeated xenophobic arguments throughout trial).

A Suggested Course of Conduct for Attorneys Regarding Potential and Actual Perjury in Criminal and Civil Cases

John Steele

If the readers of this short outline have disagreements or suggested edits, changes, etc., please let me know.

The outline will refer to the approaches contemplated by the American Bar Association's (ABA) Model Rules of Professional Conduct (MR, or Model Rules) and the ethics standards found in the California Rules of Professional Conduct (CPRC or California Rules) and California's State Bar Act (Cal. Bus. & Prof. Code §6000, et seq.). As of early 2014, when this version of the outline was written, there was a new set of proposed ethics rules for California lawyers ("Proposed Rules") awaiting review and possible promulgation by the Supreme Court of California. This outline will cite the Proposed Rules even though they are not yet governing law.

The California Rules and the State Bar Act do not directly discuss witness perjury, but do require a California lawyer to use only those means that are consistent with the truth. (CRPC 5-200; B&P Code §6068(d); see discussion at Vapnek, et al., *California Practice Guide: Professional Responsibility* (TRG 2014), §8:180) As will be seen, that lack of clear guidance makes it necessary to rely upon case law and ethics opinions. Fortunately, the Proposed Rules offer pretty clear guidance.

Finally, I continue to have some uncertainty about how these issues would play out in federal trial courts in California. All four of those courts adopt the California Rules and one might assume that the analysis would play out identically in state and federal courts, especially once the Proposed Rules are adopted and will presumably become governing in the federal courts here. But as I have presented this outline in various forums and have had discussions with federal judges about it, some of them have expressed the view that they believe the ABA approach, and not the California approach, should be used in their courtrooms.

<u>An Overview of the Ethics of Witness Perjury</u>

Being associated with witness perjury can severely damage or even end an attorney's career. Although this outline discusses the various lines that have been drawn, attorneys will not want to "walk the fine line." Two pieces of conventional wisdom seem pertinent. First, if you need to analyze whether or not a particular act related to witness perjury is over the line, then it's probably true that neither you nor the client wants to be involved with that act. Second, seeking sound advice can be a career-saver. For the zealous attorney caught up in the partisan struggle, the advice of a disinterested counselor can often be a lifeline.

Although perjury is a crime everywhere, laws vary regarding an attorney's appropriate response to witness perjury. California's uniquely strong duty of confidentiality apparently does not permit the California lawyer to remedy client perjury as freely as can those lawyers governed by the ABA Model Rules. But that unique approach does not allow the California lawyer any greater latitude in presenting falsehoods to the tribunal—with the exception of testimony of criminal defendant clients where, as discussed below, the "narrative technique" may be available

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to the lawyer. To the contrary, California's ethics rules forbid the lawyer from using means inconsistent with the truth. (CRPC 5-200; Cal. Bus. & Prof Code §6068(d); Proposed Rule 3.3))

A. - Non-Client Perjury.

Dealing with non-clients is easier than dealing with clients. Because the attorney owes little or no duties to the non-client, and because an attorney's duty to a client does not include a duty to present non-client perjury, the attorney's duty of candor to the tribunal (Cal. Bus. & Prof. Code §6068(d); CRPC 5-200; Proposed Rule 3.3; MR 3.3) precludes the attorney's participation in non-client perjury. Generally, the attorney should:

1. **Attempt to dissuade the witness from committing perjury.**

2. **Refuse to put the witness on the stand if the witness intends to commit perjury.**

3. **If the attorney learns that he or she has offered perjury, the attorney must/should take reasonable remedial measures, such as informing the court. (MR 3.3 (ABA approach); LA Bar Ass'n Form. Opn. 305 (1968) (lawyer's duty after offering false testimony))**

    a. **The duty to remedy the testimonial falsehoods applies to material facts.**
    b. **The duty to remedy the testimonial falsehoods continues to the conclusion of the proceeding.**
    c. **Under the Model Rules approach, the duty to remedy the testimonial falsehoods preempts the duty to maintain client confidences in civil and criminal cases. (3.3)**
    d. **Under California's unique approach to client confidentiality, if remedying a non-client's perjury requires disclosure of a client confidence, the attorney may be caught between two conflicting duties. In that case, the attorney should follow the procedures set forth below for correcting a client's perjury.**

B. - Client Perjury

Dealing with client perjury is more difficult than dealing with non-client perjury. Because the attorney owes duties to the client, and because the criminal defendant has certain constitutional rights, these must be weighed against the duty of candor to the court.

Criminal Cases: Future & Anticipated Perjury

Attorneys representing criminal defendants must provide effective assistance of counsel. The United States Supreme Court has held that the United States Constitution does not require that criminal defendants be allowed to commit perjury or that defense attorneys be allowed to participate in the presentation of perjury. *Nix v. Whiteside*, 475 U.S. 157 (1986).

A critical threshold issue is whether the lawyer *knows* or merely *suspects* that the client's intended testimony is false. Under the ABA approach, MR 1.0(f) helps define what a lawyer "knows" and MR 3.3 specifies what a lawyer should do in light of the knows/suspects distinction. The California Rules are silent on those issues, but the Proposed Rules will offer guidance similar to the ABA's (Proposed CRPC 1.0.1(f); 3.3) I have heard it said that trial courts are more likely grant criminal defense counsel some leeway on this knows/suspects issue, but the rules do not formally apply different standards to criminal defense counsel and civil litigators.

So, the majority approach in the USA and the approach taken in the ABA Model Rules, is that criminal defense counsel may not offer testimony from a client that the lawyer knows will be testifying falsely. Some states, including California, believe that balancing the competing concerns in criminal cases is best done through the so-called "narrative technique." *People v. Johnson*, 62 Cal.App.4th 608 (1998). Under that technique, the client-accused takes the stand and offers the perjury in a self-directed narrative, rather than through the usual question and answer technique, and defense counsel does not argue the perjury in the closing. (Note that the California criminal defense lawyer might offer the evidence the normal way if the lawyer only suspects but does not know that the witness intends to commit perjury.[1])

An attorney aware of a criminal client's intent to commit perjury should:

1. **Attempt to dissuade the client from committing perjury;**

2. **If attempts to dissuade the client fail, the attorney should, if possible, attempt to withdraw from the representation.**

   One California case, *People v. Brown*, 203 Cal.App.3d 1335 (1988) suggests that attorneys must attempt to withdraw when the client insists upon testifying falsely. However, that holding has been criticized, at least in the criminal context, because it would either result in an endless string of withdrawals and continuances or would result in the defendant lying to the subsequent counsel. *People v. Gadson*, 19 Cal.App.4th 1700 (1993). A mandatory withdrawal approach seems in tension with California's adoption of the narrative technique.

3. **Then proceed as permitted in the jurisdiction, either by refusing to put the client on the stand or by putting the client on the stand and using the narrative technique.**

4. **Please note: It is not clear that the narrative technique would be acceptable in the federal courts in California.**

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[1] *See, e.g., People v. Bolton* (2008) 166 Cal.App.4th 343, 357, which held that, if counsel merely suspects that defendant will give perjured testimony, counsel is not required to use the narrative technique. The appellate court quoted from *People v. Riel* (2000) 22 Cal.4th 1153, 1217, declared that even if counsel disbelieves the proposed testimony, there is no ethical problem in presenting it "as long as counsel has no specific undisclosed factual knowledge of its falsity."

Although the California courts have permitted the narrative technique, and although the United States District Courts in California have adopted the California Rules of Professional Conduct by local rule, it would appear that federal courts within California could still forbid, and perhaps do forbid, the presentation of perjury under the narrative technique on the basis of numerous federal rules, statutes, and standards.

Criminal Cases: Completed Perjury

When the attorney becomes aware that the criminal client has committed perjury, the attorney should determine the approach take in that jurisdiction:

1. **Under the older Model Code approach, the duty of confidentiality trumped the duty of candor to the court, and the attorney could not reveal the perjury if doing so would reveal a client confidence (which it almost always did).**

2. **Under the Model Rules approach, the duty of candor to the court trumps the duty of confidentiality in criminal and civil cases alike. Note, however, that the ethical duties in criminal cases are heavily debated.**

   a. **The duty to remedy the testimonial falsehoods applies only if the false facts were material.**
   b. **The duty to remedy the testimonial falsehoods continues to the conclusion of the proceeding.**
   c. **Under the Model Rules approach, the duty to remedy the testimonial falsehoods preempts the duty to maintain client confidences, even in criminal cases.**

3. **California's Rules of Professional Conduct do not expressly cover this point.**

   The State Bar Act imposes a duty of confidentiality that appears to have no exceptions. (Cal. Bus. & Prof. Code section 6068(e)) Given that California law permits the defense counsel to utilize the narrative technique when the defendant insists upon committing perjury, one is tempted to conclude that under California law criminal defense counsel is under no duty to remedy client perjury in this situation, but presumably would have to seek the client's permission to rectify the perjury, would have to seek (or consider) withdrawal, and in any case would be forbidden to make any use of the perjury in argument.

4. **Again, please note that the decisions of California courts on this topic do not necessarily set the standard for practice in federal courts within California.**

   This issue is more difficult than the issue of whether federal courts will allow the use of the narrative technique. In the latter case, the federal courts could presumably disallow behavior which the California state court found to be distasteful but ultimately acceptable. But in the case of revealing past client perjury, if the federal courts were to insist that criminal defense counsel reveal the perjury, the federal courts might be requiring behavior that the California ethical rules forbid.

Civil Cases: Future & Anticipated Perjury

An attorney aware of the civil client's intent to commit perjury should:

1. **Attempt to dissuade the client from committing perjury;**

2. **Withdraw if necessary;**

3. **In any case, the attorney should refuse to put on a client who intends to commit perjury.**

Civil Cases: Completed Perjury

When the attorney becomes aware that the civil client has committed perjury, the attorney should determine the approach taken in that jurisdiction:

1. **Under the older Model Code approach, the duty of confidentiality trumped the duty of candor to the court, and the attorney was obligated to reveal the perjury unless doing so would breach a client confidence (which it almost always did).**

2. **Under the Model Rules approach, the duty of candor to the court trumps the duty of confidentiality.**

3. **California's Rules of Professional Conduct do not expressly cover this point.**

   An ethics opinion states that that the proper approach in California is to seek the client's consent to rectify the perjury. If the client refuses, the attorney should explain the consequences of perjury and the fact that counsel would be forced to withdraw. The attorney can also seek a stipulation from opposing counsel striking the perjury from the record (without disclosing the fact of perjury). If those steps do not rectify the situation, the attorney should seek to withdraw (without disclosing the fact of perjury). Cal. State Bar Formal Opinion 1983-74.

   In the future, this analysis may be governed by the approach of Proposed Rule 3.3, which requires a lawyer to reasonably remedy the false evidence unless it would reveal a client confidence.

4. - **If through no fault of the attorney a client is called and commits perjury, the proper course under California law is not clear.**

   Suppose attorney refuses to call client, who intends to perjure. If the opposing side calls client as an adverse witness and client perjures, it has been suggested in an ethics committee opinion that counsel in California should act as if the testimony had never been offered or had been stricken (i.e., should not mention the perjury in examinations, arguments to the court, or the closing). California State Bar Formal Opinion 1983-74.

5. - **Again, please presume that the standards enunciated by California authorities may not be controlling in federal courts on this issue.**

ATTORNEY'S ETHICAL CONDUCT DURING ADVERSARY PROCEEDINGS

By

JAMES J. and CAROL S. BROSNAHAN

Applying ethical principles to real situations is always difficult but in no context is it more difficult or demanding than in a trial or administrative hearing because of the suddenness with which the questions arise and because of the diverse and occasionally inconsistent obligations that the advocate owes to the various participants. This chapter will discuss the advocates ethical obligations to the client, the judge opposing counsel, other parties and witnesses. In addition to analyzing ethical rules the chapter will mention certain tactical possibilities.

I. SOURCES OF ETHICAL GUIDANCE

A. ABA Code of Professional Responsibility.

The ethical litigator must operate within perameters set by several different public and private bodies, as well as the perameters of conscience. It will be useful to delineate briefly the various sources from which ethical regulation is likely to come, and then to examine in depth those sources that

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will affect the conduct of the attorney in court.

The primary source of guidance for appropriate professional conduct is the American Bar Association's Code of Professional Responsibility. The code consists of Ethics Considerations and Disciplinary Rules. The ethical considerations, according to the preamble to the Code of Professional Responsibility "are aspirational in character and represent the objectives towards which every member of the profession should strive". The disciplinary rules are mandatory. They state the minimum level of conduct below which no lawyer can fall without being subject to disciplinary action.

In some jurisdictions, e.g. California, The Code of Professional Responsibility is not binding law, but merely a persuasive guideline. But in many states, either by mandate of the state supreme court or the integrated bar, the Code has been incorporated as binding law.

The American Bar Association's Code of Professional Responsibility was effective January 1, 1970. Most of the ethical rules relating to the attorneys' conduct during adversary proceedings are consolidated in Canon 7, which provides that "A lawyer should represent a client zealously within the bounds of the law". Under that canon, the ethical considerations relating to the duty of the lawyer to a client and the duty of the lawyer to the adversary system of justice, are

found in disciplinary rules 7-101 through 7-110 relating to certain aspects of the attorney's role in litigation. While other canons relate to a greater or lesser degree to the role of the attorney in an adversary proceeding, this article will examine Canon 7 and the considerations and rules thereunder, and then analyze the implications of other canons and other sources.

B. Other Sources.

When the Code of Professional Responsibility was enacted in 1970, only nine canons were enacted. Prior to that enactment canons of Professional Ethics have been issued by the American Bar Association, which are still useful because they provide guidance as to professional conduct, and often provide sources of interpretation in formal and informal ABA opinions and judicial decisions based on those earlier canons. Often the annotations to the new Code of Professional Responsibility make reference to these earlier canons.

The American Bar Association is clearly not the only source of ethical guidelines for the litigator. In some states legislative enactments and judicial interpretations affect the legally acceptable practice of advocacy. In California, for example, the State Bar Act contains both procedural rules and substantive regulation, particularly Business and Professions Code Section 6068 which states the statutory duty of an attorney.

All of these duties are particularly applicable to the litigator.

California Business and Professions Code §6068 states:

(insert §6068)

Other statutes not specifically included in the statutory scheme for regulation of professional conduct are also likely to affect ethical judgments by the litigator. The attorney/client privilege is an example.

Judicial decisions concerning the duties of an attorney are an important source for determining the litigator's ethical responsibilities. No stronger avenue of control of ethical conduct exists than that of disbarment. The State in certain extreme situations may institute criminal prosecution for lawyer misconduct, e.g., for subornation of perjury.

Another increasingly significant source of regulation of attorneys' conduct is the federal government, by its agencies, e.g., the Securities Exchange Commission, and the Federal Trade Commission. Each year there are a greater number of law suits against attorneys by former clients which are creating a body of regulatory information that an attorney cannot afford to ignore. See, e.g., Lysick v. Walcom, (1968) 258 CA2d 136 (conflict of interest between lawyer's obligations to an individual insured when retained by insurance company, malpractice award for excess

liability); Sjobeck v. Leach, (1942) 213 Minn.360 (failure to follow client's instructions); Annot. 45A LR2d 5 (attorney's liability for negligence in preparing or conducting litigation). More recently, law suits have been brought by attorneys for opposition litigants, e.g., the malicious prosecution case brought against plaintiff's counsel by a medical malpractice defendant. See Annot. 27 ALR 3d 1113 (Attorney's malicious prosecution).

Other sources of ethical information exist in ethics opinions, both formal and informal, prepared and published by the American Bar Association, state bar associations and local bar associations.

II. DUTY OF THE LAWYER TO THE CLIENT

Recognizing the importance of the Code of Professional Responsibility, let us examine Canon 7, beginning EC 7-1, which states:

> "The duty of a lawyer, both to his client and to the legal system, is to represent his client zealously within the bounds of the law, which includes disciplinary rules and enforceable professional regulations. The professional responsibility of a lawyer derives from his membership in a profession which has the duty of assisting members of the public to secure and protect available legal rights and benefits. In our government of laws and not of men, each member of our society is entitled to have his conduct judged and regulated in accordance with the law, to seek any lawful objective through legally permissible means;

and to present for adjudication any lawful claim, issue or defense.

A. The Duty to be a Vigorous Advocate

1. Weight of Authority Urges Vigorous Advocacy.

Opinions of the ABA analyze the issue of how far a lawyer may go in defending his or her client. Clearly, the weight of authority urges vigorous advocacy. See, for example, ABA Formal Opinion 280:

> "The lawyer is not an umpire, but an advocate. . . His personal belief in the soundness of his cause or of the authorities supporting it is irrelevant." See also McCartney v. U.S. (9th Cir. 1965) 356 F.2d 471, 472, which held that, because counsel had seen fit to advise the court on the validity and sufficiency of the prisoner's motion, by letter to the court, the prisoner had no effective assistance of counsel and was therefore entitled to a new trial.

See also ABA Formal Opinion 314:

> "A lawyer who is asked to advise his client . . . may freely urge the statement of positions most favorable to the client just as long as there is reasonable basis for those positions."

This is the view in Ethical Consideration 7-4, which states:

> "The advocates may urge any permissible construction of the law favorable to his client, without regard to his professional opinion as to the likelihood that the construction will ultimately prevail."

Informal Opinion No. 462:

> "So long as an attorney does not assert in argument his personal belief in the justice of his client's cause, it is primarily a question of law whether it is proper for counsel for a plaintiff to argue to a jury that his client should be awarded a specific sum per day for pain and suffering."

Justice Holmes in Superior Oil Company v. Mississippi, 280 U.S. 390, 395-96, 74 L.Ed. 504, 508, 40 Supreme Court 169, 170 (1930) stated:

> "The fact that it is desired to evade the law as it is called, is immaterial, because the very meaning of a line in the law is that you intentionally may go as close to it as you can if you do not pass it . . . It is a matter of proximity and degree as to which minds will differ . . ."

This quotation relates to Ethical Consideration 7-2 which states that the bounds of the law in a given case are often difficult to ascertain.

See also ABA Canon 5 relating to one accused of a crime:

> "The lawyer is bound, by all fair and honorable menas, to present every defense that the law of the land permits, to the end that no person may be deprived of life or liberty, but by due process of law."

See Thode, The Ethical Standard for the Advocate, 39 Texas Law Review, 575, 584 (1961). See also Rochelle and Payne, The Struggle for Public Understanding, 25 Texas BJ 109, 159 (1962):

> "Persons who make this charge [that lawyers take advantage of loopholes and technicalities] are unaware, or do not understand, that the lawyer is hired to win, and if he does not exercise every legitimate effort in his client's behalf, then he is betraying a sacred trust."

See also John's v. Smyth, (E.D. Virginia, 1959) 176 Fed.Supp. 949, 952 modified U.S. X-Rail Wilkins v. Banmiller (E.D. Pennsylvania 1962) 204 Fed Supp. 123, 128, note 5; affirmed 325 F.2d 514 (3rd Cir. 1963) cert. denied, 379 U.S. 847, 13 L.Ed. 2d 51, 85 S.Court 87 (1964) which held that:

> "When defense counsel, in a truly adverse proceeding, admits that his conscience would not permit him to adopt certain customary trial procedures, this extends beyond the realm of judgment and strongly suggests an invasion of Constitutional rights."

In the John's case counsel for the defendant was so convinced of defendant's guilt that he failed to make a final argument. The court held that the defendant was denied due process.

This view of the lawyer's rule as a representative one goes to the very heart of the lawyer's function. When the Greeks originated the lawyer's function some time before Demosthanes the orator simply read a speech for the prisoner replacing the prior custom of having the prisoner speak for himself. This tradition is still present today. The lawyer is speaking and acting not as an individual but for the prisoner. See also Cheatham, The Lawyer's Role and Surroundings, 25 Rocky Mountain Law Review 405, 410 (1953); In Re Wines, (Missouri 1963, 370 S.W.2d 328, 333); (attorney dealing with confidential information) "Professional Responsibility: Report of the Joint Conference", 44 ABA Journal, 1159, 1216 (1958).

The vigor with which an advocate may pursue his or her client's cause without risking censure from the court was analyzed at length in In re McConnell, 370 U.S. 230, 82 S.Ct. 1288, 8 L.Ed. 2d 434. In that case counsel insisted on presenting evidence which related to an issue which the judge had ruled out

of the case. When told to stop counsel said he would continue "unless some bailiff stops us". For this counsel was found in contempt. The U.S. Supreme Court reversed. The court said, at p. 236:

> "[W]hile we appreciate the necessity for a judge to have the power to protect himself from actual obstruction in the courtroom . . . it is also essential . . . that lawyers be able to make honest good-faith efforts to present their client's cases . . ."

This view was followed in In Re Dellinger (1972) 461 F.2d 389, 398 in which the court said ". . . attorneys [should] be given great latitude in the area of vigorous advocacy . . . Admittedly, the line defies strict delineation . . . but by our resolving doubts in favor of advacacy, an independent and unintimidated bar can be maintained . . ."

Both the McConnell and Dellinger cases are discussed in an article entitled "Professional Responsibility Problems and Contempt in Advocacy" by Hon. Horace W. Gilmore (San Diego L. Rev. Vol. XII, pp. 228-299). Judge Gilmore also discusses U.S. v. Seale, 461 F.2d 345, 7 Cir. 1972 and the Supreme Court cases of Offutt v. United States, 348 U.S. 11 (1954) and Holt v. Virginia, 381 U.S. 131 (1965). He discusses Ethical Considerations 7-36, 7-37 and DR 7-106(C). He makes reference to "ABA Standards Relating to the Prosecution Function and the Defense Function" and quotes Standard 7-1 relating to

courtroom decorum. He then goes on to discuss the issues of pre-trial publicity by advocates. He concludes: "In advocacy, a lawyer has a duty to be a vigorous advocate and that right is protected by DR 7-101 and 7-106. It is also protected by the ABA standards on the prosecution function and the defense function. Although these standards are higher than those required for a finding of criminal contempt, lawyers should be held to such standards in advocacy, and there appears to be no valid reason that an obstruction of justice or intent to obstruct need be shown before the Bar disipline can follow. A lawyer can operate properly and as a vigorous advocate within the limits of the disciplinary rules".

See also In Re Hallinan, 71 C.2d 1179 at 1183 (1969). In that case the attorney's conduct, although antagonistic, insulting and disrespectful, was within the limits of vigorous advocacy. See also Anno. Attorney's addressing Allegedly Insulting Remarks to Court During Course of Trial as Contempt, 68 ALR 3d 273; Anno. Conduct of Attorney in Connection with Making Objections or Taking Exceptions as Contempt of Court, 68 ALR 3d 314.

The holdings in the McConnell and Hallinan cases are more an acknowledgement that counsel may get carried away in the course of mailing a forceful and necessary presentation rather than an indication that such disrespectful conduct is desirable

or productive of favorable results in the trial court.

In addition to the requirement of aggressive advocacy in the courtroom there is a corollary principle which requires an attorney to take certain cases. There are other segments within the Code of Professional Responsibility that must be referred to and understood by the litigator in determining these duties as an advocate.

For example, Canon Two, which states that a lawyer should assist the legal profession in fulfilling its duty to make legal counsel available. EC 2-26 indicates the importance of the objective of the Bar to make legal services fully available, and notes that a lawyer should not lightly decline proffered employment. EC 2-27 discusses the unpopular cause and states that "regardless of his personal feelings, a lawyer should not decline representation because a client or a cause is unpopular or community reaction is adverse". See Report of the Joint Conference 44 ABAJ 1159, 1216 (1958). See, also, California Business & Professional Code §6068 which states that it is the duty of an attorney never to reject, for any consideration personal to himself, the cause of the defenseless or the oppressed. See, also, Oregon Revised Statutes, Chapter 9, Section 9.460(a/8?). See Rostow: The Lawyer and His Client, 48 ABAJ 25, 146 (1962). Ethical Considerations 2-28 and 2-29 pursue the same point of view, with EC 2-28 discussing the

particular problem of the reluctance of a lawyer to sue another lawyer, but indicating that, when proper, this should be done. See former Canon Seven, EC 2-29 which deals with the situation of court-appointed counsel and states the principle that such counsel should not seek to be excused except for compelling reasons. See former Canon Four. With respect to appearance on behalf of a client before an administrative agency, "a lawyer appearing . . . regardless of the nature of the proceeding. . . has the continuing duty to advance the cause of his client within the bounds of the law". See former ABA Canon 26 and Formal Opinion No. 314, discussed above.

2. Limitations of "Vigorous" Advocacy.

In interpreting EC 7-1, it is useful to refer to former ABA Canon 15, which states:

> "Nothing operates more certainly to create or to foster popular prejudice against lawyers as a class, and to deprive the profession of that full measure of public esteem and confidence which belongs to the proper discharge of its duties than does the false claim, often set up by the unscrupulous in defense of questionable transactions, that it is the duty of the lawyer to do whatever may enable him to succeed in wining his cleint's cause."

Former Canon 15 goes on to state:

> "The office of attorney does not permit, much less does it demand of him for any client, violation of law or any manner of fraud or chicane. He must obey his own conscience and not that of his client."

See, e.g. ABA Formal Opinion No. 150:

> "An attorney for a criminal defendant may not advise his client what to do if he escapes from custody, nor may he permit his client to testify contrary to what the client has advised him is the truth."

See also EC 704, which states that:

> ". . . a lawyer is not justified in asserting a position in litigation that is 'frivolous'."

See Anders v. California, 386 U.S. 738, 744, 18 L.Ed.2d 493, 498, 87 S.Ct. 1396, 1399-1400 (1967), describing what an attorney must do in the event that he believes a matter to be frivolous held that counsel in such a case may advise the court that he or she finds the matter frivolous, may request permission to withdraw but must supply to the court and to the defendant a brief of anything in the record arguably supporting defendant's position.

DR 7-102 relating to representing a client within the bounds of the law, provides that in the representation of a client a lawyer should not: (1) File a suit, assert a position, conduct a defense, delay a trial, or take other action on behalf of the client when he knows or when it is obvious that such action would serve merely to harrass or maliciously injure another. See former ABA Canon 30 "justifiable and unjustifiable litigation". "The lawyer must decline to conduct a civil cause or make a defense that it is intended merely to harrass or injure the opposite party or to work oppression or wrong . . . his

appearance in court should be deemed equivalent to an insertion on his honor that in his opinion his client's case is one proper for judicial determination."

DR 7-106 provides that in appearing in his professional capacity before a tribunal, a lawyer shall not: (1) state or allude to any matter that he has no reasonable basis to believe is relevant to the case or that will not be supported by admissible evidence. Violations of this rule are frequent. Statements by counsel during jury selection or opening statements of anticipated facts that counsel knows will not be proved violate this rule. Questions by counsel that hint at facts which are untrue or inadmissible violate this rule. Final argument that is based on a fact that is not in evidence violates this rule. See former Canon 22, Theodore and Fairness, Cherry Creek National Bank v. Fidelity and Casualty Company, 207 App. Div. 787, 790-791, 202 N.Y.S. 611, 614 (1924) (improper for counsel to base argument on fact not in evidence). DR 7-106 also provides that counsel may not ask any question that he has no reasonable basis to believe is relevant to the case and that is intended to degrade a witness or other person. See former Canon 18. See California Business and Professions Code Section 6068, "It is the duty of an attorney (1) to abstain from all offensive personality; (2) advance no fact prejudicial to the honor or reputation of a party or witness, unless required by the justice

of the cause with which he is charged; (3) assert his personal knowledge of the facts in issue, except when testifying as a witness; (4) assert his personal opinion as to the justness of a cause, as to the credibility of a witness, as to the culpability of a civil litigant, or as to the guilt or innocence of an accused; but he may argue, on his analysis of the evidence, for any position or conclusion with respect to the matters stated herein. See People v. Dukes, 12 Ill.2d 324, 341, 146 N.E.2d 14, 17-18 (1957); (5) fail to comply with known local customs of courtesy or practice of the bar or a particular tribunal without giving to opposing counsel timely notice of his intent not to comply. See former Canon 25; (6) engage in undignified or discourteous conduct which is degrading to a tribunal; and (7) intentionally or habitually violate any established rule of procedure or evidence."

DR 7-101 (B) provides that in his representation of a client, a lawyer may: (1) where permissible, exercise his professional judgment to waive or fail to assert a right or position of his client. Trial counsel's authority to make certain decisions is limited. People v. Roblies, (1970) 2 C3D 205, 215, 18 Cal.Rptr. 166, 466 P.20, 710 (right to testify despite counsel's wishes to contrary); People v. Wheeler, (1968) 260 CA2 522, 526 (counsel cannot stipulate to try case on hearing transcript over defendant's objection); Linsk v. Linsk, (1969)

70 C2d 272, 276 (counsel cannot without authority stipulate away a major defense in a civil case - good collection of cases on trial counsel's authority). DR 7101 also provides that counsel should refuse to aid or participate in conduct that he believes to be unlawful, even though there is some support for an argument that the conduct is legal.

Certain ethical considerations place particular limitations upon the public prosecutor's advocacy role. See e.g. EC 7-13, relating to the responsibility of a public prosecutor, whose responsibility is distinguished in that "his duty to seek justice, not merely to convict". See also Berger v. U.S., 295 U.S. 78, 79; L.Ed. 1314, 55 S.Ct. 629 (1935). (Prosecutor's improper solicitations, insinuations and assumptions of personal knowledge were improper.) See also Report of the Joint Conference, 44 ABA Journal 1159, 1218 (1958), ABA Formal Opinion 150. See also Ethical Consideration 7-14, which states that a government lawyer who has discretionary power relative to litigation should refrain from instituting or continuing litigation that is obviously unfair. ". . . a government lawyer in a civil action or administrative proceeding has the responsibility to seek justice and to develop a full and fair record. . ."

DR 7-103 relates to performing the duty of public prosecutor or other government lawyer and provides that a public

prosecutor or other government lawyer shall not institute or cause to be instituted criminal charges when he knows or it is obvious that the charges are not supported by probable cause. See former Canon 5 "The primary duty of a lawyer engaged in public prosecution is not to convict, but to see that justice is done. The suppression of facts or the secreting of witnesses capable of establishing the innocence of the accused is highly reprehensible". See Brady v. Maryland, 373 U.S. 83 (1963) (evidence that co-defendant had done the shooting should iave been disclosed by prosecutor).

Inability to represent a client vigorously because of ethical limitations may mean that an attorney should not accept employment, e.g., when the knows the institution of the action is merely for the purpose of harrassing or maliciously injuring another. EC 2-30. Eash suit and counter suit must be examined by counsel to determine that there is a good faith belief that the claim or defense is meritorious. See Fed. Rules of Civil Procedure.

Disciplinary Rules 2-109 Acceptance of Employment and 2-110 Withdrawal from Employment are particularly applicable. DR 2-109(A) states a laywer shall not accept employment on behalf of a person if he knows or it is obvious that such person wishes to: (1) bring a legal action, conduct a defense, or assert a position in litigation, or otherwise have steps taken for him,

merely for the purpose of harrassing or maliciously injuring any person. See former Canon 30, clients are occasionally very candid in demanding such suits and divulging their intent. But counsel must withstand such pressures to avoid ethical violations and possible suits for malicious prosecution.

See also, Cal. Bus. & Prof. Code 6076, Rule 2-110, "A member of the State Bar shall not accept employment to . . .(1) bring a legal action, conduct a defense or assert a position in litigation or otherwise take steps solely for the purpose of harassing or maliciously injuring any person or to prosecute or defend a case solely out of spite. . ."; (2) Present a claim or defense in litigation that is not warranted under existing law, unless it can be supported by good faith argument for an extension, modification, or reversal of existing law.

See also, for example, formal Opinion No. 281:

> "An attorney may not ethically accept employment from an organization known to him to be violating the law to advise its members how unlawful acts may be done in a way to avoid conviction and to represent its members when from time to time they are accused of crimes."

Limitations upon the attorney's responsibility to be a vigorous advocate may result in the attorney having to withdraw from a case. DR 2-110 requires mandatory withdrawal from representation when the attorney knows or it is obvious that his client is bringing an illegal action, conducting a defense, or asserting a position in the litigation, or is otherwise having steps taken for him merely for the purpose of harrassing or maliciously injuring any person, or the attorney knows or it

is obvious that his continued employment will result in violation of a disciplinary rule. Withdrawal is permissible under DR 2-110(C) if in the following situations: (1) his client (a) insists upon presenting a claim or defense that is not warranted under existing law and cannot be supported by good faith argument for an extension, modification, or reversal of existing law; (b) personally seeks to pursue an illegal course of conduct; (c) insists the lawyer pursue a course of conduct that is illegal or prohibited under the disciplinary rules; (d) by other conduct which renders it unreasonably difficult for the lawyer to carry out his employment effectively; (e) insists, in a matter not pending before a tribunal, that the lawyer engage in conduct that is contrary to the judgment and advice of the lawyer but not prohibited under the disciplinary rules; (f) deliberately disregards an agreement or obligation to the lawyer as to expenses or fees. (2) The lawyer's continued employment is likely to result in a violation of a disciplinary rule.

See Formal Opinion No. 88 which states that an attorney, who after accepting employment, discovers his client's story is untrue and that the client has no cause of action, upon withdrawing from employment, may properly charge the client for the value of services performed. Withdrawal from a case once an appearance has been made can be difficult. Whether counsel has made a sufficient showing to allow withdrawal is amateur within

the sound discretion of the trial judge. See People v. Prince, (1968) 268 CA2 398, 406. Very often the grounds for withdrawal includes privileged information. In such cases where the client does not agree counsel is not free to divulge such information to the court nor should counsel take any step that will adversely affect the trial judge's opinion of the client.

B. The Duty to be Prepared and Competent Advocate.

Canon 6 is of great importance, not only to the trial lawyer but also to all lawyers. It provides: "A lawyer should represent a client competently". It is DR6-101 (A)(2) which relates most specifically to litigation. It provides a lawyer shall not: handle a legal matter without preparation adequate in the circumstances. DR6-101(A)(3) is also of significance in many litigation matters since it provides a lawyer shall not: neglect a legal matter entrusted to him.

A client is entitled to a prepared and competent advocate. EC 2-30 states that an attorney should not accept employment when he knows he is not competent to render the service or when his personal feelings may impair his effective representation. The term circumstances as used in this provision can be difficult to apply. When a public defender is called upon to handle many cases what is permissible, proper preparation in those circumstances. If the work load is so heavy that prope defenses cannot be explored and a careful discussion with the

client is not feasible before plea than there is not proper preparation and the defendant is denied his or her right to counsel under the 6th Amendment.

All counsel whether practicing civil or criminal can publicly or privately have an obligation to refuse to take additional cases that will make proper preparation of the cases they have impossible. A lawyer in private practice may simply decline additional employment while a public defender may have to make a motion as was done in the Ligda case supra. For examples of cases involving failure of adequate representation see In Re Saunders, 2 Cal.3d 1003 (1970), (defense counsel did not have defendant's medical records on hand when he decided not to base defense on diminished capacity); In Re Williams, 1 Cal.3d 168 (1969), (defense counsel failed to discover cases that would have supplied good defense); People v. Ibarra, 60 Cal.2d 460 (1963), (defense counsel ignored a basic rule concerning search and seizure and failed to object to excludable evidence); 74 ALR2d 1390 (incompetency of counsel chosen by accused as affecting validity of conviction.

In civil actions, the attorney who proceeds to litigate a matter negligently may find himself called to task by a malpractice action by his client. The standard to be imposed is discussed in Anno. 45 ALR2d, 5, attorneys' liability for negligence in preparing or conducting litigation. See also Anno.

45 ALR 2d 62: damages measure and elements of damages recoverable for attorneys negligent with respect to maintenance or prosecution of litigation or appeal. Actionable legal malpractice has the same basic elements as other kinds of actionable negligence, namely, the existence of a duty, breach of a duty, proximately caused injury and damage. See, for example, Chaviez v. Carter, (1967) 256 CA2 577, 579. The requisite standard applicable to an attorney is that of ordinary care under the circumstances of the case governed by consideration of established professional ethics. See Lysick v. Walcom, (1968) 258 CA2d 136, 149.

Negligence, inattention, or professional incompetence may also be grounds for a disciplinary action. It may warrant disbarment, see e.g. In Re Ennis, (N.Y.) 41 App. Dur.2d 445-344, N.Y.S.2d 300, Grove v. State Bar, (Cal.) 66 C2d 68, 58 CR 564; suspension, see e.g. Florida Bar v. Reed, (Fla. 249 So.2d 417, Re Daggs (Mich.) 384 Mich. 729, 187 NW2d 227, or censure. For discussion of several cases see Anno. 96 ALR2d 823. (Negligence, inattention or professional incompetence of attorney in handling client's affairs as grounds for disciplinary action. Excessive inattention may also result in the litigator being found in contempt. See Anno. 97 ALR2d 431,(Contempt: attorney's failure to attend court, or tardiness, as contempt).

C. The Duty to Keep the Client Informed.

Ethical Consideration 7-7 deals with the crucial

question of when must an attorney obtain the client's consent concerning decisions about how the litigation will be handled. It states that in certain areas of legal representation not affecting the merits of the cause or substantially prejudicing the rights of a client, a lawyer is entitled to make decisions but otherwise the authority to make decisions is exclusively that of the client, e.g., acceptance of a settlement in a civil case, or entry of a plea in a criminal case. See ABA Informal Opinion No. 214:

> "Where a delay by counsel on the other side is not because of illness or accident, the lawyer may not waive the statute of limitations as a defense and not inform his client. If it is proper that it should be corrected, the court can do this."

A client must be advised of the opportunity to settle or resolve a case. See e.g. Foot v. State of California, (1951) 37 C.2d 127 at 128 (misrepresentation concerning status). See also People v. Robles, 2 Cal.3d 205 at 215 (1970), (criminal defendant's right to testify despite counsel's wishes to contrary).; People v. Wheeler, 260 C.A.2d 522 at 526 (1968). Generally, counsel has power to control court proceedings; People v. Foster, (1967) 67 C2d 604, 606 and may make stipulations based on a tactical decision, People v. Stewart (1967) 250 CA2d 829, 835.

Careful counsel will make written notes on conversations with clients when discussing basic rights or major tactical decisions. Such notes are appropriate when discussing a plea

with the client in a criminal case. Some plaintiff's counsel in personal injury matters write out an offer and when it is rejected have the client sign a written rejection. In all types of practice written confirmation of major events can save confusion, embarrassment or litigation later on.

D. The Duty to Preserve the Client's Secrets.

Canon 4 requires that "A lawyer preserve a confidence. The ethical considerations under this Canon point out: EC4-1, that the observance of the ethical obligation of a lawyer to keep the confidences of his client not only facilitates full development of facts essential to proper representation, but also encourages laymen to seek early legal assistance. EC 4-2 discusses those situations in which the obligation to protect confidences do not apply, e.g., when necessary to perform professional employment, when required by law, etc. EC 4-3 deals with the propriety of a lawyer giving limited information from his files to an outside agency for statistical, bookkeeping, accounting, etc. purposes and concludes that it is permissible if due care is exercised in selecting the agency and advising the agency of the confidential nature of the information. EC 4-4 discusses the attorney/client privilege, noting that the privilege is more limited than the ethical obligations of the lawyer to guard the confidences and secrets of his client. It concludes that the ethical precept exists without regard to the

nature or source of the information. It further states that the lawyer should always act in a manner which preserves the evidentiary privilege. There has been much litigation in this area recently; see for example, United States v. Hodge and Zweig, 548 F2d 1347 (9th Cir. 1977); In re Michaelson, 511 F2d 882 (9th Cir. 1975); Tillotson v. Boughner, 350 F2d 663 (7th Cir. 1965); and United States v. Bank of California, 424 F.Supp. 220, N.D.Cal.(1976) There still exists a basic tension between the attorneys obligation to keep a client's secrets confidential and recent decisions which resolve these questions on the narrower attorney/client privilege ground. In some ways this tension is similar to that which exists between press reporters and the courts. In any case where a serious question is presented counsel should consider refusing to divulge a client's secrets until a court order is obtained. The possibility of appeal from an order requiring disclosure should also be considered.

EC 4-5 raises a question that is of particular importance to litigators, because it states that "care should be exercised by a lawyer to prevent the disclosure of the confidences and secrets of one client to another, and no employment should be accepted that might require such disclosure. See former Canon 6 (Adverse influences and conflicting interests) and Canon 37 (Confidences of a client). See Formal Opinion No. 165; Formal Opinion No. 287; Formal Opinion No. 250. These problems become acute where an attorney attempts to represent

both spouses, brothers and sisters or partners. For a full discussion of conflict problems see below.

The Disciplinary Rules relating to Canon 4 state: DR 4-101 preservation of confidences and secrets of a client (A) "Confidence" refers to information protected by the attorney/client privilege under applicable law, and "Secret" refers to other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarassing or would be likely to be detrimental to the client; (B) except when permitted under DR 4-101; (C) a lawyer shall not knowingly: (1) reveal a confidence or secret of his client. See Cal. Business & Professional Code §6068(e); Oregon Revised Statutes, Chapter 9, Section 9.460(5); (2) use a confidence or secret of his client to the disadvantage of the client; (3) use a confidence or a secret of his client for the advantage of himself or a third person, unless the client consents after full disclosure. See Formal Opinion No. 177; (D) a lawyer may reveal: (1) confidences or secrets with the consent of the client or clients affected, but only after full disclosure to them; (2) confidences or secrets when permitted under disciplinary rules or required by law or court order. See Formal Opinion No. 155, which held that a communication by a client to his attorney in respect to committing a crime in the future is not privileged; (3) the intention

of his client to commit a crime and the information necessary to prevent the crime. See Formal Opinion No. 314, indicating that it is mandatory that a lawyer disclose confidences of his client if, beyond a reasonable doubt, it is clear that a crime will be committed; (4) confidences or secrets necessary to establish or collect his fee or to defend himself or his employees or associates against an accusation of wrongful conduct. See Formal Opinion No. 19, which held that when a client aids the prosecution of charges against his attorney, the attorney may reveal confidences of the client, but only those which are relevant and material to the proceeding. See, also, Formal Opinion No. 250, permitting certain disclosure in suit between attorney and client when it is necessary to do so to protect the lawyer's rights. "The general rule should not be carried to the extent of depriving the lawyer of the means of obtaining or defending his own rights".

An attorney may be forced to withdraw if any factors make it impossible for him to perform effectively, for example when the lawyers inability to work with co-counsel indicates that the best interests of the client will be served by withdrawal, or his mental or physical condition renders it difficult for him to carry out the employment effectively. DR 2-110. EC 2-30 states that an attorney should not accept a case when his own personal feelings may impair his effective representation.

See Anno. disclosure of name, identity, address, occupation, or business of client as violation of attorney/client privilege. 16 ALR3d 1047.

Responsibilities with respect to preservation of confidences may conflict with other responsibilities of the advocate, e.g. to the justice system (see discussion below). See e.g. Anno. 64 ALR3d 385 (rights and duty of attorney in a criminal prosecution where client informs him of intention to present perjured testimony).

See also, "Where the Bodies are Buried", The Adversary System and the "Obligation of Confidentiality", Freedman, Vol. X, No. 10, Criminal Law Bulletin, 1974, at pp. 979 through 989.

This article discusses the issue of confidentiality in criminal cases as it applies to the situation of the two lawyers who did not reveal the existence of the bodies. Mr. Freedman concludes: "The constitution has committed us to an adversary system for the administration of criminal justice. The essentially humanitarian reason for such a system is that it preserves the dignity of the individual, even though that may occasionally require significant frustration of the search for truth and the will of the State. An essential element of that system is the right to counsel, a right that would be meaningless if the defendant were not able to communicate freely and fully with the attorney.

In order to protect that communication -- and, ultimately the adversary system itself -- we impose upon attorneys what has been called the 'sacred trust' of confidentiality. It was pursuant to that high trust that the lawyers acted in Lake Pleasant, New York, when they refrained from divulging their knowledge of where the bodies were hidden".

E. Conflicts of Interest.

(1) Conflicts between two or more clients.

Canon 5 is a crucial guideline for the litigator, since it discusses the question of potential conflicts of interest. The hearing of the Canon is "A laywer should exercise independent professional judgment on behalf of a Client". EC 5-1 points out that the lawyers professional judgment should be solely for the benefit of his client and "free of compromising influences and loyalties, either personal interest, interest of other clients, or desires of other persons". The problem of conflicts arises in various contextx. A corporation may wish its counsel to also represent one or more of the officers involved in a criminal investigation. The corporation may want to reduce attorneys' fees or to deal with an attorney that is known. On the darker side the decision makers in the corporation may see joint representation as a way of controlling the employees. From the attorney's standpoint joint representation means additional fees. However, as discussed below, counsel

owes an undivided loyalty to one client. With the broader use of immunity in criminal cases each target defendant has an early crucial decision. Should he or she try and obtain immunity by giving evidence against the other defendants? It is difficult if not impossible for one attorney to help client A answer that question when the attorney also represents client B who will suffer is A gets immunity. Such multiple representation should be avoided. A second problem arises where client A of a lawyer decides to sue client B also represented by the same lawyer or firm. Obtaining new counsel for one client is not always a complete solution. If an attorney or firm has confidential information from two clients on the same matter then counsel should not represent either client. Such d-cisions are difficult but the appearance of impropriety is as important to avoid as a direct ethical violation.

Ethical Considerations 5-14 through 5-20 raise difficult problems for the litigator. They relate to the possibility of conflict of interests between clients. EC 5-15 points out that "he should resolve all doubts against the propriety of the representation. A lawyer should never represent in litigation multiple clients with differing interests and there are few situations in which he would be justified in representing in litigation multiple clients with potentially differing interests". The ethical consideration points out tha- if withdrawal becomes

necessary this places a hardship upon the client. EC 5-17 lists typically recurring situations, e.g. co-defendants in a criminal case, and co-plaintiffs in a personal injury case. It notes "In certain circumstances, there may exist little chance of the judgment of the lawyer being adversely affected by the slight possibility that the interests will become actually differing; in other circumstances, the chance of adverse effects upon his judgment is not unlikely". The forecasting of potential conflicts is one of the most delicate and important ethical judgments that a litigator must make. In some cases the conflict is obvious but in others the potential conflict can only be determined when it is known what claims or defenses might arise or what factual issues might become important. In the early stages of litigation these cross-currents are difficult to foresee with certainty and the careful litigator should not undertake multiple representation where such conflicts may arise. The proper test is not a certainty that conflicts will arise but knowledge that they may arise. EC 5-18 deals with the increasingly common problem of the attorney for a corporation being asked to represent one of the employees of the corporation. It concludes: "In such case the lawyer may serve the individual only if the lawyer is convinced the differing interests are not pressing." Frequently, mere discussion with various employees of a corporation about multiple representation are insufficient to solve

the problem because a lower level employee may respond because of actual or imagined pressure to accept the same counsel as the corporation. Such multiple representation is dangerous for the additional reason that a corporate employee may be unwilling to divulge incriminating information to a lawyer who also represents the employee's corporation. Representing the corporation and employees in a criminal investigation is certainly not a favored procedure.

See Former Canon 6 which states in part . . ."Within the meaning of this Canon, a lawyer represents conflicting interests when, in behalf of one client, it is his duty to contend for that which duty to another client requires him to oppose". On representation of more than one client, see Glasser v. United States, 315 U.S. 60 (1942) at pp. 75-76, Jed Wabny v. Philadelphia Transp. Co., 390 Pac. 231, 235, 135 A.2d 252, 254 (1957), cert. denied 355 U.S. 966 (1958).

DR 5-105 sets down the rules with respect to "Refusing to Accept or Continue Employment if the Interest of Another Client May Impair the Independent Professional Judgment of the Lawyer". (A) Makes it mandatory that a lawyer decline employment if the exercise of his independent professional judgment will be or is likely to be adversely affected by the acceptance of the employment (see Canon 6) or if it would be likely to involve him in representing differing interest. (B) Makes it

mandatory that a lawyer not continue multiple employment if his independent judgment might be adversely affected. (C) Permits a lawyer to represent multiple clients if it is obvious that he or she can adequately represent the interests of each and if each consents to the representation after full disclosure. (D) Provides that if a lawyer is required to decline employment or withdraw, no partner, associate or other lawyer affiliated with him may accept or continue such employment.

DR 5-106 establishes the rules by which an attorney representing two or more clients may participate in the making of an aggregate settlement of claims. See Formal Opinion No. 235.

See Anno: 17 ALR3d 835 (Conflicting interests: what constitutes representation of conflicting interesting subjecting attorney to disciplinary action).

See Anno: 31 ALR3d 715 (Representation of conflicting interests as disqualifying attorney from acting in a civil case.) (Circumstances giving rise to conflicts of interest between or among criminal co-defendants precluding representation by same counsel.)

Representation of clients with conflicts is not only ethically improper it may also give rise to an action for legal malpractice. Anno: 17 ALR3d 835, and 28 ALR3d 389, Conflicting Interest: What constitutes representation of conflicting interests subjecting attorney to disciplinary action. Malpractice: Liability of attorney representing conflicting interests.

One area that has given rise to particular problems has been the situation of the attorney retained by an insurance company to represent an insured. EC 5-23 points out "Since a lawyer must always be free to exercise his professional judgment without regard to the interests or motives of a third person, the lawyer who is employed by one to represent another must constantly guard against erosion of his professional freedom". On the issue of the duty of a counsel retained by an insurance company to represent an insured, see American Employers Insurance Company v. Goble Aircraft Specialities, 205 Misc. 1066, 1075, 131 N.Y.S.2d 393, 401 (1954); State Farm Mutual Auto Insurance Company v. Walker, 382 F.2d 548, 552 (1967), cert. denied, 389 U.S. 1045 (1968). Lysch v. Walcom, 258 CA2d 136, 65 CR 406. When an attorney does represent an insurance company and the assured full disclosure to both clients is an essential element of proper representation.

(2) Conflicts Between Attorney and Client.

Disciplinary Rule 5-101 is entitled Refusing employment when the interests of the lawyer may impair his independent professional judgment.

(A) Discusses the situation where the attorney may be affected by his own financial, business, property or other personal interests; (B) Discusses the situation where a lawyer ought to be called as a witness and lists those few

situations when the attorney may properly accept employment in that situation. EC 5-2, 5-3, 5-4, 5-5, 5-6, 5-7 and 5-8 deal with problems raised by a personal interest of the lawyer, either because of ownership of property, gifts, or other percuniary interests. It is pointed out in these ethical considerations that this may raise the possibility of undivided attention to the client's cause and, therefore, should be avoided. See, also, U.S. v. Anonymous, 214 F.Supp. 111, 113 (E.D. Tenn. 1963), Grievance Committee v. Rattner, 152 Conn. 59, 65, 203 A.2d 82, 84 (1964). See also, DR 5-103 and former Canon 10 "The lawyer should not purchase any interest in the subject matter of the litigation which he is conducting".

EC 5-9 and 5-10 deal with the problem of the lawyer who might also be a witness, and the conclusion is that "where the question arises, doubt should be resolved in favor of the laywer testifying and against his becoming or continuing as an advocate. See Former Canon 19, see, also, A Code of Trial Conduct: promulgated by the American College of Trial Lawyers, 43 ABAJ 223, 224-25 (1957).

DR 5-102 also deals with withdrawal as co-nsel when the lawyer becomes a witness. (A) Lists the times when the lawyer should withdraw; (B) States that the lawyer may continue representing the client until it is apparent that his testimony is or may be prejudicial to his client. See Former Canon 19.

See, also, Formal Opinion No. 220 which held that it is not necessarily unethical for an attorney to represent a client when his partner will be a material witness in the case. He may not do so if he will be required to attack the testimony of his partner. He should not accept employment if he then knows his partner will necessarily be a witness as to matters not relating to his professional duties. However, where the attorney's long and intimate familiarity with the matter in litigation makes his withdrawal prejudicial to the client's case, or where his partner's testimony relates to matters occurring in the course of his professional duties he need not necessarily withdraw.

DR 5-104 deals with limiting business relations with a client. (A) Deals with the situation where a lawyer attempts to enter into a business transaction with a client where they may have differing interests. The lawyer must exercise his professional judgment therein for the protection of the client and the lawyer should not have an interest unless the client has consented after full disclosure; (B) Forbids a lawyer from entering into any arrangement or understanding with a client to acquire an interest in publication rights with respect to the subject matter of his employment until all aspects of the employment are completed.

(3) Conflicts Between Attorney, Client and Third Parties.

EC 5-21 through 5-24 deal with the problem

of possible conflicts raised by the attorney being subjected to outside pressures from third persons, e.g., economic, political, or social.

DR 5-107 deals with avoiding influence by others than the client. (A) Deals with the situation where compensation is paid by one other than the client. See Former Canon 38: "A lawyer should accept no compensation, commissions, rebates or other advantages from others without the knowledge and consent of his client after full disclosure"; (B) Forbids an attorney from permitting a person recommending, employing or paying him to serve another client to direct or regulate his professional judgment. See Former Canon 35: "Intermediaries" which states in part . . . "A lawyer's relation to his client should be personal, and the responsibility should be direct to the client". Such problems are regularly encountered in the practice of law. The corporation paying attorney fees for an employee, the parent paying for a child or the brother paying for a brother may all exert pressure on the attorney to divulge confidential information or adopt a certain position in the litigation. These pressures must be overcome even where discontinuance or fee payment is threatened.

A conflict problem may also arise when an attorney begins representation of a new client with interest adverse to those of a former client. See Anno.: 52 ALR2d 126 (adverse

interest: attorney representing interest adverse to that of former client as subject to discipline.)

F. The Duty to Assure Client an Impartial Tribunal.

Ethical Consideration 7-33 deals with the right of a party to have the case, criminal or civil, adjudicated without dissemination of news or comments intending to influence judge or jury.

See Anno: 11 ALR3d 1104 (Release of information concerning forthcoming or pending trial as grounds for contempt proceedings or other disciplinary measures against member of the bar). 1 Am.Jur. Trials 303, controlling trial publicity; 17 Hast.L.J. 79 (fair trial and prejudical publicity, need for reform); ABA project on standards for criminal justice (1968), pages 46 and 187 (standards relating to prosecution and defense functions).

The disciplinary rule relating to pretrial publicity is a lengthy one, DR 7-107. The provisions of Sections A, B, C and D of this rule incorporate the fair trial-free press standards applying to lawyers adopted by the ABA House of Delegates on February 19, 1968. In a well-reasoned article entitled "Legal Ethics of the Trial Lawyer--How They Serve the Client" San Diego L.Rev., Vol. XII, pp. 300-305, the author, Leonard Ring, concludes:

> "DR 7-107 relating to pre-trial and trial publicity has struck a proper balance between the right of free expression and the right to fair trial. . . lawyers should be required to adhere to them and for their violation should suffer disciplinary action."

Early cases upheld disciplinary proceedings against attorneys who criticized judicial opinions. See for example, Hogan v. State Bar, (1951) 36 C2d 807 (attorney referred to judge as "petty"). These decisions should now be re-examined in view of the holding in New York Times Co. v. Sullivan, (1964) 376 U.S. 254, 11 L.E.D.2d 686, 84 S.Ct. 710, 95 ALR2d 1412, that the first amendment defeats a libel action where the plaintiff is a public official and the defendants do not exhibit malice. See also Belli v. State Bar of California (1974) 10 C3d 824 (dealing with the relationship between constitutionally protected freedom of speech and an attorney's solicitation of legal business through advertising).

III. DUTY OF THE LAWYER TO OTHER PERSONS IN THE LEGAL PROCESS

Vigorous representation of the client necessarily raises issues with respect to the attorney's conduct vis a vis other persons involved in the litigation process. Ethical consideration 7-10 relates to those duties of a lawyer acting zealously on his client's behalf. It states that such duty "does not militate against his (the lawyer's) concurrent obligation to treat with consideration all persons involved in the legal process and to avoid the infliction of needless harm. Disciplinary Rule 7-101 regarding representing a client zealously, which states that a lawyer shall not intentionally fail to seek lawful objectives of his client through reasonable available menas permitted by law and the disciplinary rules, except as provided by DR 7-101(B). A lawyer does not violate this disciplinary rule, however, by acceeding to reasonable requests of opposing counsel which do not prejudice the rights of his client, by being punctual in fulfilling all professional commitments, by avoiding offensive tactics, or by treating with courtesy and consideration all persons involved in the legal process". See also former ABA Canon 21 which states that it is a lawyer's duty to be punctual "and to be concise and direct in the trial and disposition of causes".

It is not proper to make it inconvenient for a witness to appear just to try and influence the witnesses' testimony.

A. Duties Relating to the Judge.

One of the most significant relationships in the advocacy process is that between attorney and judge. Ethical Consideration 7-35 deals with an issue of considerable concern in some jurisdictions, i.e., communication by a lawyer with a judge relative to a matter pending before that judge's tribunal. EC 7-35 states that a communication in writing should not be made unless a copy is promptly delivered to opposing counsel, and that oral communication shoudl be made only on adequate notice to opposing counsel, or if there is none, to opposing the party. See former ABA Canon 3. Ethical Consideration 7-36 pursues the point of view that therelations between attorney and judge must not be calculated to gain special consideration. See former ABA Canon 3.

Disciplinary Rule 7-110 also deals with contact with officials. See former Canon 3. It provides that (a) a lawyer shall not give or lend anything of value to a judge, official or employee of a tribunal, except as permitted by Section C(4) of Canon 5 of the Code of Judicial Conduct, but a lawyer may make a contribution to the campaign fund of a candidate for judicial office in conformity with Section B(2) under Canon 7 of the Code of Judicial Conduct; (b) in an adversary proceeding, a lawyer shall not communicate, or cause another to communicate, as to the merits of the cause with a judge or an official before

whom the proceeding is pending, except: (1) in the course of official proceedings in the case; (2) in writing if he promptly delivers a copy of the writing to opposing counsel or to the adverse party if he is not represented by a lawyer; (3) orally upon adequate notice to opposing counsel or to the adverse party if he is not represented by a lawyer; and (4) as otherwise authorized by law, or by Section A(4) under Canon 3 of the Code of Judicial Conduct. See Rule 7-108 Cal. Bus. & Prof. Code §6076.

Where a judge communicates to an attorney for one side that attorney must promptly divulge the content of such communication to counsel for the other side.

B. Duties Relating to Opposing Counsel.

Ethical Consideration 7-37 deals with the lawyer's conduct, attitude and demeanor toward opposing lawyers, and states that a lawyer should not make unfair or derogatory personal references, or engage in haranguing and offensive tactics. See former Canon 17 "clients, not lawyers, are the litigants. . ." Ethical Consideration 7-38 prescribes the rule that a lawyer should be courteous to opposing counsel, and should accede to reasonable requests regarding court proceedings, settings, continuances, etc., which do not prejudice the rights of his client, following local customs or of courtesy or practice. However, the client's rights are paramount. See ABA Informal Opinion No. 214,

which states that a statute of limitation may not be waived when delay of opposing counsel is not because of illness or accident. See also former Canon 24 "rights of lawyer to control the incidents of the trial" and former Canon 25 "taking technical advantages of opposite counsel; agreements with him".

A prosecutor has a particular duty with respect to opposing counsel. DR 7-103(B) provides that a public prosecutor or other government lawyer in criminal litigation must make timely disclosure to counsel for the defendant or to the defendant if he has no counsel, of the existence of evidence known to the prosecutor or other government lawyer, that tends to negate the guilt of the accused, mitigate the degree of the offense, or reduce the punishment.

See "Contrasting Ethical Duties of the Prosecutor and Defense Attorney in Criminal Cases" - Schneider and Mark, University of West Los Angeles Law Review, 7:120 through 49, Winter 1975; Los Angeles Bar Bulletin, 48:421 through 426, September, 1973. (earlier abridged version)

C. Duties Relating to Other Parties.

Ethical Consideration 7-18 discusses the well-established principle that it is improper for an attorney to communicate on the subject of controversy with any party represented by counsel. See also former Canon 9, Formal Opinion No. 75, Formal Opinion No. 66, Formal Opinion No. 95, Formal Opinion

No. 108, 124, 187, Informal Opinion No. 250, 517, 523, 663. See Formal Opinion No. 95: "It is improper for a municipal attorney to permit police officers to obtain written statements from persons having personal injury claims against the municipality when the attorney knows that the claimants are represented by counsel". See also Anno: Direct Dealing with Client of Another Attorney as Ground for Disciplinary Proceeding. 1 ALR3d 1113. (Attorney's Dealing Directly with Client of Another Attorney as Ground for Disciplinary Proceeding).

Disciplinary Rule 7-104 relating to communicating with one with an adverse interest, and Rule 7-103 of the California Business and Professions Code Section 6076(a), which provides that when representing a client, a lawyer must not communicate or cause another to communicate on the subject of the representation with the party known to be represented by a lawyer in that matter unless there is consent of the lawyer representing such other party or the law authorizes it. See former Canon 9;

EC 7-18 deals with the situation where a party is not represented by counsel and states that in a situation where a lawyer representing another must deal with an unrepresented person, that

lawyer should not undertake to give advice to the person who is attempting to represent himself, except that the lawyer may advise the opposing party to obtain a lawyer.

With respect to another aspect the attorney's relationship with adverse parties, see Formal Opinion No. 314:

> "In practice before the Internal Revenue Service which is itself an adversary party rather than a judicial tribunal, the lawyer is under a duty not to mislead the Service, either by misstatement, silence, or through his client, but is under no duty to disclose the weaknesses in his client's case. He must be candid and fair, and his defense of his client must be exercised within the bounds of the law and without resort to any manner of fraud or chicane."

This cluster of obligations relating to a lawyer's conduct when appearing before an administrative agency is really no different and should not be interpreted differently than the obligations of the advocate in court. Misleading any opposing party is improper. In addition, counsel dealing with a state or federal administrative agency must be mindful of criminal provisions which apply to any misstatements or fraud. See for example, 18 U.S.C. 1001 (false statements) and 18 U.S.C. 371 (conspiracy to defraud the federal government).

D. Duties Relating to Witnesses.

An attorney has certain responsibilities with respect to witnesses, both his own, and those of other parties. DR 7-109 deals with contact with witnesses and provides (a) a lawyer shall not suppress any evidence that he or his client has

a legal obligation to reveal or produce. See former Canon 5. The possibilities for mischief during the interview of a witness or a client are infinite. Some clients and even some witnesses are looking for signals from the lawyer that will cause them to shade or even change the testimony. When the lawyer senses this situation it should be dealt with directly. The first suggestion from the lawyer may strike a practical rather than an ethical note. "Mr. Witness, I can tell you that if you shade or change your testimony the opposing counsel will have a field day on cross-examination". If this fails a more direct comment explaining that the lawyer will not put the witness or client on the stand. These problems are discussed in the criminal context in Section IVB, p.____ (NOTE TO EDITOR - "duties with respect to presentation of perjured testimony and false evidence"); (b) DR7-109 provides that a lawyer shall not advise or cause a person to secret himself or to leave the jurisdiction of a tribunal for the purpose of making him unavailable as a wtiness therein. (see also EC 7-27); (c) a lawyer shall not pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of his testimony or the outcome of the case. But a lawyer may advance, guarantee, or acquiesce in the payment of: (1) expenses reasonably incurred by a witness in attending or testifying; (2) reasonable compensation for his witness for his loss of time

in attending or testifying; (3) a reasonable fee for the professional services of an expert witness. It is common that a planned termination of an employee witness will be put off until the employee has testified. This questionable practice may be justified where the employee witness is unaware of the situation and therefore there is no direct affect on the testimony. But where the employee witness is aware that his or her continued employment is relayed to the trial or hearing there would seem to be a violation of the spirit of DR 7-109.

Ethical problems are presented by an expert witness whose fees are so high that the agreement amounts to the purchase of testimony. Although such limits are hard to draw there are reasonable limits to the amount of remuneration an expert can receive and a careful lawyer will make sure that there is some objective standard being applied, such as a rate per hour or per day or half day of work by the expert. It is not proper for an expert to have a contingent interest in the outcome of the case since that would clearly tend to influence the testimony but there is and should be some flexibility in arranging for an expert to testify on behalf of an indigent.

See also Formal Opinion No. 117:

> "An attorney for the plaintiff may properly interview employees of the defendant who were witnesses to the incident upon which the suit is based, so long as no deception is practiced and the employees

> are informed that the person interviewing them is the attorney for the plaintiff."

See also Formal Opinion No. 12:

> "It is not unethical for an attorney whose client has been convicted of a crime to seek a retracting affidavit from the prosecution's principal witness if the attorney has reason to believe that witness committed perjury. If the attorney does endeavor to obtain such an affidavit, it is not required that he notify the prosecuting attorney."

Some prosecutors take the position that there is something wrong with defense counsel interviewing "government" witnesses. Counsel for the defendant not only has the right but an obligation to properly prepare the case which may include an interview of some prosecution witnesses. Counsel should approach such interviews with caution, however, and avoid any activity that could consitute tampering with the witness. Counsel should use an investigator for such interviews when possible, have a witness accompany the lawyer, or record the interview in a way that will avoid controversy at the trial or hearing. If possible, the lawyer should avoid becoming the only impreaching witness if the witness changes his or her story for the reasons discussed in section E2, page _____(NOTE TO EDITOR: §"conflicts between attorney and client").

E. Duties Relating to Jurors.

Ethical Consideration 7-29 deals with the role of the attorney vis a vis the jury. It states the rule that there must be no contact with the jury members prior to trial or during

trial, but that after trial communication with the juror is permitted so long as no questions or comments are made that harrass or embarrass the juror or influence the juror's action in future cases. The reason stated for permitting the examination of a juror after trial is to permit the ascertainment of a possibly invalid verdict. See also EC 7-30 forbidding vexations or harrassing investigations of veniremen or jurors; Ethical Consideration 7-31, imposing the same restrictions on communication with or investigations of members of families of veniremen or jurors; and Ethical Consideration 7-32 imposing a duty on a lawyer learning of improper conduct by or towards a veniremen to make a prompt report to the court of such conduct. Federal Rules of Evidence 606(B) allows inquiry into certain types of jury misconduct and implies a right of the losing lawyer to consult with jurors and obtain an affidavit where appropriate. See for example United States v. Beach, (4 Cir.1961) 296 F2d 153, 95 ALR 342 (affidavits about jurors own experiment appropriate). Many states sanction the use of jurors' affidavits to attack verdicts. See for example People v. Hutchinson, (1969) 71 C2d 342, 78 Cal.Rptr. 196, 455 P2d 132. Caution must be exercised in some parts of the United States because some trial judges do not allow questioning of jurors after verdict and others only allow questioning or jurors after the court has approved such a procedure.

Disciplinary Rule 7-108 also deals with communication with or investigation of jurors and provides that: "(a) Before the trial of a case a lawyer connected therewith shall not communicate with or cause another to communicate with anyone he knows to be a member of the veneer from which the jury will be selected for the trial of the case. In a few large cases extensive jury studies are done to determine the background of a prototype ideal juror. Such studies do not include contacting known prospective jurors but rather voters in the county or district involved. Investigations of jurors which on occasion has included questioning of new jurors and friends must not include any intrusion into the jurors' lives that could amount to intimidation or improper communication. Disciplinary Rule 7-108(B) provides that during the trial of a case: the lawyer connected therewith shall not communicate with or cause another to communicate with any member of the jury. See former Canon 23; A lawyer who is not connected therewith shall not communicate with or cause another to communicate with a juror concerning the case. It is common for a juror to say good morning to counsel in the hall. The writers believe that counsel may return that greeting but that any other attempt at communication from the juror should cause counsel to explain that he or she cannot talk to the juror. Counsel should also forwarn the client about such problems. (C) DR 7-108 (A) and (B) do not prohibit a

lawyer from communicating with veniremen or jurors in the course of official proceedings. (D) after discharge of the jury for further consideration of the case with which the lawyer was connected, the lawyer shall not ask questions of or make comments to a member of that jury that are calculated merely to harass or embarrass the juror or to influence its actions in future jury service. See Formal Opinion 319. Counsel should avoid any discussion with jurors that could affect their decisions in future cases. This may be done by simply asking questions and not making assertions. (E) A lawyer shall not conduct or cause, by financial support or otherwise, another to conduct a vexatious or harrassing investigation of either of the veniremen or a juror. (F) All restrictions imposed by DR 7-108 upon a lawyer also apply to communications with or investigations of members of a family of a veniremen or juror. (G) A lawyer shall reveal promptly to the court improper conduct by a veniremen or juror, or by another toward a veniremen or juror or a member of his family, of which the lawyer has knowledge. This rule must be adhered to scrupulously. Jurors will seek to communicate with counsel and invariably the content of the communication indicates a favorable disposition to the lawyer's side of the case. Even though it may result in the loss of a favorable juror, counsel must promptly advise the court of such communications.

IV. DUTY OF THE ADVOCATE TO THE ADVERSARY SYSTEM

Ethical considerations 7-19 through 7-39 deal with the duty of the lawyer to the adversary system of justice. Ethical Consideration 7-19 concludes that the advocate "by his zealous preparation and presentation of facts and law, enables the tribunal to come to the hearing with an open and neutral mind and to render impartial judgments. The duty of a lawyer to his client and his duty to the legal system are the same: To represent his client zealously within the bounds of the law. See report of the joint conference 1159, 1160-61; see former ABA Canons 15 and 32. See also former Canon 32:

> "No client, corporate or individual, however powerful, nor any cause, vicil or political, however important, is entitled to receive nor should any lawyer render any service or advice involving disloyalty to the law whose ministers we are . . ."

The British view, stated by Hugh McMillan, KC, and was quoted approvingly by Leonard M. Ring in "Legal Ethics of the Trial Lawyer--How They Serve the Client", San Diego L.Rev., Vol. XIII, pp. 300-305, ". . . in the discharge of his offices the advocate has a duty to his client, a duty to his opponent, a duty to the Court, a duty to the State, and a duty to himself. To maintain a perfect poise among these various and sometimes conflicting claims is no easy feat. Transgression of the honorable obligations which these duties impose upon the advocate is not like making a mere mistake in business. It involves

an infringement of his moral duty. It is a matter of conscience. And his offence cannot be hid, for all his work is done in the presence of his brethern and the public. His conduct is always exposed to the searching if salutary scrutiny of many critics."

A. Duty to Advise the Court of Adverse Law.

There may be no more neglected ethical rule than the one discussed in this section. Ethical Consideration 7-23 takes what many advocates believe to be a highly controversial position, i.e., that, because "a tribunal that is fully informed on the applicable law is better able to make a fair and accurate determination of the matter before it", a lawyer knowing of authority in the jurisdiction adverse to his client's position, must inform the tribunal of that authority unless his adversary has done so, but having made that disclosure may challenge its soundness in whole or in part. DR 7-106(B)(1) provides that in presenting a matter to a tribunal, the lawyer must disclose legal authority in the controlling jurisdiction known to him to be directly adverse to the position of his client and which is not disclosed by opposing counsel. See ABA Formal Opinion 146, ABA Formal Opinion 280. See also ABA Opinion 146 (1935) which states:

> "It is the duty of an attorney appearing in a case to advise the court of decisions adverse to his client's contentions that are known to him and unknown to his adversary."

A more moderate view is stated in Formal Opinion No. 280 "an attorney should advise the court of decisions adverse to his case which opposing counsel has not raised if the decision is one which the court should clearly consider in deciding the case, if the judge might consider himself mislead by the attorneys' silence, or if a reasonable judge would consider an attorney who advanced a proposition contrary to the undisclosed opinion lacking in candor and fairness to him."

The lines are not easy to draw in this area and to some extent the rule cuts against the adversary system. If counsel must advise the court of a contrary decision does the rule extend to a line of legal argument? The writer thinks not, why shouldn't the rule extend to facts? Of course it does not except for some special responsibilities that a prosecutor has in a criminal case.

B. Duties With Respect to Presentation of Perjured Testimony and False Evidence.

Ethical Consideration 7-26 raises the problem of the use of fraudulent, false or perjured testimony or evidence. It is clear that a lawyer who knowingly participates in introduction of such testimony or evidence is subject to discipline. See ABA Opinion 287 (1953) on a lawyer's duty when he unknowingly participates in introducing perjured testimony. EC 7-26 goes on to say, that a lawyer should present any admissible evidence

his client desires to have presented unless he knows, or within his knowledge should know, that such testimony or evidence is false, fraudulent, or perjured. See In Re Carroll 244 SW2d 474, 474-75 Kentucky 1951, where the court held that "the duty to the client (to observe the utmost good faith) does not extend to the point of authorizing collaberation with him in the commission of fraud". See ABA DR7-102:

> (B) A lawyer who receives information clearly establishing that:
>
> (1) His client has, in the course of the representation, perpetrated a fraud upon a person or tribunal shall promptly call upon his client to rectify the same, and if his client refuses or is unable to do, he shall reveal the fraud to the affected person or tribunal, except when the information is protected as a privileged communication;
>
> (2) A person other than his client has perpetrated a fraud upon a tribunal shall promptly reveal the fraud to the tribunal.

See also EC 8-5, which provides: "Fraudulent, deceptive or otherwise illegal conduct by a participant in a proceeding before a tribunal or legislative body is inconsistent with fair administration of justice, and it should never be participated in or condoned by lawyers. Unless restrained by his obligation to observe the confidences and secrets of his client, a lawyer should reveal to appropriate authorities any knowledge he may have of such improper conduct".

Disciplinary Rule 7-102(B) quoted above is one of the

most controversial and difficult in the entire Code of Professional Responsibility. DR 7-102(B) was interpreted by the American Bar Association in Formal Opinion 341, which analyzed the historical derivation of DR 7-102(B)1, and the Amendment in 1974 which added the language, "except when the information is protected as a privileged communication". It indicates that the Amendment was necessary in order to relieve lawyers of exposure to diametrically opposed professional duties. The Opinion goes on to state that the effect of teh Amendment was to reinstate Opinion 287, "It was as unthinkable then as now that a lawyer should be subject to disciplinary action for failing to reveal information which by law is not to be revealed without the consent of the client and the lawyer is not now in that untenable position. The lawyer no longer can be confronted with the necessity of either breaching his client's privilege at law or breaching a disciplinary rule". The analysis discusses the fact that the conflicting duties to reveal fraud and to preserve confidence have existed side by side for some time, and indicates that there has long been an accommodation in favor of preserving confidences. The Opinion states, "The tradition (which is backed by substantial policy considerations) that permits a lawyer to assure a client that information (whether a confidence or a secret) given to the lawyer will not be revealed to third parties is so important that it should take precedence,

in all but the most serious cases, over the duty imposed by DR 7-102(B)". See annotations to DR 4-101. The Opinion concludes taht the scope of "privileged communication" as contained in DR7-102(B) is greater than the scope of the attorney-client privilege, and further concludes that, "It is inconsistent with the lawyer's confidential relationship with the client's confidences to determine whether the level of evidence of 'fraud' has been reached that would require disclosure of such confidences". The lawyer's problem is not lessened in this respect, by interpreting fraud in DR 7-102(B), as we do, as being used in the sense of active fraud, with a requirement of scienter or intent to deceive. The Committee further states that, "The Committee believes that this interpretation does not go too far in relieving a lawyer of any responsibility to others because it does not alter the standing sanctions against the lawyer's involvement in a fraud nor alter the lawyer's duty under DR 7-102(B) when his information is obtained outside the confidential relationship".

Informal Opinion 1314 discusses the situation where the defendant takes the stand and gives perjured testimony. The question was asked whether the lawyer at that time has the duty to inform the court that he or she believes the client has committed perjury. The Opinion analyzes both DR 7-102(B) and DR 7-102(A) 4, 6, and 7, and concludes that these rules

"clearly and unequivocally prevent an attorney from knowingly using perjured testimony or false evidence or participating in the creation of preservation of evidence when he knows or it is obvious that the evidence was false". It goes on to state that in such a situation it is the lawyer's duty to advise the client that the lawyer must take one of two courses of action: "(1) withdraw at that time in advance of the submission of the perjured testimony or false evidence; or (2) report to the court or tribunal the falsity of the testimony or evidence, if the client insists on so testifying". The Opinion goes on to say that, "It is axiomatic that the right of a client to effective counsel in any case (criminal or civil) does not include the right to compel counsel to knowingly assist or participate in the commission of perjury or the creation or presentation of false evidence". It has also been suggested that in a criminal case, when counsel is certain that the client's testimony is false, counsel may put the defendant on the stand and announce that the defendant wishes to tell his or her story. The problem with that procedure of course is that the judge will realize what is happening and might take suspected perjury into account if there is a sentencing. Practical sollutions to such a problem include: (1) convincing the client that the false story will be destroyed on cross-examination; (2) convincing the client that not testifying will maximize the chances of

success; (3) convincing the client that truthful testimony will leave some chance of success; and (4) explaining to the defendant that many judges are more severe at sentencing when they think the defendant has committed perjury.

These issues are now frequently raised in proceedings involving representation of a client before the Securities and Exchange Commission. SEC Rule 2(e), seems determined to demand disclosure even of privileged information. See "Attorneys' Responsibilities: Adversaries at the Bar of the SEC", Dailey and Karmel, Emery Law Journal, 24:747-825, Summer, 1975; "Dynamics of SEC Rule 2(e): A Crisis for the Bar", Johnson, Utah Law Review 1975, 629-661, Fall, 1975. See former Canon 41, "Discovery of Imposition and Deception". Counsel may have an obligation to resist or challenge such an administrative rule where he or she believes it is counsel's ethical duty to do so. In Formal Opinion 287 (June 27, 1953) it was stated that "An attorney who secured a divorce for a client should not reveal the truth to the court when the client informs him that he committed perjury in securing the divorce. He should advise the client to inform the court. If the client fails to do so, the attorney should cease representation".

Where the client is about to impose sentence based on the misinformation that the defendant has no previous criminal record, if the attorney for the defendant learns of the previous

record through his client's communication he has no duty to correct the misinformation, but if he learned of the record independently and has reason to believe the court is relying on his silence as corroboration, he should inform the court. See also DR 4-101(C)(2) which provides that a lawyer may reveal: confidences or secrets when permitted under disciplinary rules or required by law or court order. When a person other than his client has perpetrated a fraud upon a tribunal, the attorney must promptly reveal the fraud to the tribunal. See Precision Inst. Manufacturing Co. v. Automotive MM Co., 324 U.S. 806, 89 L.Ed. 1381, 65 S.Ct. 993 (1945).

See also California Bus. & Pro. Code §6068(d) and (e): "It is the duty of an attorney . . .(d) to employ for the purposes of maintaining the causes confided to him such means only as are consistent with truth, and never to seek to mislead the judge or any judicial officer by an artifice or false statement of fact or law; (e) to amintain inviolate the confidence, and at every peril to himself to preserve the secrets, of his client". Bus. & Pro. Code §6128(a): "Every attorney is guilty of a misdemeanor who. . .(a) is guilty of any deceit or collusion, with intent to deceive the court or any party".

Cal. R.P.C.7-105 Trial Conduct.

In presenting a matter to a tribunal a member of the State Bar shall:

> (1) Employ, for the purpose of maintaining the causes confided to him such means only as are consistent with truth, and shall not seek to mislead the judge, judicial officer or jury by an artifice or false statement of fact of law . . .

In Re Branch, 70 C2d 200, 210-211 (1968) (attorney's use of perjured testimony may subject him to criminal liability) (dicta).

People v. Pike, 58 C2d 70, 97 (1962) (criminal defense attorney may not knowingly allow his client to testify falsely).

Ethical Consideration 7-28 also deals with the issue of truthful testimony of witnesses, and discusses the rule that a lawyer should not pay or agree to pay a non-expert witness an amount in excess of reimbursement for expenses, although he may pay an expert witness a reasonable fee, but no witness may be paid a contingent fee. See In Re Robinson, 151 App. Div. 589, 600, 136 N.Y. State 548, 556-57 (1912), affirm. 209 N.Y. 354, 103 NE 160.

Ethical Consideration 7-6 deals with the situation when an attorney is asked by a client prior to litigation to assist in the development and preservation of evidence of motive, intent, or desire, which evidence may be used in a later proceeding. EC 706 concludes that an attorney may assist the client in the preservation of such evidence, but may not do anything furthering the creation or preservation of false evidence.

See also DR 7-102(A)(3), (4) and (6) which state that it is improper for an attorney to (3) conceal or knowingly fail to disclose that which he is required by law to reveal; (4) knowingly use perjured testimony or false evidence; or (6) participate in the creation or preservation of evidence when he knows or it is obvious that he evidence is false.

C. Duties With Respect to Argument and Related Activities.

Ethical Consideration 7-24 deals with the role of the attorney in argument, with regard to the expression by the attorney of personal opinion as to the justness of a cause, credibility of a witness, culpability of a civil litigant, or guilt or innocence of an accused. It concludes, quite properly, that such expression of opinion is improper as to factual matters because otherwise the silence of a lawyer could be construed unfavorably to his client. EC 7-24 concludes "however, a lawyer may argue, on his analysis of the evidence, for any position or conclusion with respect to any of the foregoing matters".

Ethical Consideration 7-22 notes that the role of the advocate requires a lawyer "in good faith and within the framework of the law, to take steps to test the correctness of a ruling of a tribunal, even though "respect for judicial rulings is essential to the proper administration of justice". See Gallagher v. Municipal Court, 31 C2d 784, 796, 192 P2d 903,

913 (1948); see also note 39 CLR 433, 438 (1939).

Ethical Consideration 1-25 notes that "rules of evidence in procedure are designed to lead to just decision and are part of the framework of the law". It goes on to say that, although an attorney may, in good faith, test these rules, he is not justified in consciously violating such rules. As examples, EC 7-25 points out that an attorney should verify only pleadings that he believes are in compliance with applicable law and rules, should not make an opening statement, that he does not believe will be supported by admissible evidence, that an attorney should not ask a witness a question solely for the purpose of harassing or embarrassing him, and should not, by subterfuge, put before a jury matters which it cannot properly consider. See Former Canon 22, which stated in part:

> "A lawyer should not offer evidence which it knows the court should reject, in order to get the same before the jury by argument for its admissibility, nor should it address to the judge arguments upon any point not properly calling for determination by him. Neither should he introduce into an argument addressed to the courtroom remarks or statements intended to influence the jury or bystanders."

V. ARE THE RULES CHANGED IF THE ADVERSARY DOES NOT FOLLOW THEM?

The rules discussed in this chapter are stated in absolute terms and they contain no suggestion that failure of an adversary to follow them relieves all counsel of their prohibitions. Certinaly if one side offers perjured testimony

that does not mean that all sides may do so. But where one side engages in improper argument and the trial court does not take proper steps to eliminate any resulting prejudice there may be a limited right to take appropriate steps to rectify the situation. In the evidenciary context this principle is called the "Open-door Rule" or Curative Admisibility". See People v. Matlock, (1970) 11 CA3d 453, 461. Normally speaking, objections where counsel makes an argument or states inadmissible matter which is directed at the jury rather than the judge, are improper, where counsel for one side repeatedly engages in the practice and timely and vilerous objections are inadequate to stop the practice. The writers believe that counsel may have a duty to respond in a limited way. Such exceptions to the ethical rules or limitation are limited and counsel must normally combat an unethical adversary by proper and strenuous objections, preserving the client's rights to appeal and utilizing to the utmost counsel's advocacy skills.

THE TOP 10 LEGAL ISSUES OF CLOSING ARGUMENT

1. **SEQUENCE OF CLOSING ARGUMENT**—is as follows:
   - Plaintiff presents Closing Argument in Chief
   - Defendant presents Closing Argument in Chief
   - Plaintiff presents Rebuttal Argument. (This must be confined to only rebutting arguments raised during defendant's Closing Argument in Chief. It is improper for plaintiff to raise items for the first time in Rebuttal. *Ravettino v. City of San Diego* (1945) 70 CA2d 37, 50. [CCT&E 13:215]
2. **MAKE A PROPER RECORD OF OBJECTIONS**—in Closing Argument
   - Make the objection: Any objection to improper argument must be made promptly when the misconduct occurs. Otherwise the objection is waived. *Grimshaw v. Ford Motor Co.* (1981) 119 CA3d 757, 798 [CCT&E 13:229]
   - Request Admonishment: "Your Honor, plaintiff moves to strike and asks that the jury be admonished to disregard the improper argument."
   - Failure to move to strike and request admonishment will probably foreclose appellate review of the misconduct. *Whitfield v. Roth* (1974) 10 C3d 874, 892 [CCT&E 13:236]; *Horn v. Atchison, Topeka & S.F.* (1964) 61 C2d 602, 610 [CCT&E 13:247]
3. **ALMOST UNLIMITED CREATIVITY IS ALLOWED**—in Closing Argument
   - Great creativity: In *People v. Molina* (1899) 126 C 505, 508, the California Supreme Court stated that a party's right to argue a case to a jury should be very broad and may be…as full and profound as his learning can make it; his illustrations as various as the resources of his genius; and he may, if he will, give play to his wit, or wings to his imagination. CCT&E 13:42
   - An attorney is permitted to argue to the jury any theory of the evidence of which it is reasonably susceptible. *Fleming v. Flick* (1934) 140 CA 14, 35 [CCT&E 13:45]
   - After the presentation of any evidence, there are many inferences that follow. It is proper to argue any inference with respect to the facts or credibility of witnesses of which the evidence is reasonably susceptible. *McCullough v. Langer* (1937) 23 CA2d 510, 522 [CCT&E 13:43]
4. **THE LAW OF THE CASE MUST BE PRESENTED**—(i.e., jury instruction and statutes that are applicable)
5. **PER DIEM ARGUMENT IS PROPER**
   - Proper: It is proper to argue that the loss of love is worth $200 a day and then determine how many days remain in decedent's life. *Beagle v. Vasold* (1966) 65 C2d 166, 177 [CCT&E 13:190]
6. **ARGUMENTS ABOUT WITNESS CREDIBILITY ARE PROPER**
   - Proper: "You heard Mr. Jones testify in court—that testimony was completely opposite of his deposition which was under oath. Is either version worthy of belief? A witness false in one area of testimony should not be trusted in others."
7. **IT IS PROPER TO ARGUE THAT A PARTY FAILED TO PRODUCE WITNESSES**
   - CEC §413: Failure to Explain or Deny Evidence and Willful Suppression of Evidence:
     "In determining what inferences to draw from the evidence or facts in the case against a party, the trier of fact may consider, among other things, the party's failure to explain or to deny by his [or her] testimony such evidence or facts in the case against him [or her], or his [or her] willful suppression of evidence relating thereto, if such be the case."
8. **IT IS PROPER TO COMMENT ABOUT WEAKER AND LESS SATISFACTORY EVIDENCE**
   - If weaker and less satisfactory evidence is offered when it was within the power of the party to produce stronger and more satisfactory evidence, the evidence offered should be viewed with distrust. CEC §412 [CCT&E 13:106]
   - Proper: pointing out party's failure to call witness who has knowledge of relevant facts that could prove claim or defense.
   - Party has power to produce witness but does not do so (but no willful suppression if witness available to both sides.) *Fleming v. Safeco Ins. Co.* 160 CA3d 31, 42 [CCT&E 13:120]

9. **CAN ONLY ARGUE LIMITED PURPOSE EVIDENCE FOR LIMITED PURPOSE**—Where evidence is admitted for a limited purpose under CEC §355, it is improper to refer to it for some other purpose. *Granville v. Parsons* (1968) 259 CA2d 298, 304 [CCT&E 13:63]
   - Proper: "The subsequent change made by defendant shows that defendant had control over the premises." See CEC §1150.
   - Improper: "The subsequent change shows that defendant was negligent."
10. **KNOW "THE TOP 15 IMPROPER AREAS OF CLOSING ARGUMENT"**

THE TOP 15 IMPROPER AREAS OF CLOSING ARGUMENT

(IMPROPER ARGUMENT = MISCONDUCT)

1. **IT IS IMPROPER TO ARGUE PERSONAL OPINIONS.**
   - Improper: "I believe that the defendants are the biggest liars that I have ever seen."
   - Proper: "You have heard testimony of each defense witness and you remember that each defense witness not only contradicted their testimony in earlier depositions but contradicted the internal corporate memorandums. Thus, the evidence is clear that the defendant and its managing agents are not worthy of belief."
2. **IT IS IMPROPER FOR COUNSEL TO USE ARGUMENTS THAT APPEAL PRIMARILY TO THE PASSION OR PREJUDICE OF THE JURORS.** *People v. Love* (1961) 56 C2d 720. Such attempts "to appeal to the prejudice, passions or sympathy of the jury are misconduct." *Stone v. Foster* (1980) 106 CA3d 334, 355 [CCT&E 13:168]

   Improper—
   - Mentioning a party's wealth or poverty: [CCT&E 13:169]
     - Plaintiff saying "Defendant is a billion dollar corporation and can afford this verdict." or "Plaintiff will be on the welfare rolls if a verdict is not rendered." See *Hart v. Wielt* (1970) 4 CA3d 224, 234-35 [CCT&E 13:170]
     - Defendant saying "Mrs. Smith is a retired school teacher, and this verdict will send her to the poor house."
   - Mentioning size of the parties:
     - "This large corporation crippled Bob who is just a regular little guy." *Brokopp v. Ford Motor Co.* (1977) 71 CA3d 841, 860 [CCT&E 13:174]

   Note: it is proper to show a corporation's sophistication by showing that it has dozens of engineers on its payroll and many national and international locations.
3. **IT IS IMPROPER FOR COUNSEL TO USE ARGUMENTS APPEALING SOLELY TO SYMPATHY.**
   - Improper: In a leg-off case arguing how legs used to be amputated with no anesthesia causing unbearable pain. *Horn v. Atchison, Topeka & SF* (1964) 61 C2d 602, 608-09 [CCT&E 13:181.1]. This argument had no relation to the case.
   - Proper: "When plaintiff's leg was crushed, he had to suffer in horrible pain with the knowledge that not only would he lose his leg, but he could die. How can anyone imagine the agony of this situation which was caused by defendant putting profits over safety?"
4. **IT IS IMPROPER FOR COUNSEL TO USE THE GOLDEN RULE ARGUMENT**
   - Improper: It is misconduct for counsel to ask the jurors "how would you feel if this happened to you" or "how much would you take for losing a leg?" Counsel cannot ask jurors to "do unto plaintiff as you would have others do unto you or a loved one." See *Nishihama v. CCSF* (2001) 93 CA4th 298, 305 [CCT&E 13:185]
   - Proper: "How much would a reasonable person believe the loss of a husband's love is worth?"
5. **IT IS IMPROPER TO APPEAL TO JURORS' SELF INTERESTS.**
   - Improper: "If plaintiff loses this case, he will be on the welfare rolls at taxpayers' cost." See *Brokopp v. Ford Motor Co.* (1977) 71 CA3d 841, 861 [CCT&E 13:192]
   - Improper: "If a verdict is rendered against the county, it is you the taxpayers who will have to pay." See *Du Jardin v. City of Oxnard* (1955) 38 CA4th 174, 177 [CCT&E 13:192]
6. **IT IS IMPROPER TO REQUEST SENDING A MESSAGE TO COMMUNITY WITH THE VERDICT.**
   - Improper: "Send a message to our community that we will not tolerate this negligent conduct." *Nishihama v. CCSF* (2001) 93 CA4th 298, 305 [CCT&E 13:197]

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7. **IT IS MISCONDUCT TO REFER TO JURORS BY NAME**—This may be seen as an attempt to curry favor with a particular juror. *Neumann v. Bishop* (1976) 59 CA3d 451, 474. [CCT&E 13:198]
   - Local Rules may reaffirm this, such as LA Superior Court Rule 3.182 which states that it is improper to address jurors by name or occupation. For example, "We have engineers and accountants on this jury—we know that you will evaluate the evidence properly."
8. **IT IS IMPROPER TO VILIFY THE ADVERSARY**—"Personal attacks on the character or motives of the adverse party, his counsel or witnesses are misconduct." *Stone v. Foster* (1980) 106 CA3d 334, 355. But it is proper to challenge the reasonableness of an opponent's argument or to characterize them as "ridiculous" or "incredible." CCT&E 13:203
   - Improper: "Defendant would lie and cheat and steal to accomplish their goals." See *Simmons v. SP* (1976) 62 CA3d 341, 351 [CCT&E 13:206]
   - Proper: "We have shown that these five defense witnesses said the same thing in their depositions, but then each one of them changed their testimony in the same way at trial. This shows that this defendant is not worthy of belief, and his witnesses cannot be believed in any of their testimony, either."
9. **IT IS IMPROPER TO USE PROFANITY, SING SONGS, SHOUT TO AN EXCESSIVE DEGREE OR TURN THE COURTROOM INTO A CIRCUS.**
   - Demeanor must be maintained. *People v. Polite* (1965) 236 CA2d 85, 92 [CCT&E 13:214]
10. **IT IS IMPROPER TO INTENTIONALLY OR NEGLIGENTLY MISSTATE EVIDENCE OR LAW**—CRPC 5-200(B) states that "[a] member [s]hall not seek to mislead the…jury by…false statement of fact or law." Such conduct would subject the lawyer to discipline. CCT&E 13:68, 13:78
   - Proper: "The burden of proof is a preponderance of the evidence."
   - Improper: "Nothing is for sure. Plaintiff cannot prove that she would have been married to decedent—it's not for sure."
11. **IT IS IMPROPER TO CLAIM PERSONAL KNOWLEDGE OF FACTS**
   - Improper: "I saw plaintiff during his deposition, and it was obvious that there was nothing wrong with him." Note ethical violation: CRPC 5-200(E) "[An attorney] [s]hall not assert personal knowledge of the facts at issue, except when testifying as a witness." CCT&E 13:130
12. **IT IS IMPROPER TO ARGUE INADMISSIBLE EVIDENCE**—It is improper to refer to evidence which was specifically excluded either in a motion *in limine*, other specific ruling by the court or which is clearly inadmissible by an exclusionary statute. Such a reference is an extreme form of attorney misconduct. See *Hawk v. Sup. Ct.* (1974) 42 CA3d 108, 126-7 [CCT&E 13:60]. Such misconduct would be grounds for a mistrial as it is an "[i]rregularity in the proceedings." CCP §657(1) [CCT&E 13:61]. Further, this outrageous conduct can lead to attorney discipline for violation of a duty to "maintain the respect due to the courts of justice and judicial officers." Bus & Prof. Code 6068(b). Disobedience of a court order is also punishable as contempt of court. CCP §1209(a)(5)
   - Improper: "Plaintiff stated that he would accept $500,000 for this case in a settlement conference. It is ridiculous that he is now asking for $2,000,000."
13. **IT IS IMPROPER TO ARGUE MATTERS NOT ADMITTED INTO EVIDENCE**—*Malkasian v. Irwin* (1964) 61 C2d 738 [CCT&E 13:82]. Counsel can mention matters not in evidence if they are common knowledge or are illustrations drawn from common experience, history or literature. *People v. Love* (1961) 56 C2d 720, 730 [CCT&E 13:89]
   - Proper: "We all know that Alex Rodriguez signed a contract with the Yankees for $25 million a year. Society places great value on star athletes. Is the loss of decedent worth at least $100,000 a year (1/250th of Alex Rodriguez salary) since decedent was a star to his family?"
   - Cf. cases rejecting reading matters from texts, newspapers, etc. The key is whether the item is commonly known and that is up to the discretion of the judge. *People v. Mendoza* (1974) 37 CA3d 717, 725-26 [CCT&E 13:96]
   - Cf. cases allowing wide latitude is reading the writings of philosophers, patriots, statesmen or judges. *People v. Woodson* (1964) 231 CA2d 10, 15 [CCT&E 13:97]

14. **IT IS IMPROPER TO STATE THAT VERDICT WILL NOT BE TAXED**—*Rodriguez v. McDonnell Douglas Corp.* (1978) 87 CA3d 626, 624 [CCT&E 13:165]
15. **DEFENDANT CANNOT ARGUE THAT SETTLEMENT WITH ANOTHER DEFENDANT INDICATES THAT NON-SETTLING DEFENDANT IS NOT LIABLE BUT SETTLING DEFENDANT IS LIABLE.** *Shepard v. Wally* (1972) 28 CA3d 1079, 1083. [CCT&E 13:148]
    - Proper: Empty chair argument – defendant can point to admissible evidence showing that settling defendant is responsible for the incident. [CCT&E 13:151]

THE 10 CANONS OF PRESENTING CLOSING ARGUMENT

1. **Remember the equation to generate a verdict for your client**:
   (Evidence + Law) = Verdict
2. **The trial lawyer needs to**: (a) logically summarize the facts of the case to show that the law of the case requires a verdict in their client's favor, and (b) utilize creativity, passion, and persuasiveness.
3. **Never underestimate the power of Closing Argument**—But remember, it is the evidence that juries rely on most. Verdicts should be about "The Truth of the Case."
4. **You have to be yourself,** but the best advocate in court is the attorney who exudes credibility, not only by body language, but also by the words that the attorney utters.
5. **Be an evidence machine**—Remember, the case is not about the lawyers, it is about the clients.
6. **Jury anger is created by many factors,** the most important of which is the plaintiff or defendant, being caught in a tangle of lies in order to take advantage of his or her opponent; i.e., deviating from "The Truth of the Case." Such lies can occur either in the liability or damage part of the case.
7. **Jury empathy relates to the damage aspect of the case** and is created by passionately presenting the evidence so that the jury can fully understand the damages suffered by the plaintiff, such that they can put themselves in the same position as the plaintiff.

He started closing argument like a lion, but is finishing like a lamb.

The judge sustained 15 objections for improper argument, granted 15 motions to strike and admonished the jury to disregard 15 times.

8. **If your opponent has failed to fulfill the promises of opening statement,** or contradicts those promises, nail them in Closing Argument.
9. **Never commit misconduct in Closing Argument and do object to your opponent's misconduct**: Know (1) The Top 10 Legal Issues of Closing Argument and (2) The Top 15 Improper Areas of Closing Argument. Remember, misconduct can overturn an otherwise legal verdict.
10. **Read "The 10 Canons of Presenting Opening Statement"**—as they all apply to Closing Argument.

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TAB 4

"Disruptive" Ethics? Innovative Models Of Providing Legal Services

"DISRUPTIVE" ETHICS? INNOVATIVE MODELS OF PROVIDING LEGAL SERVICES

Merri A. Baldwin, Panel Moderator — **San Francisco, CA**

Merri Baldwin is a shareholder in the San Francisco office of Rogers Joseph O'Donnell, P.C. Ms. Baldwin's practice focuses on business litigation and attorney liability and conduct. She is a member of the State Bar's Standing Committee on Professional Responsibility and Conduct. Ms. Baldwin is co-chair of the Bar Association of San Francisco's Legal Malpractice section and is a vice-chair of the American Bar Association Litigation Section's Professional Liability Litigation Committee. She is an adjunct professor at Golden Gate University School of Law, and speaks and writes frequently on legal ethics and professional responsibility matters. She co-edited The Law of Lawyers' Liability (2012, First Chair Press.) Ms. Baldwin received her law degree from the UC Berkeley School of Law, where she was co-editor-in-chief of the Berkeley Women's Law Journal. She graduated magna cum laude from Smith College, and was a Fulbright Scholar at the London School of Economics. Ms. Baldwin is serving as the Secretary of the Bar Association of San Francisco for 2014.

Chas E. Rampenthal — **Los Angeles, CA**

Chas Rampenthal has been LegalZoom's general counsel since 2003, managing the company's legal functions, including corporate transactions, litigation and regulatory matters, intellectual property, government relations, ethics and compliance. He oversees all legal initiatives for product quality, research and development and new markets. He also manages the company's Legal Advisory Council. Prior to joining LegalZoom, Chas worked with a wide variety of technology and emerging companies to help them manage transactions such as venture capital financing, mergers, acquisitions and initial public offerings. Chas writes a monthly column for Inc. Magazine Online, and formerly co-hosted "Legally Bound" a call-in talk radio program in Los Angeles. He is qualified as a solicitor in the UK. Chas earned his bachelor's degree in economics and math studies summa cum laude from Southern Illinois University and his JD from the University of Southern California. Prior to his legal career, Chas served honorably in the United States Navy as an officer and naval aviator.

R. Amani Smathers — **East Lansing, MI**

Amani Smathers is the ReInvent Law Laboratory Innovation Counsel at the Michigan State University College of Law and a member of the State Bar of Michigan. Amani has spoken in the US and the UK about the market for legal services and how law students and lawyers should adapt to providing legal services in the twenty-first century. She has clerked in a law firm, interned in a state court of appeals, worked at a California legal startup, and been immersed in legal tech and thinking at ReInvent Law, all giving her a unique perspective on the practice of law. She can be reached at smather1@law.msu.edu.

John J. Steele — **Palo Alto, CA**

John Steele is a solo practitioner, representing clients on matters of legal ethics, professional liability, risk management, and the law of lawyering. For over fifteen years, he served as the top internal ethics lawyer at an AmLaw 100 firm, where he was Special Counsel for Ethics, and at an AmLaw 200 firm, where he was a trial lawyer and litigation partner. He has taught professional responsibility for over thirty semesters at UC-Berkeley School of Law, Stanford Law School, Santa Clara University, Golden Gate University, and Indiana University – Maurer School of Law.

Continued…

The Second Circuit recently cited and relied upon a law review article authored by Mr. Steele in a case of first impression on an important conflict of interest issue. (*GSI Commerce Solutions v. BabyCenter, LLC*, 618 F.3d 204 (2nd Cir. 010)) He has served on a variety of professional committees, including the State Bar of California's standing Committee on Professional Responsibility and Conduct (COPRAC), and serves an arbitrator in fee disputes. He speaks widely to professional audiences, including providing CLE credits, on issues of legal ethics and risk management, elimination of bias in the legal profession, substance abuse, and law practice management, and is a co-founder of a leading blog on legal ethics, Legal Ethics Forum (http://www.legalethicsforum.com).

"DISRUPTIVE" ETHICS? INNOVATIVE MODELS OF PROVIDING LEGAL SERVICES

LIST OF WRITTEN MATERIALS

1. Ray W. Campbell, *Rethinking Regulation and Innovation in the U.S. Legal Services Market* (Fall 2012) 9 N.Y.U. J.L. & Bus. 1

2. William D. Henderson, *Evolution of Law Practices* (Graphical Illustration of a Model of the Future of Evolution of Legal Services)

3. Marc Lauritsen, *Are We Free to Code the Law?* (August 2013) vol. 56, No. 8, Communications of the ACM, pages 60-66

Written materials can be downloaded at:
http://www.calbar.org/ethics-symposium/2014_materials.html

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RETHINKING REGULATION AND INNOVATION IN THE U.S. LEGAL SERVICES MARKET

RAY WORTHY CAMPBELL*

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I.
Introduction

For decades, academics have argued that the U.S. system for regulating the practice of law inhibits innovation. Lawyers are blocked from innovations they might pursue by the heavy hand of legal regulation.[1] Even worse, lawyers are not the only ones blocked—because lawyers have a monopoly on legal services, other types of legal service innovators that could offer better or cheaper products cannot enter the marketplace.[2]

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1. Gillian K. Hadfield, *Legal Barriers to Innovation: The Growing Economic Cost of Professional Control over Corporate Legal Markets*, 60 Stan. L. Rev. 1689, 1695 (2008) [hereinafter *Legal Barriers*].

2. Deborah L. Rhode, *Policing the Professional Monopoly: A Constitutional and Empirical Analysis of Unauthorized Practice Prohibitions*, 34 Stan. L. Rev. 1 (1981) [hereinafter Rhode, *Professional Monopoly*]; *Legal Barriers*, *supra* note 1, at 1695 ("The current regulatory model stands as a tremendous barrier to innovation in legal markets . . . ."); Thomas D. Morgan, The Vanishing American Lawyer 4 (2010) ("While individuals may represent themselves or work on their own legal problems, only a lawyer may perform that service for others."); Larry E. Ribstein, *The Death of Big Law*, 2010 Wis. L. Rev. 749, 806-08 (2010) [hereinafter Ribstein, *Big Law*] ("[L]icensing laws impede the development of a legal infrastructure that suits our modern information-based economy."); Deborah L. Rhode, *Professionalism in Perspective: Alternative Approaches to Nonlawyer Practice*, 22 N.Y.U. Rev. L. & Soc. Change 701, 703, 711-12 (1996).

Despite that academic consensus, we live in an age of unparalleled innovation in the way legal services are provided to clients in the United States. Innovation has come in forms as varied as legal process outsourcers serving the U.S. legal market,[3] online legal document vendors providing personalized wills to consumers,[4] database companies providing actionable information on intellectual property holdings and enforcement,[5] and marquee lawyers leaving their pre-eminent law firms to set up flat-rate boutiques with radically different firm structures.[6]

What gives? How can we live in a regulatory environment that supposedly prevents innovation, and yet have such an abundance of it? Where does this innovation come from, and from whence might more innovation come? The answers are neither simple nor obvious. Understanding this changing landscape requires a close look both at how innovations take root and at the U.S. system of legal regulation.

This article first looks—as others have not—at legal services[7] innovation in the light of disruptive innovation theory. Over the past three decades, economists and business scholars have studied how innovations take root. This body of work has matured to recognize that not just technology but business models and "value configurations" determine whether a given company can pursue disruptive innovations in a given market. Drawing on the work of business scholars such as Michael

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3. See Milton C. Regan, Jr. & Palmer T. Heenan, *Supply Chains and Porous Boundaries: The Disaggregation of Legal Services*, 78 Fordham L. Rev. 2137 (2010), and Sasha Borsand & Amar Gupta, *Public and Private Sector Legal Process Outsourcing: Moving Toward a Global Model of Legal Expertise Deliverance*, 1 Pace Int'l L. Rev. Companion 1 (2009), for discussions of the LPO phenomenon.

4. For example, LegalZoom.com, Inc. and its competitors offer such products. LegalZoom.com, http://www.legalzoom.com (last visited Sept. 15, 2012).

5. For example, Lex Machina, Inc. Lex Machina, http://www.lexmachina.com (last visited Sept. 15, 2012).

6. Examples of boutique, alternative structure firms founded by leading big firm lawyers include Bartlit Beck Herman Palenchar & Scott LLP, Boies, Schiller & Flexner LLP, and MoloLamken LLP.

7. This article looks at lawyers as one type of provider of legal services, a rubric of increasing popularity with significant implications. *See generally* Laurel S. Terry, *The Future Regulation of the Legal Profession: The Impact of Treating the Legal Profession as "Service Providers"*, 2008 J. Prof. Law. 189 (2008) [hereinafter Terry, *The Future Regulation of the Legal Profession*].

Porter, Clayton Christensen, Charles Stabell and Øystein Fjeldstad, as well as the writings of scholars focused on the legal industry such as Richard Susskind, this article analyzes how innovation can either sustain or disrupt market structures.[8]

The article next looks at the U.S. regulatory scheme and finds very different dynamics in the corporate and individual client "hemispheres" of the legal market. In the corporate client hemisphere, a creeping *de facto* deregulation of legal services provided to corporate clients has allowed innovation to flourish. While several scholars have noted the rise of non-lawyer "consultants" and other service providers, none have carefully connected this to innovation in the legal services marketplace. In the individual client hemisphere, this article examines how developments in the enforcement of unauthorized practice of law provisions—notably, consumer class actions brought by private attorneys—have worked to slow entry of new services and products, despite a perceived lessening in interest in unauthorized practice of law enforcement.[9] Over the past two decades, such class actions have spread widely, and such enforcement has already played a role in driving some innovators from the market.[10] While the Supreme Court's recent holding in *AT&T Mobility v. Concepcion*[11] may stifle such

8. *See infra* notes 12, 16, 19, 33, 38, 56, 69, 89.

9. Geoffrey C. Hazard & W. William Hodes, The Law of Lawyering § 46.4 (3d ed. 2001 & Supp. 2010) ("Over a period of many years, there has been a gradual, uneven, but unmistakable trend toward liberalization.").

10. An example is the storefront legal forms business, We The People, whose substantial reduction in size and bankruptcy reorganization filing was attributed, at least in part, to the many unauthorized practice of law lawsuits filed against it. Richard Acello, *We the Pauper*, A.B.A. J., May, 2010, at 24, *available at* http://www.abajournal.com/magazine/article/we_the_pauper/.

11. 131 S. Ct. 1740 (2011). In *AT&T Mobility*, the Supreme Court found that federal arbitration law required application of a clause in a consumer form contract that mandated arbitration of all disputes, thereby blocking class actions. Since this decision, legal product vendors such as LegalZoom have begun incorporating mandatory arbitration clauses in their contracts for services. While *AT&T Mobility* certainly creates a major barrier to future consumer class actions where arbitration clauses are involved, substantial uncertainty remains about the full impact the case will have. *See generally* Andrew Trask, *The State of Class Action Arbitration - Six Months After* Concepcion, Class Action Countermeasures (Oct. 25, 2011, 6:14 AM), http://www.classactioncountermeasures.com/2011/10/articles/motions-practice/the-state-of-class-action-arbitration-six-months-after-concepcion.

cases, unauthorized practice of law enforcement remains a threat to innovation on the consumer side of the market.

Finally, this article, taking into account both disruptive innovation theory and the regulation of lawyers, seeks to illustrate how these forces can interact by looking at what might happen in several distinct niches of the legal services market. Predicting the future involves inherent uncertainties, but it helps illustrate how regulations can interact with market structures and business models to determine where innovation might flourish.

II.
How Market Structures and "Value Configurations" Limit Innovation

In the early 1990s a young business school professor began a novel course of research. Clayton M. Christensen hoped to learn how and why new firms and technologies drive formerly entrenched incumbents out of business. He studied hard disk drive companies for the same reason geneticists study fruit flies—the life cycles from birth to death are short.[12] Such rapid life cycles gave him the chance to see patterns repeated over a few short years.

Christensen discerned a counterintuitive pattern—incumbent companies failed not because they were poorly managed, but precisely because they were very well-managed.[13] Companies failed because they were focused on their best customers, wanted to offer better products to those customers, and pursued those opportunities most likely to have a significant impact on the company's profitability.[14] These traits—customer focus, constant product improvement, pursuit of opportunities of sufficient size—more often lead to success than failure, but understanding when and how they can lead to failure uncloaks how disruptive innovation works.

As Christensen studied what he came to call "disruptive innovation," he focused on three elements. The first was innovation itself. As he studied technological breakthroughs within

12. Clayton M. Christensen, The Innovator's Dilemma: The Revolutionary Book that Will Change the Way You Do Business 3 (First Harper Business Essentials 2003) (1997) [hereinafter Innovator's Dilemma].

13. *Id.* at 269.

14. *Id.* at 4.

an industry, he theorized that there were two kinds of technical innovations—sustaining technologies, which helped to make the incumbents stronger, and disruptive technologies, which effectively changed the rules of the game.[15] Christensen called his insights about the market conditions that provided an opening to newcomers the "disruptive innovation theory."[16] The second, his insights about the aspects of firms that made it difficult for them to pursue disruptive technologies themselves, he called the "resources, processes and values theory."[17] The third, the migration of innovators upmarket into more valuable niches, leading to direct competition with and defeat of the incumbents, he called the "value chain innovation theory."[18] The three theories together provide a coherent vision of when technological and other innovations can upend a market.

A. *Christensen's Disruptive Innovation Theory: Understanding Disruptive and Sustaining Innovation*

Every day, someone, somewhere, makes a technological breakthrough. When new technologies are developed, firms already in the market that might use those products have the best opportunity to incorporate them into products. They have the capital, the customer base and the market knowledge to put these new possibilities to use.

1. *Sustaining Innovations*

In many cases, this occurs. A technology arrives, shows potential to make the existing products on the market better, and appears in the offerings of the current leaders. The technological breakthrough may be staggering but the market structure does not change. Christensen calls this sort of innovation "sustaining innovation."[19]

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15. *Id.* at xviii.

16. CLAYTON M. CHRISTENSEN, SCOTT D. ANTHONY & ERIK A. ROTH, SEEING WHAT'S NEXT: USING THE THEORIES OF INNOVATION TO PREDICT INDUSTRY CHANGE, *a*t xv-xvii (2004) [hereinafter SEEING WHAT'S NEXT].

17. *Id.* at xvii-xviii.

18. *Id.* at xix.

19. CLAYTON M. CHRISTENSEN & MICHAEL E. RAYNOR, THE INNOVATOR'S SOLUTION: CREATING AND SUSTAINING SUCCESSFUL GROWTH 34 (2003) [hereinafter INNOVATOR'S SOLUTION].

There are many examples of sustaining innovations that help industry incumbents maintain their dominance. The switch to electronic from mechanical cash registers required a fundamental technical change, but as a business matter it was a sustaining innovation that left the incumbents in place.[20] The same could be said of the switch from analog to digital telecommunications technology.[21]Incremental technological improvements—such as the steady improvement in land-line telephone technology from the invention of the telephone until the 1960s—also tend to sustain the dominant incumbent players.[22]

Online legal research provides an example of a sustaining innovation in the legal industry. When introduced, it represented a radical new technology for delivering legal information. Whereas before legal publications relied on the printing press, which implied an investment in printing facilities for vendors and in extensive print libraries for consumers, online legal research substitutes a completely different technology, with different facilities and different kinds of technological expertise required.[23]

In the early 1970s, the advent of online law libraries might have seemed disruptive: small law firms unable to sustain the cost of a large print library now could compete with large firms in their access to recent cases, law reviews, and other raw materials of legal research.[24] One could imagine a world where established law firms continued to invest real estate and capital in maintaining print libraries, only to be outmaneuvered by nimbler firms relying on online materials. At the

20. *Id.* at 40-41.

21. SEEING WHAT'S NEXT, *supra* note 16, at 10.

22. *Id.* There are many subtypes of sustaining innovations, and Christensen lays out various categorization schemes. *Id.* at 284. What they have in common is that they tend to reinforce, rather than disrupt, market structures.

23. Rather than reprinting opinions or statutes as paper documents, legal databases input each word in the stature or opinion into a digital electronic database, allowing full text searches for words or phrases. For a discussion of the technology and development of major commercial online legal databases, see William G. Harrington, *A Brief History of Computer-Assisted Legal Research*, 77 Law Libr. J. 543 (1984).

24. *Id.* at 549 n.3 (discussing how founders of computer-assisted legal research believed it would give solo practitioners and small firms as much research power as large firms).

same time, one could envision the legacy print publishers being driven from the market, replaced by new firms delivering legal research materials online.

It didn't happen that way, however. Online legal research became a sustaining innovation for law firms—it allowed big law firms to do better what they were already doing, providing customized legal advice and services on high value matters. Rather than leaving online legal research to be exploited by new entrants, the dominant legacy law firms paid for access to online legal research. Having access from diverse locations to up-to-the-minute legal materials, along with the ability to find cases that might be missed through traditional research methods, made them more valuable, not less valuable, to their corporate clients.[25]

Nor did online legal research completely rearrange the legal publishing market. Some existing publishers developed or acquired online research distribution, sustaining rather than disrupting their place in the market. Others licensed their works to the firms that distributed research online, thus finding a new market.[26]

Most technological innovations are sustaining. The incumbent players invent or acquire new technologies and use them to improve what they already do. Neither the pace nor the novelty of innovation necessarily forecast the demise of established players or the advent of new entrants. What's more, regulatory barriers that discourage new entrants will not prevent established players from adopting those new technologies that sustain their business model.[27]

2. *Disruptive Innovations*

There are other innovations, however, that do change markets. Market structure, not technology, determines what becomes a disruptive innovation.[28] Christensen learned in his

25. *Id.* at 549.

26. West Publishing responded to the advent of online legal research by creating Westlaw, its entrant into the market. *Id.* at 553-55. A perusal of the offerings of either Lexis or Westlaw will show that the major treatises, which once appeared solely in print form, are now accessible on one or more online systems.

27. Seeing What's Next, *supra* note 16, at xv, 284-285.

28. Innovator's Solution, *supra* note 19, at 32.

research that the market changing innovations were, at least at first, inadequate to meet the needs of the market leaders on those measures of quality that mattered most to their best customers. A new disk drive technology might fit in a smaller physical space, but if it held less data or retrieved data more slowly, the market leaders would reject the innovation in favor of incremental improvements to the existing market leading technology.[29]

In these situations, the managers of the incumbent acted rationally in rejecting the new technology. Focused on their current customers, they saw little advantage in offering inferior products that their current best customers would reject. Even if a niche market existed for the new technology, it would be irrational for the market leaders to divert resources to it because the size of the market would be too small to make a significant difference in the incumbent's bottom line.[30]

In some cases, rejection by the established market or defeat by entrenched incumbents means the end of the new technology.[31] In other cases, however, the technology finds a market not served by the existing offerings. For this market, the attributes of desirability differ. Factors that matter little in the established market—small physical size, for example, or lower power consumption—may be prized in these markets. Once established at the fringe of the market, the innovator is poised to cause disruption.[32]

3. *Situations Ripe for Disruptive Innovation*

Consumer needs, and not the technical brilliance of an innovation, will determine whether an innovation will be dis-

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29. Innovator's Dilemma, *supra* note 12, at 16.

30. *Id.* at 139, 148.

31. An example of a failed innovation would be the rise and fall of Metricom, a wireless internet company offering a data only service called Ricochet that absorbed around a billion dollars in capital before going into bankruptcy. Metricom suffered from a one-two punch. Not enough consumers subscribed to support the massive costs of building out a nationwide infrastructure, and the incumbents in the wireless communication space saw data transmission as an opportunity consistent with their business model. Ben Charny, *Metricom Files for Bankruptcy Protection*, CNET News (July 2, 2001, 4:40 PM PDT), http://news.cnet.com/2100-1033-269362.html.

32. See discussion of upmarket movement *infra* p.118-19.

ruptive or sustaining.[33] When the incumbent companies can use the innovation to better serve their current customers, the innovation will be sustaining.[34] Only when the innovation allows the targeting of new consumers or the targeting of existing consumers in ways not of interest to the incumbents will an innovation be disruptive.[35] Christensen writes of innovations that allow new types of products to be offered to non-consumers, to consumers overshot by the current product offerings, and to consumers underserved by the current options.[36]

a. Non-Consumers: Providing Inferior Products to Unserved Consumers

Sometimes disruptive innovation creates new markets, allowing those who previously were not consumers to become consumers. Existing customers do not, at least at first, shift to the new product. Rather, thanks to the disruptive innovation, those without the option to be consumers at all have a chance to become consumers for the first time.[37]

The history of computers provides many examples. The first mini-computers did not cannibalize the consumer base of mainframes, but instead gave the option of computer ownership to organizations that could not afford the higher cost of mainframe computers. Similarly, when the first personal computers arrived in the marketplace, the owners of the early Al-

33. Richard S. Rosenbloom & Clayton M. Christensen, *Technological Discontinuities, Organizational Capabilities, and Strategic Commitments*, *in* TECHNOLOGY, ORGANIZATION AND COMPETITIVENESS: PERSPECTIVES ON INDUSTRIAL AND CORPORATE CHANGE 233 (Giovanni Dosi, David J. Teece & Josef Chytry eds., 1998) ("If no mobility or change in strategic direction is required—if the new technology is valuable within a firm's established value network—the consequences of the innovation are likely to be reinforcing, regardless of its intrinsic technological difficulty or riskiness. If realization of inherent value requires the establishment of new systems of use—served by new value networks—the consequences are likely to be radical—even if the innovation if technically simple. This may occur because such innovations require far more than technological activity—complementary assets must be created or acquired as new commercial capabilities become significant.").

34. INNOVATOR'S DILEMMA, *supra* note 12, at 14.

35. *Id.* at 16 ("They offered a different package of attributes valued only in emerging markets remote from, and unimportant to, the mainstream.").

36. SEEING WHAT'S NEXT, *supra* note 16, at 9.

37. *Id.* at 6-8.

tairs and Apple IIs did not replace minicomputers but instead entered the market for the first time.[38] The earliest personal computers were essentially "toys for hobbyists" and incapable of meeting the more demanding needs of corporate data management.[39]

These products could not compete, at the time they entered the market, with the dominant legacy providers. A company that needed an IBM 360 mainframe or a Control Data minicomputer would not have its needs met by the more rudimentary capabilities of an Apple II. The new technology, by virtue of its inferiority, had to seek out a different market.

A possible example of this kind of disruption in the current legal marketplace would be the offering of form documents to consumers.[40] At a fundamental level, the form legal document is inferior to the services of a competent attorney.[41] The attorney can use specialized expertise to evaluate the client's needs, and can deliver not only a properly written document but also the correct document for the particularized needs of the client. On the other hand, even given uncertainty about selecting the correct form or filling it out properly, form legal documents may be the best available solution for those unable to afford the services of an attorney and incapable of drafting their own legal documents. Form legal documents thus represent a potentially disruptive way to provide a useful—if inferior—solution to consumers unable to afford an attorney.

b. Overshot Consumers: Replacing Products That Provide More Than Consumers Need

Another opening for disruptive newcomers can come when the curve of technological improvement has allowed products to improve faster than consumer demand. The existing products on the market are not just good enough—they

38. Clayton M. Christensen, Jerome H. Grossman & Jason Hwang, The Innovator's Prescription 6 (2009) [hereinafter Innovator's Prescription].

39. Innovator's Dilemma, *supra* note 12, at 52.

40. See discussion of form legal documents *infra* pp. 137-39.

41. The documents themselves might be superior, but the lack of the "diagnostic" function makes the difference.

are more than good enough.[42] For these consumers, a cheaper, simpler solution might meet their needs.

The original discount long distance telephone services, such as MCI, provide an example of a disruptive innovation marketed to overshot consumers. The original MCI service was not as convenient to use as the existing AT&T long distance service, and the quality of the connection was often not as good. It was, however, sufficient to meet the needs of many corporate customers and much cheaper.[43] The same cycle has played out more recently with Voice Over Internet Protocol long distance services such as Skype, which also provide a lower quality of service at a lower cost.

These lower cost options take advantage of changing consumer preferences as a product category matures. In the early stages of a product category's life cycle, consumers tend to focus on criteria that define the core quality of the product such as base functionality and reliability. As technology improves and functionality and reliability become more of a given, the consumer preference determinants for at least some consumers shifts to criteria such as ease of use, the ability to customize the product, and, finally, price.[44]

In the legal marketplace, the rise of Legal Process Outsourcer (LPO) firms reflects a response to an overshot market.[45] Once upon a time, massive document production and review typically involved "bet the company" cases or transactions that demanded elite law firms. As corporate clients have become more accustomed to massive document productions in connection with more routine litigation or corporate transactions, the sense that only a few elite law firms were competent to handle these matters waned. This shift provided an opportunity for LPO firms to come into the market with a good-enough, lower cost offering.[46]

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42. Seeing What's Next, *supra* note 16, at 11-12.

43. *Id.* at 13-14.

44. *Id.* at 12.

45. See the discussion of LPO's *infra* pp. 163-67.

46. Milton C. Regan, Jr. & Palmer T. Heenan, *Supply Chains and Porous Boundaries: The Disaggregation of Legal Services,* 78 Fordham L. Rev. 2137, 2189 (2010).

c. Undershot Consumers: Products That Are Not Good Enough

The ability for firms to move upmarket as technology allows their products to improve plays an important role in how disruption roils markets.[47] Firms enter the marketplace in areas where the incumbents either offer no affordable services or offer services that overshoot the market. The initial entry into the market comes with a product that does not meet the needs of the best customers of the existing dominant players. In a world where either new technology or mastering experience curves allow constant improvement, the initial product offering only begins the story.

Once a firm establishes a foothold in a market, it may find that its consumers want a better-quality or more fully featured product. Christensen terms these "undershot consumers," and sees them as an opportunity for firms that wish to market sustaining, upmarket innovations. Faster personal computers, more feature-rich software and smaller or more feature-rich mobile phones all offer examples of products that, once introduced to a market that previously had no chance to consume, moved upmarket by marketing more fully featured products to consumers who wanted more.[48]

In the legal market, automated document assembly may provide an example of a technology moving upmarket. Legal form documents, as noted, are inferior in comparison to the services of a competent lawyer. If interactive technology can increase the likelihood that the consumer gets the correct form filled out correctly, then consumers of print forms will move upstream to the interactive version, and the improved forms may siphon business from lawyers.[49]

B. *Why Incumbents Cannot Disrupt - Resources, Processes and Values Theory*

One might wonder why, when new markets are developed by disruptive entrants, the typically better-funded, more resource-rich incumbents do not simply move into those new

47. See the discussion of value chain evolution *infra* pp. 118-19.

48. Seeing What's Next, *supra* note 16, at 9 ("[U]ndershot customers, for whom existing products are not good enough . . . .").

49. Whether those regulating the legal marketplace will allow this is a different issue. *See infra* pp. 130-32.

markets themselves. Focusing on this issue, Christensen had a breakthrough insight: the incumbents do not pursue these opportunities because it would not make sense for them to do so.[50] The incumbents do not move into these markets because doing so would divert resources that could be more profitably used delivering better products and service to their best and most profitable [illegible].[51]

Christensen explains this phenomenon in what he terms the "resources, processes and values theory" or "RPV."[52] By looking at how companies deliver their current products, he makes clear why successful companies cannot easily switch to new kinds of products, particularly if those products are lower cost and less fully featured. The resources, processes and values that make a company strong in one setting also serve as a kind of cage preventing innovation.

Resources. Companies have resources they can draw on to serve their customers. These resources take many forms. Highly trained personnel, access to capital, physical plants, technology, brand power and distribution channels are all among the kinds of resources that a company can use to deliver value. No company has infinite or comprehensive resources; a company develops the resources it needs to serve its established customer base with its existing products and cannot always cheaply or easily substitute new ones.

When a disruptive innovation arrives on the scene, the resources held by the incumbent company are unlikely to be those needed to embrace the innovation. Personnel have been assessed and trained in a different, typically stable environment, and would often need to abandon techniques and strat-

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50. Of course, after Christensen's work, some companies did begin moving into markets that would not make sense for them to pursue on a short term profitability basis in order not to provide an opening to disruptive entrants. An example would be Intel, which was spurred by Christensen's work into moving aggressively into the market for low cost chips for low cost personal computers. Toni Mack, *Danger: Stealth Attack*, Forbes, Jan. 25, 1999, http://www.forbes.com/forbes/1999/0125/6302088a.html.

51. Christensen provides the example of hard disk drive companies focusing their resources on delivering incrementally better products to their existing customers, causing them to lag on new technologies that ultimately made their products obsolete. Innovator's Dilemma, *supra* note 12, at 19-20.

52. *See* Seeing What's Next, *supra* note 16, at 279-80; Innovator's Solution, *supra* note 19, at 189-90; Innovator's Dilemma, *supra* note 12, at 191-92.

egies that served them well in the past. Distribution channels might resist a new product that generates less profit than previous products. Brand managers may resist attaching a powerful brand to a disruptive innovation that, given the nature of disruptive products, falls short of prior products on traditional measures of quality.[53]

PROCESSES. As businesses mature, they develop highly defined processes for creating the products and services they sell. Everything from capital budgeting to procurement to product development to marketing follows processes that have evolved to deliver successful products. These processes are sometimes formal, but at times only implicit in the structure of an organization. The formal and informal processes sometimes overlap—for example, a defined process may be followed to determine which potential projects to back with budgeted resources, while a less-defined but equally inevitable process will be followed to advance the careers of those who back budget resources for products that succeed in winning corporate funding and to block the career advancement of those who support losers. These processes will determine what projects a company can pursue.[54]

VALUES. When Christensen speaks of values, he does not mean just aspirational values ("promote justice," say, or "deliver extraordinary value to our clients"). He looks to more basic matters—what kind of work does a firm want to do? What kind of employees does it want to attract? How much do firm profits have to increase before the increase matters?[55] Values determine how a firm prioritizes projects and allocates resources.

An elite corporate law firm, by way of example, may have as an implicit value that it handles high-stakes, high-value matters. This sense of values—"who we are and what we do"—will lead a firm to decline some opportunities. Such a firm would not be particularly interested in collecting a $500 fee to handle a residential house closing, nor might it find it valuable to sell as low-cost commodities those same legal documents it has previously sold at high prices as an element of custom services.

53. *See* INNOVATOR'S SOLUTION, *supra* note 19, at 178-83.

54. *See id.* at 274-75.

55. *See id.* at 185.

The values of successful firms derive from the firms' past successes and generally make sense for the businesses those firms have been engaged in. A firm with $5 billion in annual profits cannot materially change its financial position with a new product that can only generate an additional $1 million in profits. A firm with a reputation for the most dependable hard drives will not enhance its brand by selling new hard drives that fail much more frequently, even if those drives consume less electricity or are smaller. A firm that has become profitable by valuing projects with 50% margins may have developed a cost structure that will make it insolvent if it moves to lower margin work.

The same value constraints apply in the area of legal services. For example, an elite law firm will find its values limit what opportunities it can pursue. Much of the firm's value comes from its reputation,[56] which depends on the kind of matters it handles and the kind of people selected to work there. If the firm drifts into low status work, its reputation might suffer. It also has a cost structure based on its existing business. A firm that hires elite law school graduates at top rates will have a hard time competing on price for low margin work (and a hard time keeping those associates if they are sufficiently dissatisfied with the work they are assigned). Firms take work inconsistent with their values at their peril.

RPV. Taken together, a firm's resources, processes and values define what a firm has been able to do, but also critically limit what it can choose to do going forward. Top managers can only execute with the support of the organization, and the firm's RPV programs the organization. Mid-level managers

56. *See Legal Barriers, supra* note 1, at 1717; Larry E. Ribstein, *Ethical Rules, Agency Costs, and Law Firm Structure*, 84 VA. L. REV. 1707 (1998); Ribstein, *Big Law*, *supra* note 2, at 753-54; Charles B. Stabell & Øystein D. Fjeldstad, *Configuring Value for Competitive Advantage: On Chains, Shops, and Networks*, 19 STRATEGIC MGMT. J. 413, 423 (1998) ("The professionals—or rather their reputation—is often the critical marketing resource."). *But see* Bernard A. Burk & David McGowan, *Big but Brittle: Economic Perspectives on the Future of the Law Firm in the New Economy*, 2011 COLUM. BUS. L. REV. 1, 76-87 (2011) (arguing that reduced transaction costs in hiring lawyers explains big firm structures, and noting that improving information technology puts pressure on firms dependent on that advantage); Jordan Furlong, *Why Do Law Firms Exist?*, LAW 21, May 3, 2011, http://www.law21.ca/2011/05/03/why-do-law-firms-exist/ (arguing that law firms succeed because they lower transaction costs for clients trying to build a team with varied skill sets).

attuned to what has led to career success in the firm in the past or to what customers are currently demanding will make sure projects outside the firm's established RPV are never presented to higher levels for review.[57] Much as a biological organism's immune system fights off invaders, a firm's RPV process will nudge the firm back towards what it has successfully done before and away from disruptive innovation.

Typically, then, incumbent firms do not pursue true innovative disruptions because they are inconsistent with a firm's resources, processes and values. A firm wishes to deliver more high performing products to its existing customer base. It also wishes to focus investment on those markets large enough to provide a meaningful impact on its bottom line. Developing inferior products for smaller niche markets will prove inconsistent with these factors, and well-run firms not focused on closing off disruptive innovation will leave those new markets open for others in order to concentrate on their core business. Incumbent firms that do pursue disruptive strategies typically succeed only if they set up new business units, separate from the legacy operations, so that the firm's RPV culture does not squelch the initiative.[58]

C. *How Disruptors Take Over Markets - Value Chain Evolution Theory*

The final piece of Christensen's original analytic structure looks at how firms, once established at the low, disruptive end of a larger market, tend to move step by step to the higher end.[59] Over time, the new entrants improve the quality of their products, increasingly competing directly with the incum-

57. *See* INNOVATOR'S DILEMMA, *supra* note 12, at 94-95 ("In most organizations, managers' careers receive a big boost when they play a key sponsorship role in very successful projects—and their careers can be permanently derailed if they have the bad judgment or misfortune to back projects that fail.").

58. The classic example of a disruptive innovation that succeeded within a legacy company is IBM's personal computer division, established in Boca Raton, far from company headquarters, so that it could pursue a business where margins, average product price and product capabilities were all inconsistent with what had made IBM successful. INNOVATOR'S PRESCRIPTION, *supra* note 38, at 197.

59. *See* INNOVATOR'S DILEMMA, *supra* note 12, at 216 ("[W]ell managed companies are generally upwardly mobile and downwardly immobile . . . .").

bents, and in some cases eventually driving them from the market. Christensen makes clear that disruption occurs not all at once, but as the culmination of a process that can take a long time as incumbents beat a retreat to the higher end markets still open to them.[60]

The value chain evolution theory relies on a core observation—in the modern world, technology tends to improve more quickly than consumers become more demanding.[61] Moore's Law[62] and related phenomena allow what were once low-end products to deliver more functionality relatively quickly. As a result, products that were at first not good enough for the dominant market become, after iterative improvements, good enough. At the same time, the products that formerly were good enough now become better than good enough, offering excess capability and often charging an excessive cost.[63]

The value chain evolution theory shows how products that got their initial foothold precisely because they were not good enough for the existing market can come, over time, to drive the incumbent providers from the marketplace. Products and technologies do not stand still. The new entrants constantly improve their products, and can compete for markets that previously would have found their offerings inadequate.

Christensen gives an example of this process in the steel industry. Integrated steel mills are massive facilities that produce steel from raw materials, and require huge economies of scale to be competitive. In the 1960s, a new technology appeared on the market that made steel from scrap metal, and was employed by new smaller scale facilities called minimills. At first, the quality of the steel was so low that it could only be used for steel reinforcing bars (rebar), a low margin commodity business relatively unattractive to the major mills. Over time, however, the quality of minimill steel improved and minimills were able to move upstream into the bar, rod and

60. SEEING WHAT'S NEXT, *supra* note 16, at 41.

61. *Id.* at 11-12.

62. Moore's law is the theory attributed to Intel cofounder Gordon Moore that states that the number of transistors that can inexpensively be placed on an integrated circuit doubles about every two years. *Moore's Law: Raising the Bar*, INTEL (Sept. 15, 2012), http://download.intel.com/museum/Moores_Law/Printed_Materials/Moores_Law_Backgrounder.pdf.

63. SEEING WHAT'S NEXT, *supra* note 16, at 12.

angle iron market, then on to the structural beam market, and eventually to the slab steel market. Each move to a new niche up the chain proved more profitable for the minimills. While ceding the lower markets was initially profitable for the integrated mills, it eventually left them restricted to the top tiers of the steel market and still facing attacks from below.[64]

At the same time, the incumbent players cannot generally move down the value chain to compete for the newly developed markets. In some cases, these markets continue to prize attributes (smaller size, lower power consumption, etc.) that the incumbents are not capable of offering as well as the new entrants. In other cases, the market size is too small or the margins too low for it to make economic sense for the incumbent to pursue these opportunities.

In his hard disk drive research, Christensen saw, time after time, new entrants come into the market with products that were acceptable only to the lowest segment of the computer market. As the products improved, the producers moved up a niche in the value chain—from personal computers to desktop workstations. As the new entrants took what had been a higher value niche, the incumbents in that niche moved up a step—from desktop workstations to minicomputers. Firms already occupying that niche were themselves pushed up a notch, from minicomputers to mainframes. In the end, the incumbents reached a point where there was no higher spot on the value chain to move to, or where the market share was too small to support fixed costs, leading repeatedly to bankruptcy or forced mergers.[65]

D. *How Business Models and "Value Configurations" Impact Who Can Innovate*

In Christensen's more recent work, technology as the source of innovation has taken a backseat to business model innovation. As we have seen, market structure, rather than radically new technology, determines whether an innovation proves sustaining or disruptive. This being so, innovative busi-

64. *See* INNOVATOR'S DILEMMA, *supra* note 12, at 101-08 INNOVATOR'S SOLUTION, *supra* note 19, at 35-39.

65. INNOVATOR'S PRESCRIPTION, *supra* note 38, at 103-04.

ness models or processes can disrupt markets as much as new technology.[66]

When discussing business models, Christensen carefully defines what he means by a business model, unlike some other scholars and commentators who sometimes conflate marketing strategies, revenue models and any activity with a significant impact on a firm's profitability with business models.[67] For Christensen, a business model has four interdependent elements: a "value proposition," resources, processes and a profit formula. The value proposition is offering to do a "job" more conveniently, quickly, or cheaply than the consumer can. The other three elements enable the firm to deliver on that proposition in the long and short term.[68]

Christensen's original work was framed in terms of Michael Porter's "value chain" theory.[69] Porter's value chain theory was developed in the context of manufacturing and distribution businesses. In these sorts of settings, a business adds value to inputs. The added value can come in the form of a factory, bringing raw materials in one door and shipping out finished product through another. In his more recent work, Christensen looks at other kinds of "value configurations."

1. *The Three Value Configurations*

In incorporating business models into his analysis, Christensen has relied on work that extends Porter's theory beyond its original product manufacturing setting to other types of value configurations that better fit service providers and companies that are not centered on physical products.[70] Porter's work speaks of the process by which value is added in business as being a "value chain." A model developed by Charles B.

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66. An example of disruption by business model innovation would be Dell Computers, which sold computers that were functionally identical to others on the market but which used an innovative direct to consumer business model. SEEING WHAT'S NEXT, *supra* note 16, at xvii.

67. *See, e.g.*, Mark Pruner, *The Clash of 20th Century Regulation with 21st Century Technology*, 16 ST. JOHN'S J. LEGAL COMMENT. 587, 589 (2002) (indicating that prohibition of the use of sales agents precludes adoption of a sales agent "business model").

68. *See* INNOVATOR'S PRESCRIPTION, *supra* note 38, at 8-10.

69. MICHAEL PORTER, COMPETITIVE ADVANTAGE: CREATING AND SUSTAINING SUPERIOR PERFORMANCE 33-34 (1985).

70. Stable & Fjeldstad, *supra* note 56, at 413.

Stabell and Øystein D. Fjeldstad sees value chains as one of three possible "value configurations."

VALUE CONFIGURATIONS[71]

Value Creation Logic	**Value Chain** Transformation of inputs into products	**Solution Shop** (Re)solving customer problems with expertise	**Value Network** Linking customers
Primary Activity Categories	• Inbound logistics • Operations • Outbound logistics • Marketing • Service	• Problem-finding and acquisition • Problem-solving • Solution choice • Solution execution • Control/evaluation	• Network promotion and contract management • Providing service • Operating infrastructure
Main Interactivity Relationship Logic	Sequential Add value to input	Cyclical, spiraling, iterative	Simultaneous, parallel
Exemplary Solution	Standardized product	Custom service	Community interface If product (e.g., insurance policy) arbitrages members of network
Examples	Factory	Lawyers, doctors, consultants, detectives, engineers	eBay Insurance company

a. Value Chain Businesses

Porter's "value chain configuration" (renamed the "value adding process business model" by Christensen)[72] describes the familiar industrial process. Raw materials enter into one door of a factory, and finished products exit from another. Porter observed that the cost of each step might bear little relationship to the value added—for example, the cost of materials and the time involved for a diamond cutter to cut a diamond are quite low, but the value added to the diamond at this step is very high.[73] The value chain configuration breaks down how companies add value and focuses a company's activ-

71. *Id.* at 415 tbl.1.

72. INNOVATOR'S PRESCRIPTION, *supra* note 38, at xxv. In this paper we will use the term Value Chain because of the wide acceptance and clarity of Porter's term.

73. *See* PORTER, *supra* note 69, at 39.

ities on those parts of the chain where the most value can be captured. The framework has had broad influence since Porter introduced it more than 30 years ago.[74]

Services as well as hard products can be delivered through the value chain configuration. For example, a carpet cleaning franchise offers a service, not a product, but the franchised service follows the value chain configuration. The service provider eschews diagnostic and suitability analysis (e.g., shouldn't the consumer instead buy new carpet or restore the underlying wood floors?) and delivers, based on standard inputs the service selected by the consumer. Value chain services can be automated and impersonal—for example, Google Translate offers a remarkably powerful translation service from a value chain format.[75] Users put in language that they need translated, and using software Google provides the service of rendering the input text into another language. The service is transformative, standardized and automated.

Stabell and Fjeldstad start with the realization that the "value chain" described by Porter does not fit all businesses. While some businesses do involve transforming inputs into finished or at least higher value products or services, many do not. Asking what the raw materials and finished products would be for an insurance company, they observe that "[f]ew insurance companies would perceive uninsured people as the raw material from which they produce insured people."[76] Stabell and Fjeldstad add two other radically different ways companies can organize to deliver value.

b. Solution Shop Businesses

The "value shop" (relabeled the "solution shop business model" by Christensen)[77] will be familiar to those who have worked in law firms or law departments, or have familiarity

74. Jay B. Barney, *Strategic Management: From Informed Conversation to Academic Discipline*, 16 ACAD. OF MGMT. EXECUTIVE 53 (2002) ("There is little doubt that Michael Porter has been the most influential scholar in the field of strategic management over the last 25 years.").

75. http://translate.google.com.

76. Stable & Fjeldstad, *supra* note 56, at 414.

77. INNOVATOR'S PRESCRIPTION, *supra* note 38, at xxiv. In this paper we will use the term Solution Shop because it succinctly describes the concept.

with the sociological literature discussing the profession.[78] Consumers come with problems. Frequently, the true nature, scope, and best solution to the problem are unclear, precluding the application of standardized off-the-shelf solutions in the first instance. "Knowledge-intensive service firms not only sell a problem-solving service, but equally a problem-finding, problem-defining, solution-execution and monitoring service."[79] The solution shop value configuration demands that the solution be tailored to the problem identified.[80] There must be "a strong information asymmetry between the firm and its client" with the firm possessing an "intensive technology."[81] Firms in the solution shop zone must be able to deal with unique cases, even if the solutions employed after diagno-

78. *See, e.g.*, ANDREW ABBOT, THE SYSTEM OF PROFESSIONS: AN ESSAY ON THE DIVISION OF EXPERT LABOR 4 (1988) ("Professions were organized bodies of experts who applied esoteric knowledge to particular cases. They had elaborate systems of instruction and training, together with entry by examination and other formal prerequisites. They normally possessed and enforced a code of ethics or behavior. This list of properties became the core of later definitions."); ELIOT FREIDSON, PROFESSIONAL POWERS: A STUDY OF THE INSTITUTIONALIZATION OF FORMAL KNOWLEDGE (1986); ROBERT ELI ROSEN, LAWYERS IN CORPORATE DECISION-MAKING (2010). The specialized asymmetric knowledge and application of it in light of the specific facts of the matter maps directly from the value shop model to the traditional conception of professions; the additional elements of licensing, ethical codes and striving for status appear in some but not all applications of the model. Interestingly, on the corporate side, some of the non-law practice competitors in the legal services market have retained the solution shop value configuration while disclaiming a "professional" role.

79. PETER GOTTSCHALLK, KNOWLEDGE MANAGEMENT SYSTEMS: VALUE SHOP CREATION 3 (2007).

80. This value configuration explains, among other mysteries, why identifying a clear value chain for legal services has eluded analysts. Law, when practiced as a consultative profession, is not a value chain business configuration, and so there is no value chain. Value chain analysis applies to standardized products and services where value is added at various steps in a process toward a more or less standardized product or service, and the traditional "profession of law" is by nature customized and not product-centered. While it uses inputs and resources, these resources and inputs are not transformed in a value adding process, but used in a solution shop process to solve a problem. From this perspective, to refer to the resources and inputs used by law firms or general counsel as part of a "value chain" is a misnomer. *But see* Regan & Heenan, *supra* note 3, at 2167 (referring to a "legal services value chain.").

81. Stabell & Fjeldstad, *supra* note 56, at 421.

sis are standardized.[82] The "intensive technology" can be a command of ERISA regulations or remote sensing technology for finding undersea oil and gas deposits. The process is iterative and evaluative, with a key component being ongoing evaluation of whether the solution provided is the right one.[83] From the consumer's viewpoint, cost matters less than obtaining the right solution.[84]

Christensen's "solution shop" label is apt because what firms with this value configuration principally offer are solutions, and services or products only as a means to that solution. A doctor's prescription of medicine, for example, has value only in the context of the correct diagnosis of the disease causing the symptoms and the selection of an appropriate treatment for the disease. As with the pills prescribed by the doctor, components that have been produced through a value chain process may be incorporated in the solution shop service, but the service remains inherently individualized and directed at diagnosing and solving the consumer's problem.

c. Value Network Businesses

The third value configuration, the "value network," has become increasingly familiar to those of us living in the internet age. The value configuration of eBay, for example, is neither products nor services. Its value comes from providing a network in which connections are made. It achieves success when a sufficiently large network is built and sufficiently avidly used so that it can help users resolve their unmet needs. The network model includes all businesses where the value comes from mediating between the diverse constituencies of the business. Banks, insurance companies, telephone companies and postal services are all examples of value networks.[85]

For network businesses, the primary value lies in the network, with the value growing as the network achieves scale. A competitor with equivalent technology and facilities will fail without having the right members in the network. Network value companies succeed in part by being "club managers"

82. *Id.* at 421-22.
83. *Id.* at 422.
84. *Id.* at 426.
85. *Id.* at 427.

who exclude inappropriate members,[86] while achieving sufficient scale to make use of the network valuable. In pursuit of the network, network companies will provide mediating technologies, perhaps reinforced by common standards, but the network rather than the facilities is ultimately what matters.[87]

Most substantial companies are not pure examples of any one of these value configurations. As Stabell and Fjeldstad note, a telephone company may employ a mediating network value configuration for its basic telephone service, but source its equipment using a value adding process value configuration.[88] A company can provide a solution shop front end, and then incorporate selected products that have been developed through a value chain.

From the perspective of a consumer, it may not matter which value configuration a given company follows. If the job the consumer needs filled is having a hole in put into a wall, to borrow an example from Susskind,[89] he can obtain that hole from any of these value configurations or business models. He can buy a drill or a shotgun created by someone pursuing a value chain value configuration and create the hole himself. He can hire a solution shop with expertise in putting holes in walls and, after the solution shop has verified that a hole in the wall really is the best solution, allow it to punch the best possible hole. He can access a network and, perhaps after seeking advice and guidance from other consumers of holes in walls, be connected with someone with a need for round pieces of drywall.

Stabell and Fjeldstad portray these value configurations as co-existing in the market. The world is not in the midst of an evolutionary progression from old forms of value configurations (say, solution shops) to new ones. At any given moment, all three generic value configurations can coexist.

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86. *Id.* at 427-28.

87. *Id.* at 427.

88. *Id.* at 434.

89. Richard Susskind, The End of Lawyers: Rethinking the Nature of Legal Services 158-59 (2010). Christensen tells a story of how a fast food company analyzed the "job" done by a milkshake, which turned out to involve several non-obvious attributes such as the ability to be consumed neatly with only one hand while driving. Innovator's Prescription, *supra* note 38, at 11-14.

With regard to a job that needs to be done, however, there can indeed be a progression. At first, a job can seem complex and fully in need of a custom solution from a high-end solution shop. As the solution shop addresses the job multiple times, the contours of the problem may become clearer, opening the way to standardized value chain solutions. Richard Susskind argues that many law-related jobs are, with the aid of technology, becoming solvable with value chain solutions.[90]

From the perspective of the business, however, it is very difficult to move from one value configuration to another. As Christensen shows, companies become captured by their competencies. They also reside within an intermeshed network of vendors, partners and consumers that will resist changes from a counterpart they rely on. To the extent companies view a shift as necessary, radical change usually can only be achieved by setting up a separate operation to pursue the new opportunity, unconstrained by existing relationships.[91]

2. *Captured by Success: Value Configurations as Barriers to Innovation*

Looking only at Christensen's earliest work on disruptive innovation, theorists of legal innovation such as Susskind have focused primarily on coming technological leaps,[92] but technology can be sustaining as well as disruptive. As disruptive innovation theory has matured, business models and value configurations have taken center stage as the real enablers of disruptive innovation.

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90. *Id.* Susskind does not use the "value chain" or "solution shop" concepts developed by Stabell and Fjeldstad, but the recognition that formerly complex tasks are becoming commoditized and are subject to being systematized recurs throughout his work.

91. INNOVATOR'S PRESCRIPTION, *supra* note 38, at 3 ("Historically, it is almost always new companies or totally independent business units of existing firms that succeed in disrupting an industry.").

92. Susskind discusses Christensen's older work and the objection posed to Susskind that perhaps business models get short shrift in his analysis in contrast to technology, but essentially concludes that technology is what he wants to focus on. As a technologist and futurist, Susskind seems less concerned with which institutions win or lose in the market than with the possibilities of technology. SUSSKIND, *supra* note 89, at 97. ("[F]or the purposes of some of this book, I do want to be technology-led.").

The different types of value configurations help illuminate the challenges facing the incumbents in the legal profession today. As will be discussed below, law firms live in the solution shop business model. They don't live alone in that model, but wrap themselves in a set of value relationships that will steadily and persuasively push back against radical attempts at change. While in a changing world it might be a better business to become a vendor of information products following a value chain model, that switch will not be made easily by incumbent law firms. Even if a law firm's management sees the future as belonging to commoditized information products, it will be an unusual firm that can make the switch.

The business literature on innovation, which has been largely ignored by scholars addressing legal markets, helps make many things clear. Successful incumbents cannot easily change their business model; their resources, processes and values are optimized to their current clients and will resist change. Incumbents can use radical new technologies to sustain their business model, but tend to leave alone new technologies or business processes that do not enhance their offerings to their current clients. Disruptive entrants can enter the low end of the market with new technologies or business processes, and disrupt the market through a sequence that sees them improving their offerings in an iterative matter, eventually allowing them to challenge for the incumbent's best customers. Innovation can be driven by technology, but it also can be driven by firms targeting the same consumers with different business models and value configurations, and it always depends on market and business structures being open to disruptive entrants. In a world where incumbents cannot implement disruptive change, regulation that excludes entrants from different value configurations excludes not just the potential entrants but the possibility of disruptive change itself.

III.
How the Regulation of Legal Services Limits Innovation

Disruptive innovation theory, it should now be clear, turns only in part on actual technical or business model innovation. Understanding how innovation takes root depends on understanding the market. In the realm of legal services in the U.S., that market has been shaped by regulation of the legal

profession, and the rules limiting competition from non-lawyers.[93] These rules lock lawyers into one value configuration, the solution shop, while limiting the ability of new entrants to offer solutions that include any solution shop aspect.

A. *If It Is the "Practice of Law," the "Solution Shop" Value Configuration Is Required*

Those who "practice law" in the United States must operate in a circumscribed way. State rules based on the American Bar Assocation's Model Rules of Professional Responsibility and other rules regulating lawyers set out in painstaking detail the characteristics of acceptable legal practice. The purpose behind some—such as education requirements or the difficulties encountered in limiting the scope of a client engagement—might seem obscure.

The rules have been described as controlling what constitutes a "legal product" and who can sell such products and services.[94] While this description makes sense from some perspectives, it would be misleading to view lawyers as delivering some kind of value added product. The rules are best seen not as defining a product at all, but as mandating a particular kind of method for addressing the job the client wants done.

Understanding the various generic value configurations helps make clear what is going on—the regulatory scheme tracks and imposes the solution shop value configuration. It contains requirements to make sure lawyers are able to meet the expectations of this model. The regulatory framework mandates that lawyers deliver their services according to this model. Lawyers practicing law cannot simply sell products or create networks; they must incur the overhead and meet the implied obligations of the solution shop configuration.[95]

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93. Most state rules are based on model rules promulgated by the American Bar Association. MODEL RULES OF PROF'L CONDUCT (2012). Malpractice liability and the duties implied by malpractice standards also serve to regulate the profession. In addition, lawyers are increasingly regulated as service providers by rules that are not necessarily lawyer specific. *See generally* Fred C. Zacharias, *The Myth of Self-Regulation*, 93 MINN. L. REV. 1147 (2009).

94. *Legal Barriers*, *supra* note 1, at 1706.

95. The difficulties lawyers face in offering limited scope services help drive this home. For a thoughtful examination of the ethical burdens faced by lawyers wishing to offer limited scope services, see PA. BAR ASS'N COMM. ON LEGAL ETHICS AND PROF'L RESPONSIBILITY & PHILA. BAR ASS'N PROF'L GUI-

The regulatory scheme's prescription of the solution shop value configuration impacts innovation vastly more than any one regulatory requirement. Modifying or eliminating specific regulations will have limited impact so long as lawyers are committed to the solution shop model. So long as lawyers are controlled by the underlying architecture of the solution shop configuration, tweaking individual rules will amount only to painting the trim.

1. *Possessing the Intensive Technology*

In the solution shop configuration, the expected information asymmetry means the provider will know more about the intensive technology used to solve the problem than the client base. The regulatory scheme enforces this information asymmetry in many ways, most specifically by requiring high levels of specialist education tailored to solving legal problems. States typically require graduation from law school, and in most states an ABA-accredited law school, as a prerequisite for taking the bar exam and joining the bar.[96] Both the educational and testing requirement correlate with ensuring that the lawyer has mastered the "intensive technology" critical to lawyering and with preserving an information asymmetry between lawyers and lay people. Mandatory continuing legal education requirements help ensure licensed lawyers remain current in their command of the technology. Other rules, including virtually every rule requiring "informed" consent,[97] take as a given that there will be an information asymmetry, and build into the fiduciary relationship the duty to not abuse the asymmetry by making sure the hidden implications of the consent have been disclosed.

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dance Comm., Joint Formal Op. 2011-100: Representing Clients in Limited Scope Engagements (2011), *available at* http://www.philadelphiabar.org/WebObjects/PBAReadOnly.woa/Contents/WebServerResources/CMSResources/Joint_Formal_Opinion_2011-100.pdf.

96. A Nat'l Conference of Bar Exam'rs & A.B.A. Section of Legal Educ. & Admissions to the Bar, Comprehensive Guide to Bar Admission Requirements (Erica Moeser & Claire Huismann eds., 2012).

97. *See, e.g.*, Model Rules of Prof'l Conduct R. 1.0(e), R. 1.2(c), R. 1.4(a)(1), R. 1.6(a), R. 1.7(b)(4), R. 1.8(a)(3), R. 1.9, R. 1.11(a)(2), R. 1.12(a), R. 1.18(d)(1), R. 2.3(b), R. 6.5, cmt. 2 (2012).

2. *Diagnosing and Solving a Problem Rather Than Selling a Product*

The rules also define the process a lawyer must follow, closely tracking the solution shop value configuration. As a practical matter, the rules preclude lawyers selling products or precut solutions without becoming significantly involved in investigating and diagnosing the client's problem. Rather, lawyers must inquire into the facts and analyze the factual and legal elements of the client's problem before offering any solution.[98] While in theory lawyers can limit the scope of the representation,[99] in practice doing so also requires personalized involvement. The lawyer must determine for herself whether limiting services is reasonable under the circumstances,[100] and must also sufficiently inform the client of the issues and consequences so that the client can give informed consent to the scope of the representation.[101] Malpractice liability adds bite to these duties should the lawyer fail to reasonably extend her services to solve the underlying problem, even if the client did not recognize the full nature of the issue.[102]

Once the lawyer has embarked on this course of analysis and diagnosis, the rules place further restrictions that prevent variance from the solution shop configuration. The lawyer must act with reasonable diligence and promptness.[103] The expectation is that the lawyer will not stop the representation prior to delivering a solution.[104] Consistent with the solution shop value configuration, lawyers are required to communicate with their clients throughout the representation, so that the problem-solving lawyer understands the full nature of the problem and the clients understand the solution being offered.[105]

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98. Model Rules of Prof'l Conduct R. 1.1, cmt. 5 (2012).

99. *Id.* R. 1.2.

100. *Id.*

101. *Id.*

102. *See, e.g.*, Nicholls v. Keller, 19 Cal. Rptr. 2d 601, 609 (Cal. Ct. App. 1993) (holding that absent a knowing waiver, attorney must represent client on full range of possible remedies).

103. Model Rules of Prof'l Conduct R. 1.3 (2012).

104. *Id.* R. 1.3 cmt. 4; *Id.* R. 1.16 cmt. 1.

105. *Id.* R. 1.4.

3. *Implications of Requiring Solution Shop Services*

Recognizing that lawyers—and professionals in other fields—operate in the solution shop value configuration also has implications for reforming legal services. The solution shop approach makes sense in certain kinds of situations, typically where problems are complex and inchoate. Regulations requiring that solution shop providers have the skills necessary to solve complex puzzles make some sense. Where, however, situations can be identified whereby standardized solutions can be applied safely without the vendor having a command of the intensive technology, vendors fitting into other value configurations might deliver more value at a lower price. Reformers can both identify niches where full legal training is not required and change the substantive law to be amenable to off-the-shelf-services.

In the medical setting, Christensen provides the example of nurse practitioners relying on automated diagnostic tests.[106] Technology allows diagnostic tests to be performed without recourse to a physician, permitting in turn the dispensing of standard, appropriate solutions to a range of common ailments. At the time his book was written, the MinuteClinic offered walk-in nurse staffed clinics without a single doctor on site, and it had never faced a malpractice claim.[107] While the diagnostic function can be more difficult in law, perhaps in part because lawyers and judges keep law complicated,[108] such paraprofessional solutions incorporating value chain solutions could meet consumer needs for legal services.

In law, the rules governing lawyers prevent those who "practice law" from pursuing a value configuration other than the full bore "practicing law" solution shop. This value configuration applies to all U.S. lawyers—even though the bar, and more importantly, the customer bases are divided by size. On one side of the divide are lawyers who serve large corporations,

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106. INNOVATOR'S PRESCRIPTION, *supra* note 38, at 118-20.

107. *Id.*

108. Gillian K. Hadfield, *The Price of Law: How the Market for Lawyers Distorts the Justice System*, 98 MICH. L. REV. 953, 964-73 (2000) (discussing the causes and impact of legal complexity).

and on the other are those who serve individuals and small businesses.[109]

While there are sociological and cultural consequences of this divide within the bar,[110] what matters for our purposes is that there are different markets. Corporations and individuals have different needs when it comes to legal services. If consumers looking for a service or product have a job they want done, as Christensen says, corporations and individuals have different jobs that need doing. The two types of consumers also approach the market with vastly different resources and capabilities. Both, to the extent they use lawyers, must buy the custom solution shop package. As we shall see, however, well-served, sophisticated corporate clients have been more successful in evading these constraints than the underserved, less sophisticated individual consumers.

4. *The Corporate Side of the Legal Services Marketplace*

On the corporate side, the rise of the general counsel has changed everything. Once upon a time, corporate General Counsel were peripheral players in the providing of legal services to corporations. Today, senior lawyers happily leave major firm partnerships to join a General Counsel's office, where the pay can be at least equal and the job satisfaction higher. If there are "wise counselors" advising major corporations today about their social as well as legal obligations,[111] they almost certainly will be found in the General Counsel's office.

The purchaser of legal services on the corporate side almost always is a lawyer herself, a point of some importance. Corporate clients are also repeat players, and so anticipate and

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109. *See* JOHN P. HEINZ & EDWARD O. LAUMANN, CHICAGO LAWYERS: THE SOCIAL STRUCTURE OF THE BAR 319 (1982); JOHN P. HEINZ, ROBERT L. NELSON, REBECCA L. SANDEFUR, & EDWARD O. LAUMANN, URBAN LAWYERS: THE NEW SOCIAL STRUCTURE OF THE BAR 44-47 (2005).

110. *See generally* JOHN P. HEINZ, ROBERT L. NELSON, REBECCA L. SANDEFUR, & EDWARD O. LAUMANN, URBAN LAWYERS: THE NEW SOCIAL STRUCTURE OF THE BAR 57–71 (2005) (discussing ethnic, religious, and educational differences observed between those lawyers serving individuals and those serving large corporations).

111. LOUIS D. BRANDEIS, BUSINESS – A PROFESSION 313, 321 (1914); ANTHONY KRONMAN, THE LOST LAWYER: FAILING IDEALS OF THE LEGAL PROFESSION 3 (1993); David Luban, *The Noblesse Oblige Tradition in the Practice of Law*, 41 VAND. L. REV. 717, 721 (1988).

plan legal costs. Often global in scope, major corporations can access legal providers outside the United States. As powerful repeat players, corporations are likely to get an attentive if not sympathetic ear from regulators if a legal innovation that could be characterized as the "unauthorized practice of law" proves helpful to their business.

With regard to the general practice of law, no information asymmetry exists between the General Counsel and the firms she hires.[112] The General Counsel has passed the bar and knows how to practice law. This perhaps has forced a change in the nature of law practice in major law firms.[113] The solution shop model depends for its value proposition on an information asymmetry between vendor and consumer. Put simply, to flourish, the solution shop service provider needs to know how to do things the clients cannot do more cheaply by themselves. To preserve this asymmetry, lawyers in law firms can no longer be generalists if they wish to be marketable to general counsel; aside from a very few especially wise counselors, they must seek and have indeed sought the needed information asymmetry by becoming specialists in narrow areas of law.[114] Without such specialization, the solution shop model would no longer work in the corporate setting.[115]

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112. "Increasingly, general counsel are former partners in large corporate firms who are capable of internalizing both the diagnostic and referral functions they previously performed on behalf of clients as outside counsel." Ronald J. Gilson, *The Devolution of the Legal Profession: A Demand Side Perspective*, 49 Md. L. Rev. 869, 902 (1990).

113. For an interesting discussion of the changing relationship between outside lawyers and corporate clients, see Robert Eli Rosen, *"We're All Consultants Now": How Change in Client Organizational Strategies Influences Change in the Organization of Corporate Legal Services*, 44 Ariz. L. Rev. 637, 640 (2002) (arguing that lawyers are increasingly just one of many flavors of consultants used by corporations).

114. *See* Michael Ariens, *Know the Law: A History of Legal Specialization*, 45 S.C. L. Rev. 1003, 1007-10 (1994); William D. Henderson, *Three Generations of U.S. Lawyers: Generalists, Specialists, Project Managers*, 70 Md. L. Rev. 373, 379-80 (2011); Herbert M. Kritzer, *The Future Role of "Law Workers": Rethinking the Forms of Legal Practice and the Scope of Legal Education*, 44 Ariz. L. Rev. 917, 919-20 (2002).

115. Even if the demands of the solution shop model force specialization on lawyers serving corporate clients, the new model of practice in which lawyers become narrow technicians rather than 'statesmen' has had wrenching impact. *See generally*, Rosen, *supra* note 78, at 36-41 (discussing the professional impact of "differentiated specialization," which Rosen views as a

The rise of general counsel has also begun to have a substantial impact on the business models available to vendors of legal services other than law firms. This is because, from the perspective of the business people in the corporation, *the ultimate "solution shop" providing answers to legal problems on the corporate side is the General Counsel's office.* The General Counsel may retain other solution shops to help it improve its level of service, and those solution shops may include law firms along with management and information technology consulting firms.

The General Counsel can also, however, purchase services or products from firms that pursue value adding process or network business models. The corporation need not accept bundled services from a law firm, but can instead construct its own network of vendors.[116] The General Counsel can disaggregate the services provided by law firms and select à la carte. In practice, this means that the dominance of the General Counsel's office has created a potentially disruptive opening for non-lawyers and non-solution shop vendors to sell their products and services to the General Counsel's office.

However, this opening can be limited by the resources, processes and values that control the activities of the in-house legal departments. Like any other organization, in-house departments have developed resources and processes in order to do what they do, and values that help them rank priorities. In many cases, these resources, processes and values reflect the law firm backgrounds of the lawyers in the legal department. These often lead to a symbiotic relationship with law firms. Innovations that are viewed as sustaining to the way the law department does business—say, assigning a severable portion of the work on a matter that might have gone to a less expensive law firm to an LPO instead—can fit into the department's resources, processes and values. Innovations that do not mesh with the established resources, processes and values of a given

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path corporate advisors are free to choose or not choose); KRONMAN, *supra* note 111, at 3 (discussing the impact on the legal profession of new modes of practice).

116. Regan & Heenan, *supra* note 3, at 2160.

law department will have a much harder time gaining traction in that department.[117]

5. *The Individual Side of the Legal Services Marketplace*

The story is quite different on the individual side of the market. Here, a core information asymmetry will likely exist. Individuals and small businesses are less likely to be repeat players with regard to a given kind of legal matter, are more likely to be limited to a local market, and are not likely to be members of the bar themselves. They are less likely to have the ability to build their own vendor network for legal matters, and are more likely to be dependent on the services offered on a matter by a selected firm or lawyer.

At the same time, individuals and small businesses are more likely to be absolutely constrained by cost than massive corporations. Some evidence suggests that, more than similarly situated consumers in other countries, U.S.-based individuals choose to forego legal services altogether.[118]

Last but not least, individuals are the consumers most likely to be "protected" by the organized bar against those who might engage in the unauthorized practice of law. When state authorities or private lawyers bring challenges to those allegedly engaged in the unauthorized practice of law, the consumers of those services tend to be individuals and small companies rather than major corporations.[119] It is within the solo and small practice groups of the bar associations—the groups most likely to serve individuals and small businesses—that the most vocal defenders of unauthorized practice of law enforcement can be found.[120]

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117. For example, an in-house department with highly developed processes for managing firms that bill by the hour but without the resources or processes to evaluate a flat rate fee may avoid firms that offer only alternative billing options. For a fuller discussion of how RPV limits an organization's ability to change, see INNOVATOR'S DILEMMA, *supra* note 12, at 185-210.

118. Gillian K. Hadfield, *Higher Demand, Lower Supply? A Comparative Assessment of the Legal Landscape for Ordinary Americans*, 37 FORDHAM URB. L.J. 129, 134-40 (2010).

119. See *infra* p. 141-46.

120. *See* Deborah L. Rhode, *The Delivery of Legal Services By Non-Lawyers*, 4 GEO. J. LEGAL ETHICS 209, 220-21 (1990) (suggesting that the elite bar feels little competition from lay services and has been willing to liberalize UPL, but attorneys with small, non-corporate practices feel more need to protect their status and their incomes).

B. *Defining and Enforcing "Practice of Law" Restrictions*

1. *The Difficulty of Defining the Scope of the "Practice of Law"*

No one, it seems, has adequately defined what is meant by "the practice of law."[121] A blue ribbon ABA task force labored and failed.[122] State definitions tend to be circular, describing the practice of law as "what lawyers do."[123] Some commentators now seem to view even pursuing a definition as a fool's errand.[124]

There is, however, a general sense that the practice of law involves the application of legal knowledge in a personalized way to a particular situation.[125] This notion excludes general statements about what the law is but still draws in too much—a policeman advising a suspect of his Miranda rights could be charged with the unauthorized practice of law if this approach were applied broadly.[126] When statutes attempt to provide a list of what is included, the list generally includes court appearances, drafting of legal documents, and personalized legal advice.[127] In general, the U.S. definition is broader than those

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121. *See generally Legal Barriers*, *supra* note 1, at 1706-07.

122. *See* A.B.A. Task Force on the Model Definition of the Practice of Law, Board of Governors Resolution, *available at* http://www.americanbar.org/groups/professional_responsibility/task_force_model_definition_practice_law.html.

123. *See, e.g.*, Neb. Ct. R. § 3-1001, (providing a "General Definition": "The 'practice of law,' or 'to practice law,' is the application of legal principles and judgment with regard to the circumstances or objectives of another entity or person which require the knowledge, judgment, and skill of a person trained as a lawyer."); Rhode, *Professional Monopoly*, *supra* note 2, at 45.

124. *See* 2 Geoffrey C. Hazard & W. William Hodes, The Law of Lawyering § 46.4 (3d ed. 2001) ("[I]n our law-dominated society, no logically satisfactory and practically workable definition is possible."); Kathleen Blanchard and Bonnie Howe, *Attorney Sanctions: Unauthorized Practice of Law*, 3 Geo. J. Legal Ethics 93, 97 (1989) ("Formulation of a standard or logical definition of the unauthorized practice of law has not been successful.").

125. The ABA task force on the definition of the practice of law recommended that each state adopt a definition, and that "each state's and territory's definition should include the basic premise that the practice of law is the application of legal principles and judgment to the circumstances or objectives of another person or entity." A.B.A. Task Force on the Model Definition of the Practice of Law, Report to the House of Delegates (2003), http://www.americanbar.org/content/dam/aba/migrated/cpr/model-def/recomm.authcheckdam.pdf.

126. 2 Hazard & Hodes, *supra* note 9, at § 46.4.

127. *See, e.g.*, Wash. Super. Ct. APR 24.

found in other developed countries, where it generally is allowed for non-lawyers to give personalized legal advice so long as they do not misrepresent their qualifications or their status.[128] The gap between the U.S. and other countries in this respect is growing broader as countries such as Great Britain and Australia pursue reform of their legal marketplaces.[129]

2. *Permissible Legal Services That Are Not the "Practice of Law"*

Commentators sometimes suggest that lawyers have a monopoly on providing legal services in the United States.[130] From a market perspective, this is not quite accurate. Lawyers have a monopoly on engaging in "the practice of law," but there are law related products and services that do not constitute the practice of law.[131] While lawyers must conform to the solution shop value configuration prescribed by the rules, non-lawyers are free to select different business models and value configurations.[132] Through these exceptions innovation has been able to flourish on the corporate side of the market. In fact, setting aside the barrister function of court appearances, the corporate side of the legal market seems to be moving toward *de facto* deregulation.[133]

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128. *See generally* Rhode, *Professional Monopoly*, *supra* note 2 (highlighting how providers of legal services, other than lawyers, are barred from entering the marketplace in the United States; *Legal Barriers*, *supra* note 1 (stating that the current regulatory model presents a tremendous barrier to innovating how legal services are provided in the United States).

129. *See* Legal Services Act, 2007, c. 29 (U.K.), *available at* http://www.legislation.gov.uk/ukpga/2007/29/contents; *Legal Profession Act 2004* (NSW) ss 134-64 (Austl.), *available at* http://www.legislation.nsw.gov.au/fragview/inforce/act+112+2004©h.2-pt.2.6-div.2+0+N.

130. *See* Rhode, *Professional Monopoly*, *supra* note 2.

131. Thomas D. Morgan, *On The Declining Importance of Legal Institutions*, MICH. ST. L. REV. (forthcoming), *available at* http://ssrn.com/abstract=2007273 http://ssrn.com/abstract=2007273 ("[L]awyers' monopoly over the delivery of legal services has eroded . . . .").

132. In some contexts, to avoid falling into the "unauthorized practice of law" they may be required to pursue other value configurations that do not purport to provide customized solutions based on legal knowledge asymmetries.

133. This has happened as commentators urge that the legal market be formally deregulated. *See* CLIFFORD WINSTON, ROBERT W. CRANDALL & VIKRAM MAHESHRI, FIRST THING WE DO, LET'S DEREGULATE ALL THE LAWYERS (2011); *Legal Barriers*, *supra* note 1, at 1729.

a. Non-Personalized Information Products

Non-lawyers can sell non-personalized information products even though they provide a kind of a substitute for the services of a lawyer. Examples include books explaining how to achieve a certain legal task, such as the "*Avoid Probate!*" book popular in the 1960s[134] or a range of titles available from Nolo Press. This category also includes legal forms or form documents such as leases that are available over the counter commercially.[135]

Technology promises to change the nature of the legal information product niche. Document assembly software that presents different documents based on answers to questions can go beyond the "one size fits all" forms and present tailored documents. Despite a temporarily successful effort to ban it in Texas, Intuit's WillMaker Plus software is now sold throughout the U.S.[136] Online, companies such as LegalZoom offer a wide variety of documents. LegalZoom claims to have created more than one million legal documents, has attracted funding from A-list venture capitalists that clearly see a substantial business opportunity, and has filed for an initial public offering.[137] Whether companies like LegalZoom can withstand unauthorized practice of law challenges will be discussed below.

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134. Norman F. Dacey, How to Avoid Probate! (1965); N.Y. County Lawyers' Ass'n v. Dacey, 234 N.E.2d 459, 459 (N.Y. 1967) (litigation was premised on charging Dacey with the unlawful practice of law for authoring How to Avoid Probate!); Catherine J. Lanctot, *Scriveners in Cyberspace: Online Document Preparation and the Unauthorized Practice of Law*, 30 Hofstra L. Rev. 811, 822-29 (2002) (recounting Dacey's story).

135. For an example of this kind of information product, see Ralph Warner & Robin Leonard, 101 Law Forms for Personal Use (2011)

136. Federal district court judge Barefoot Sanders ruled that the definition of unauthorized practice of law in Texas was violated by Will Maker Plus and enjoined sale of the product, but that ruling was vacated by the Fifth Circuit after the Texas legislature amended the Texas definition of unauthorized practice to allow sale of such products. *See* Unauthorized Practice Comm. v. Parsons Tech., Inc., No. Civ. A. 3:97-CV-2859-H, 1999 WL 47235, at 1 (N.D. Tex.), *vacated*, 179 F.3d 956 (5th Cir. 1999).

137. Anthony Ha, *LegalZoom Files For $120M IPO, Saw $156M In Revenue Last Year*, TechCrunch (May 11, 2012), http://techcrunch.com/2012/05/11/legalzoom-ipo/.

b. Legal Document Assistance

Some states allow non-lawyers to assist the public with completing standardized forms.[138] While consumers unable to afford lawyers no doubt welcome such services, the providers of these services face an obvious slippery slope. To the extent they attempt to improve their service by offering guidance beyond that allowed, they cross into the unauthorized practice of law. The travails of the chain We The People indicate how quickly and pervasively charges can be brought.[139] It remains true, however, that a firm that is able to operate within the constraints of simply filling out forms does not cross the line into the unauthorized practice of law where this practice is legal.

c. Under Supervision of a Lawyer

Non-lawyers can provide law related services so long as they do so under the supervision of a lawyer.[140] It is not the unauthorized practice of law, for example, if a paralegal asks questions of a client, following a list prepared by an attorney, and prepares legal documents for the attorney's review. In certain areas relevant to individual clients, this exception allows attorneys to achieve local scale and offer fixed fee services in practices such as uncontested divorces and personal bankruptcies; the lawyer's time is leveraged not just via associates, but also via lower-paid staffers following defined protocols.[141]

In the large corporation context, the supervision exception has major importance. Because the consumer, in the form of the General Counsel, is also a lawyer, almost all services can

138. For example, California allows this. CAL. BUS. & PROF. CODE § 6400 (West 2003); *see also* Kathleen E. Justice, Note, *There Goes the Monopoly: The California Proposal to Allow Nonlawyers to Practice Law*, 44 VAND. L. REV. 179 (1991).

139. *See* pp. 144-45, 149.

140. MODEL RULES OF PROF'L CONDCUT R. 5.3 (2012); For a discussion regarding the permissible scope of paralegal activity, see PAUL R. TREMBLAY, *Shadow Lawyering: Nonlawyer Practice within Law Firms*, 85 IND. L.J. 653 (2010).

141. This appears to have been the business model of Jacoby & Meyers and Hyatt Legal Services in their heyday. *See* JERRY VAN HOY, FRANCHISE LAW FIRMS AND THE TRANSFORMATION OF PERSONAL LEGAL SERVICES 40-41 (1997) ("It is clear that secretaries aided by computer boilerplate are the essential element in office productivity. Staff attorneys are . . . extra help to facilitate selling services to clients.").

be provided under the supervision of a lawyer. In responding to inquiries about whether sending U.S. legal work to offshore lawyers was facilitating the unauthorized practice of law, several local bar associations and the ABA all reached the conclusion that so long as a U.S. attorney supervised the work it was not the unauthorized practice of law.[142]

This allows, as a practical matter, offshore LPOs to provide any services that could be provided in the U.S. by associates or paralegals.[143] A U.S. licensed attorney must "supervise" the work, but that is not hard to arrange. Neither, it seems, are corporate clients facing searching inquiries second-guessing whether the level of supervision was adequate. The significance of attorney supervision for current and future innovation will be discussed below.

d. Non-U.S. Services

The U.S. unauthorized practice of law mandates are limited by their nature to situations with a U.S. nexus. Particularly where major corporations are involved, the governing legal regime can be a matter of choice.[144] For some matters, a different legal system can be selected, making U.S. unauthorized practice of law rules irrelevant. An example of where this has happened, allowing substantial expertise and sophisticated systems to be developed, are those countries in Europe and elsewhere that allow lawyers to practice within the context of multidisciplinary firms.[145] The different capital structure and

142. *See* ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 08-451 (2008); Fla. St. Bar Assn. Comm. on Prof'l Ethics, Op. 07-2 (2008); N.C. St. Bar, 2007 Formal Ethics Op. 12 (2008); Assn. of the Bar of N.Y.C. Comm. on Prof'l and Judicial Ethics, Formal Op. 2006-3 (2006); L.A. Cnty. Bar Assn. Prof'l Responsibility and Ethics Comm., Op. 518 (2006).

143. Interview by Richard Susskind with Leah Cooper, Managing Attorney, Rio Tinto (Oct. 9, 2009), http://www.legalweek.com/legal-week/analysis/1556450/legal-process-outsourcing-richard-susskind-leah-cooper, quoted in Regan & Heenan, *supra* note 3, at 2137, n.7 (2010).

144. For example, through choice of law or arbitration provisions, corporations can direct resolution of a dispute away from the United States. Erin A. O'Hara & Larry E. Ribstein, The Law Market 85-106 (2009). Interpretation of international treaties such as GATS would also seem to be amenable to selection of non–U.S. legal service providers.

145. *See* Charles W. Wolfram, *Comparative Multi-Disciplinary Practice Of Law: Paths Taken And Not Taken*, 52 Case W. Res. L. Rev. 961, 978 (2002) (MDPs have existed in Europe for a quarter century with an upsurge in re-

deeper resources of these organizations allow an investment in systems.[146]

e. Some Services, Dependent on Legal Knowledge, That Do Not Purport to Be Practice of Law

A variety of consulting firms offer services that appear to be rich in legal content but that do not purport to be the practice of law.[147] Despite the overlap of what these firms offer with what law firms offer, they do not appear to have been subjected to unauthorized practice of law challenges. These firms might advise on regulatory compliance, advise on risk or human resource management, conduct internal investigations, or provide litigation consulting. Some of the consultants are licensed lawyers, but as employees of corporations the services they offer are not styled as the practice of law.

The core competencies of these firms sometimes appear to be different from those of law firms, as they typically draw on specialized expertise in knowledge management, business processes, evidence presentation, or information technology.[148] At other times, it is hard to tell how services such as litigation consulting differ from the practice of law. For example, the founder and owner of Cornerstone Legal Innovation is a pilot, not a lawyer. Despite the legal expertise of some of its staff members and the close nexus to legal strategy and advice, the firm does not claim to practice law. Nonetheless, the

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cent years); *see generally* MARY C. DALY, *Monopolist, Aristocrat, Or Entrepreneur?: A Comparative Perspective On The Future Of Multidisciplinary Partnerships In The United States, France, Germany, And The United Kingdom After The Disintegration Of Andersen Legal*, 80 WASH. U. L.Q. 589 (2002).

146. Unlike law firms, these companies can seek outside funding, including being listed as public companies. Law firms, by contrast, can only be owned by lawyers, and so cannot seek outside funding. While long term projects could be funded by diminishing current partner income, that would incur the risk of partners leaving for other firms that did not decrease current partner income for the benefit of future partners.

147. *See generally* TANINA ROSTAIN, *The Emergence of "Law Consultants"*, 75 FORDHAM L. REV. 1397 (2006); Terry, *The Future Regulation of the Legal Profession*, *supra* note 7.

148. For example, the legal consulting function of Huron Legal Consulting fits within a broader management consulting firm, and some of the services offered depend on expertise in business processes and information management. *See Services,* HURON CONSULTING GROUP, http://www.huronconsultinggroup.com/services.aspx (last visited Oct. 30, 2012).

web page for the litigation support practice of Cornerstone Legal Innovation claims, "We are trial lawyers serving trial lawyers . . . . We are not spectators but rather active members of your litigation team."[149] These "legal consultants" operate outside the constraints of the rules, and as such are free to explore value configurations and business models different from that required of attorneys.

3. *Enforcing Unauthorized Practice of Law on the Individual Side of the Market Through Private Suits and Class Actions*

Lack of definitional clarity does not prevent enforcement of unauthorized practice of law provisions. Most states have statutes prohibiting the unauthorized practice of law,[150] and some of those that have no statutes nonetheless have court rules enabling contempt of court proceedings.[151] In years past, state bar associations and state court systems used these rules to police the unauthorized practice of law.[152] While some states have shut down their unauthorized practice of law committees[153] and commentators have detected a gradual liberalization in unauthorized practice of law rules,[154] it would be a mistake to assume unauthorized practice of law restraints have faded away. Unauthorized practice of law provisions continue to provide an active constraint on the individual consumer side of the market.

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149. *Trial Support*, CORNERSTONE LEGAL CONSULTANTS, http://www.cornerstoneconsultants.com/litigation (last visited Oct. 30, 2012).

150. Derek A. Denckla, *Nonlawyers and the Unauthorized Practice of Law: An Overview of the Legal and Ethical Parameters*, 67 FORDHAM L. REV. 2581, 2585 (1999).

151. *See, e.g.*, Ariz. Sup. Ct. Rules 31 ("Regulation of the Practice of Law"), *available at* http://www.supreme.state.az.us/cld/pdf/Rule%2031%20FINAL%20for%20Code%20Book.pdf.

152. *See, e.g.*, Clark v. Austin, 101 S.W.2d 977 (Mo. 1937) (contempt); Shortz v. Farrell, 193 A. 20 (Pa. 1937) (injunction); *In re* Baker, 85 A.2d 505 (N.J. 1952) (contempt); Alamo Title Co. v. San Antonio Bar Ass'n, 360 S.W.2d 814 (Tex. App. 1962) (injunction); Fl. Bar v. Scussel, 240 So.2d 153 (Fla. 1970) (contempt).

153. *See e.g.*, *In re* Dissolving the Comm'm on the Unauthorized Practice of Law, 242 P.3d 1282 (Mont. 2010) (holding that they themselves do not have the authority to promulgate rules regulating unauthorized practice).

154. GEOFFREY C. HAZARD & W. WILLIAM HODES, THE LAW OF LAWYERING § 46.4 (3d ed. 2001).

In part, unauthorized practice of law restrictions remain vital because enforcement has moved from official bodies to individuals—and their attorneys—pursuing private rights of action. In some cases, this private right of action has been based directly on violation of a legal duty to not practice law without authorization.[155] In other cases, the private right of action has been based on theories such as deceptive trade practices.[156]

The shift to private enforcement took on new importance when class actions were added to the mix. At one time, unauthorized practice of law class actions were brought by and for the organized bar membership, and added little in enforcement risk to injunctive actions by the bar.[157] In more recent years, however, private attorneys operating independently have turned not only to private rights of action for violations of unauthorized practice of law rules but also to consumer protection statutes as a vehicle for unauthorized practice of law enforcement.[158] In addition to allowing consumer class actions, the consumer protection statutes sometimes provide

155. *See e.g.*, Armstrong v. Brown Serv. Funeral Home W. Chapel, 700 So.2d 1379 (Ala. Civ. App. 1997); Francorp, Inc. v. Siebert, 210 F. Supp. 2d 961 (N.D. Ill. 2001); Haymond v. Lundy, 205 F. Supp. 2d 403 (E.D. Pa. 2002); McMahon v. Advanced Title Servs. Co. of W. Va., 607 S.E.2d 519 (W. Va. 2004); Am. Abstract & Title Co. v. Rice, 186 S.W.3d 705 (Ark. 2004); Newman v. Ed Bozarth Chevrolet Co., 2007 WL 4287478 (D. Colo. 2007); Greenspan v. Third Fed. S. & L. Assn., 912 N.E.2d 567 (Ohio 2009); *see generally* Susan D. Hoppock, *Enforcing Unauthorized Practice of Law Prohibitions: The Emergence of the Private Cause of Action and its Impact on Effective Enforcement*, 20 GEO. J. LEGAL ETHICS 719 (2007).

156. *See, e.g.*, Foster v. D.B.S. Collection Agency, 463 F. Supp. 2d 783 (S.D. Ohio 2006) (relying on Fair Debt Collection Practices Act and Ohio Consumer Sales Practices Act); Francorp, Inc. v. Siebert, 210 F. Supp. 2d 961, 971 (N.D. Ill. 2001) (relying on Illinois Deceptive Trade Practices Act); *In re* Samuels, 176 B.R. 616 (M.D. Fla. 1994) (relying on Florida Deceptive and Unfair Trade Practices Act); Dressel v. Ameribank, 664 N.W.2d 151 (Mich. 2003) (suing under Michigan Consumer Protection Act and Savings Bank Act); Thomas v. State, 226 S.W.3d 697 (Tex. App. 2007) (relying on Deceptive Trade Practices Act).

157. *See generally* Note, *Remedies Available to Combat the Unauthorized Practice of Law*, 62 COLUM. L. REV. 501 (1962).

158. *See, e.g.*, Armstrong v. Brown Serv. Funeral Home West Chapel, 700 So. 2d 1379 (Ala. Civ. App. 1997) (upholding class action on unauthorized practice of law cause of action); Am. Abstract & Title Co. v. Rice, 186 S.W.3d 705 (2004) (upholding class action under Arkansas Deceptive Trade Practices Act).

statutory attorney's fees and/or treble damages.[159] In some states, such statutes have been the tools of state agencies charged with protecting the public against the unauthorized practice of law,[160] but in others private attorneys decide whether to pursue legal service competitors with these tools.

A recent example of unauthorized practice of law enforcement is *Janson v. LegalZoom.com, Inc.*[161] LegalZoom.com sells legal documents online, with a "clerical review" conducted by a human. Private lawyers brought a class action in Missouri state court alleging that LegalZoom engaged in the unauthorized practice of law. The plaintiff class sought injunctive relief to bar LegalZoom from charging Missouri consumers and money damages under the Missouri Merchandising Practices Act.[162] The case was removed to federal court that, in its decision of summary judgment, held that the website's "clerical review" constituted unauthorized practice of law under Missouri law, and was therefore suitable for class certification.[163] The lawsuit finally reached a settlement that in principle includes compensation to Missouri consumers and LegalZoom's promise to modify its business practices in Missouri.[164]

For would-be innovators, these private class actions change the nature of the risk they face in daring to innovate in legal service markets. The opponent is not a bar association with broader policy considerations or an elected official responsive to consumers as well as the organized bar, but a private attorney pursuing a cash recovery from a potential competitor. The remedy is not just cessation of activities but, as in the Missouri LegalZoom case, might instead include treble damages, with the damages calculated as three times the total

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159. Nathan Koppel, *Seller of Online Legal Forms Settles Unauthorized Practice of Law Suit*, WALL ST. J. L. BLOG (Aug. 23, 2011, 11:47 AM), http://blogs.wsj.com/law/2011/08/23/seller-of-online-legal-forms-settles-unauthorized-practiced-of-law-suit.

160. *See* Thomas v. State, 226 S.W.3d 697 (Tex. App. 2007) (action by state agency against We The People franchisee for unauthorized practice of law, obtaining injunctive relief, restitution, statutory damages, statutory penalties and attorney's fees).

161. F. Supp. 2d 1053, 1057 (W.D. Mo. 2011).

162. *Id.* at 1057.

163. *Id.* at 1063-65.

164. Koppel, *supra* note 159.

amount paid for the services deemed to be unauthorized practice of law.[165] Providing useful products or disclosing non-lawyer status may not constitute defenses to the charges of consumer deception and harm; in some states, if the behavior constitutes the unauthorized practice of law it is, per se, a deceptive practice.[166] If a bar association or a state attorney general brings enforcement proceedings, a provider may have to abandon doing business in a given state; a wave of class action lawsuits can force a provider into bankruptcy.

In at least one case, unauthorized practice of law class actions seem to have played at least a contributing role in the bankruptcy of an alternative provider of legal services. We The People sells legal forms to consumers from franchised storefront offices. The business model calls for the storefronts to only sell forms, and to provide no assistance beyond clerical help. Franchisees may be tempted to offer advice related to the forms that goes beyond the clerical into more substantive advice. Such a lower cost service could attract consumers with perceived "simple" legal problems away from licensed lawyers. We The People and its franchises did face a wave of class actions,[167] and this, along with business issues, seems to have contributed to its insolvency.[168]

Challenges brought by private lawyers seeking recovery for unauthorized practice of law generally involve services provided to individual consumers and small businesses. State at-

165. *Janson*, 802 F.Supp.2d at 1053.

166. *Id.* at 1060.

167. *See, e.g.*, *Press Release Sept. 25, 2007, California Advocates for Nursing Home Reform* (Sept. 25, 2007), http://www.canhr.org/newsroom/releases/2007/Press_Release20070925.html (California action targeting services provided to elders and brought by elder services attorney); *Smith Law Firm, The Smith Law Firm, LLC, reaches class-wide settlement in Jones, et al. v. Dollar Financial Corp.* (April 5, 2011), http://www.smithlawfirm.com/firm-news/2011/4/5/the-smith-law-firm-llc-reaches-class-wide-settlement-in-jone.html. *We The People and its franchisees also faced non-class litigation. See, e.g.*, Statewide Grievance Comm. v. Goldstein, 1996 WL 753092 (Conn. Super. Ct. 1996); In re Boettcher, 262 B.R. 94 (Bankr. N.D. Cal. 2001), *available at* http://www.canb.uscourts.gov/node/600 (fine, Suspension as Document preparer, and injunction against WTP franchisee Terry Mohr).

168. Richard Acello, *We the Pauper*, A.B.A. J. 24 (May 1, 2010), http://www.abajournal.com/magazine/article/we_the_pauper/ (explaining that consumer class actions is one factor in driving We The People legal forms chain into bankruptcy).

torneys general and private attorneys general are not filing, to the extent the reported cases reveal, class actions to protect Fortune 100 general counsel from the deceptive activities of legal process outsourcing firms. The actions target products and services aimed at individual consumers that would compete with the small firm and solo practice members of the bar.

As has long been noted, individual consumers have been conspicuously reluctant to express gratitude for the protection provided them by unauthorized practice enforcement.[169] Anecdotal and some empirical evidence suggest that, to the contrary, individuals and small businesses struggle and often fail to obtain legal services that meet their needs at an affordable price.[170] Class actions remove regulation of legal service innovations from contexts where non-lawyers might have a voice, and instead put it in a context where neither democratic pressures nor regulatory processes can serve as a counterweight.

The Supreme Court's recent holding in *AT&T Mobility v. Concepcion*[171] may curb these class actions. Some vendors of legal products such as LegalZoom have begun to incorporate *AT&T Mobility v. Concepcion* compliant arbitration clauses into their consumer contracts, and this can be expected to spread. It remains too early to say, however, that the door has closed on these lawsuits: *AT&T Mobility v. Concepcion* has proved controversial and is subject to future interpretation, and courts considering unauthorized practice of law class actions have shown themselves unusually eager to override on public policy grounds contractual provisions such as forum selection clauses.[172]

4. *De Facto Deregulation on the Corporate Side of the Market*

It overstates the case to claim that the market for legal services to corporations has become deregulated but such a claim appears to be closer to the truth than a claim that this side of the market currently faces substantial barriers to inno-

169. Rhode, *Professional Monopoly*, *supra* note 2, at 28-29.

170. *See* Deborah L. Rhode, *Access to Justice*, 69 Fordham L. Rev. 1785 (2001) [hereinafter Rhode, *Access to Justice*]

171. 131 S. Ct. 1740 (2011).

172. Janson v. LegalZoom.com, Inc., 727 F.Supp.2d 782, 787 (W.D.Mo. 2010) (refusing to apply forum selection clause in LegalZoom's online contract with consumer).

vation due to regulation. Three exceptions to the rules governing the unauthorized practice of law affect this side of the market: the cleansing of what would be unauthorized practice by the supervision of a lawyer, the ability to ship work out of U.S. jurisdictions, and the ability of "consultants" to offer law related services that do not claim to be the practice of law. Short of the barrister function of appearing live in U.S. court proceedings, there appears to be little non-lawyers do not do for U.S. corporations.[173]

Looking at what non-lawyers do for U.S. corporate law departments operating in the U.S. helps make the point clear. Corporate law departments, despite unauthorized practice of law provisions, can and do get help from non-lawyers to review the language of the form contracts they use in their U.S. business,[174] review and produce documents related to U.S. court litigation,[175] advise on litigation management and strategy,[176] put in place programs advising employees on how they should act to comply with U.S. laws,[177] and draft briefs and memoranda to be filed with U.S. courts.[178] In purchasing these services from non-lawyers, corporations can work with vendors following value chain as well as solution shop business models.

Those arguing that innovation on the corporate side of the legal services market has come too slowly should look for

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173. In some cases, LPO firms and consultants apparently also offer work alongside licensed, but lower status, lawyers such as contract lawyers, with the systems and processes from the LPO firms or consultants enhancing the ability of the lawyers to deliver acceptable work.

174. *Case Study*, INTEGREON (2011), http://www.integreon.com/phpapp/wordpress/wp-content/uploads/2011/05/Contract-Drafting-Modification-Global-Internet-Retailer-Integreon.pdf.

175. *Case Study*, INTEGREON (2011), http://www.integreon.com/phpapp/wordpress/wp-content/uploads/2011/05/Onshore-Document-Review-Top-10-Technology-Company-Integreon.pdf (replacing thirty law firms costing $60 million per year, and reducing cost to $15 million annually for similar levels of work).

176. *Ediscovery*, KROLL ONTRACK, www.krollontrack.com/e-discovery/ (last visited Oct. 30, 2012).

177. *See, e.g.*, *Legal and Regulatory Compliance Program Development and Monitoring*, DUFF & PHELPS, http://www.duffandphelps.com/services/legal_management/Pages/LegalandRegulatoryComplianceProgramDevelopmentandMonitoring.aspx (last visited Oct. 30, 2012).

178. L.A. Cnty. Bar Ass'n 75, *Op. 518: Ethical Considerations in Outsourcing of Legal Services* (2006), *available at* http://www.lacba.org/Files/LAL/Vol29No9/2317.pdf.

explanations beyond regulation. In-house lawyers have substantial leeway to obtain services from a diverse range of vendors. Some have; others lag. Disruptive innovation theory points to a cause other than regulation. To the extent adoption of disruptive change has been slow, the explanation might lie with habitual resources, processes and values that lock corporate counsel into established patterns. In-house law departments developed in partnership with outside law firms, hiring law firm alumni as counsel and assigning work back to those law firms. Law department resources, processes and values reflect that linkage, and are not as directly sensitive to market pressures as they would be if law departments were profit-driven entities. In a changing world, these patterns may no longer serve the best interests of the in-house legal departments or the companies they serve.

IV.
The Interaction of Legal Services Regulation and Disruptive Innovation Theory

Both the regulation of lawyers and the forces described by innovation theory impact innovation in the legal services market. The regulation of lawyers defines not a product, but a business model. This value configuration applies to all lawyers, even though the legal marketplace breaks into corporate and individual submarkets with very different clients with very distinct needs. Innovation theory teaches that incumbents—both the large law firms dominating the corporate market and the solo practitioners and small firms dominating the individual and small company side of the market—will welcome sustaining innovations but will not embrace disruptive innovations that do not fit their resources, processes and values.[179]

The impact of regulation must be considered in light of disruptive innovation theory's core insight – dominant legacy providers of products and services are not unwilling to pursue disruptive innovation; they are unable. The values, resources and processes of those organizations prevent them from adopting disruptive models. Moreover, the legacy providers

179. *See* Christensen, *supra* note 12, at 191-93.

are especially unable to move down market to smaller or less lucrative niches.[180]

To the extent that lawyers provide legal services, the innovations that take hold will be sustaining, rather than disruptive, innovations. Such innovations can benefit consumers. In Christensen's study of the disk drive industry, for example, the legacy providers were able to use sustaining innovation to increase quality and lower prices until the time they were driven from the market by the disruptive entrants.[181] In the same way, lawyers can leverage sustaining innovations to improve services or lower costs. The service provided, however, must by definition involve enough customized, solution shop components to comply with the regulatory environment, and hence remain a personalized service inherently resistant to transparent price competition.[182]

While the business model decreed by the regulatory structure applies to all lawyers, it does not apply to all vendors of legal services, and non-lawyer competitors have become important market participants. On the corporate side of the market, unauthorized practice of law has been less aggressively enforced, and appears to be less of a barrier to innovation than the market structure forces that generally circumscribe incumbents.

The rise of the general counsel's office has enabled innovation in the corporate legal services market. While general counsel are subject to their own resource, process and value restraints, in meeting those demands they are consumers who can mix and match vendors and products. If a "job" that needs doing by a corporate legal department can be better done by access to an automated database, by purchase of standardized products, or by the use of "good-enough" non-lawyers, corporate counsel can and have pursued those options. Innovative disruptors can find an entry into such a market.

On the individual side of the market, both regulation and market structure impede disruptive innovation. While lawyers

180. *See* Christensen & Raynor, *supra* note 19, at 35.

181. *See* Christensen, *supra* note 12, at 8-25.

182. For a detailed discussion of the challenges involved in providing limited scope services within the framework of practicing law, see Stephanie L. Kimbro, Limited Scope Legal Services: Unbundling and the Self Help Client (2012).

may use sustaining innovation to reduce costs and improve quality, they must necessarily provide solution shop answers. The popularity of class actions against alleged unauthorized practice of law violators has made the business risk related to unauthorized practice of law greater than ever before.

It remains clear that unauthorized practice of law enforcement has the capacity to deter innovation. In some cases, the impact is direct—the challenges brought against We The People seem to have accelerated the firm's bankruptcy. In other cases, the impact is indirect.[183] The potential for enforcement creates uncertainty that inhibits investment in methods of delivering legal services that might be prohibited as unauthorized practice of law. The potential for enforcement can also lead vendors to offer products that fall short of their technological potential in order to avoid charges of providing personalized services; businesses just outside the scope of unauthorized practice of law may avoid taking the logical next step that would make their products or services more desirable to consumers.

The impact of this on the individual side of the market, where unauthorized practice of law provisions retain substantial bite, can be significant. Evidence suggests there are masses of unserved and underserved legal consumers in the United States.[184] The lack of access to legal services impacts not just consumers but the court system itself.[185] Disruptive innovation theory teaches us that traditional solution shop providers cannot move down market to serve consumers. The new, disruptive vendors that might deliver services inferior to those delivered by lawyers—but better than nothing—will have to overcome unauthorized practice of law barriers in order to participate in the markets and reach these unserved and underserved consumers.

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183. *Legal Barriers*, *supra* note 1, at 1720-21.

184. *See* Rhode, *Access to Justice*, *supra note* 170, at 1785; Roger C. Cramton, *Delivery of Legal Services to Ordinary Americans*, 44 Case W. Res. L. Rev. 531, 541-44, 567 (1994); John T. Broderick Jr. & Ronald M. George, *A Nation of Do-It-Yourself Lawyers*, N.Y. Times, Jan. 1, 2010, *available at* http://www.nytimes.com/2010/01/02/opinion/02broderick.html.

185. *See* Drew A. Swank, *The Pro Se Phenomenon*, 19 BYU J. Pub. L. 373, 384 (2005).

V.
The State of Innovation in Legal Services: What Is Happening and What to Expect

We now turn to the state of innovation in the legal services market today, and what we can expect in the future. As shown, innovation will not be just a matter of technology. The laws regulating lawyers will surely play a role. Just as importantly, however, value configurations and market structures will confine the ability of incumbents to disruptively innovate. Looking at the near future of legal services allows us to show how these forces interact.

Regulatory requirements in the United States require many legal services to be delivered through the particular "solution shop" value configuration that helps define the practice of law. This reflects and also institutionalizes the historical solution shop model of professional firms, which means that many of today's incumbents will be locked into the solution shop model. Both the markets and the regulatory reality differ based on whether we are discussing the corporate or individual client submarkets. We treat the large corporate client marketplace as being significantly different from the individual client, small business marketplace.

One current question is whether the solution shop value configuration will survive as a significant part of the legal services solution mix. Susskind has projected that legal services innovation will occur along a continuum.[186] In his view, legal services will move from the traditional bespoke services model to, ultimately, commoditized products, as problems become routine and as technology allows more sophisticated and complex automated solutions.[187] Disruptive innovation theory and value configuration analysis teach us that, if this shift does occur, the players in the marketplace will very likely change.[188] Those processes, resources and values that make firms succeed

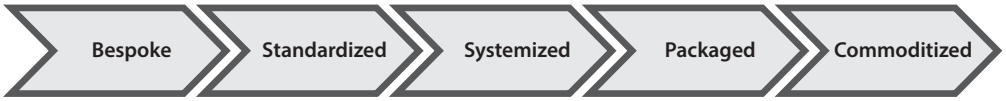
186. *See* Susskind, *supra* note 89, at 28-29.

187. *Id.*

188. This occurs as a function of the Resources, Processes and Values theory discussed above. Organizations evolve in a way optimized to perform a certain kind of task in a certain way, and are unlikely to be able to adapt to a new way of functioning, especially if the new way is down market or lower margin compared to their origins. See *supra* pp. 11-15 (discussing RPV theory).

at bespoke services will set them up to fail in a world of low cost commoditized products. Law firms, like other incumbents faced with disruptive change in the structure of a market, will find it difficult to move downstream in the value chain.[189]

Richard Susskind - Legal Services Evolution



Christensen, Stabell and Fjeldstad suggest, however, that the change will not be as total as Susskind's chart suggests. Susskind is surely right when he suggests that not all legal services will be delivered through "bespoke" or solution shop models, and that services that are now custom can be delivered as standardized commodities. It would be an unusual market, however, that ends up in a place where all vendors operate from the value chain configuration that delivers commoditized product and services. Networks (as Susskind recognizes elsewhere) will likely become increasingly important parts of the mix, and solution shops will remain important for complex problems. Innovation will more likely take the form of more business models and value configurations entering the mix.

As the transition toward a different mix of value configurations proceeds, law firms that offer standardized products as marketing tools should not be confused with those few rare firms that might try to pursue new business models. If a law firm publishes a periodic newsletter or circulates white papers on significant cases to clients and potential clients, that does not mean that they are considering a shift to a publishing business model. Rather, they are hoping to market their solution shop services to those who are impressed by the content of the free publications. Similarly, if a law firm offers a free online term sheet generator, that should not be misread to suggest that the firm is moving to online delivery of standardized products.[190] Rather, just as with print or email newsletters, the firm most likely is marketing its solution shop products.

189. INNOVATOR'S DILEMMA, *supra* note 12, at 248 ("[W]ell managed companies are generally upwardly mobile and downwardly immobile . . . .").

190. Susskind seems at times to hope that firms that offer such products are moving to selling automated and commoditized products rather than

Regulation will also play a role in which innovative ideas can succeed.[191] In a world where class action attorneys stand ready to enforce unauthorized practice of law rules against would-be innovators, not every innovation that could succeed in an unregulated market will survive. The regulatory hand seems likely to be heavier where individuals and small consumers are involved. In the corporate setting, the ability to work with attorney oversight and to change jurisdictions has and will continue to make regulatory barriers less effective.

The matrix below sets forth the possible generic value configurations and target markets for legal services. On the market side, the matrix distinguishes between large corporate customers on the one hand, and small businesses and individuals on the other. On the value configuration side, the matrix tracks the three generic value configurations developed by Stabell and Fjeldstad and used by Christensen—solution shops, value chains, and networks. I list for illustrative purposes an example of at least one possible innovation in each cell of the matrix.

	Solution Shop	**Value Chains**	**Network**
Individual or Small Business Client	Automated Document Assembly Paraprofessionals	Legal Document Assembly (e.g., LegalZoom.com)	Peer Support Groups
Corporate Client	Alternative Billing Legal Consultants	Legal Process Outsourcing	GC Peer Support networks – ACCA, LegalOnRamp

A. *Solution Shop – Small Client*

Lawyers have claimed the solution shop value configuration as their own. Private and public attorneys general have been very solicitous about protecting individual consumers from solution shop models that do not conform to the prac-

customized services. *See* SUSSKIND, *supra* note 89, at 29. But, Kobayashi and Ribstein note that the automated service sometimes serves as a marketing tool to sell traditional legal services. *See* Bruce H. Kobayashi and Larry E. Ribstein, *Law's Information Revolution*, 53 ARIZ. L. REV. 1169, 1196 (2011) ("Bundling" automated services in order to sell traditional legal services). For an example of this kind of marketing, see WILSON SONSINI GOODRICH & ROSATI, http://www.wsgr.com/WSGR/Display.aspx?SectionName=practice/termsheet.htm (last visited Sept. 8, 2012).

191. *Legal Barriers*, *supra* note 1, at 1729.

tice of law requirements. Innovators offer services in this cell of the matrix at their peril. At the same time, innovations can impact how lawyers price and deliver their services.

1. *Automated Document Assembly Back Ends*

Automated document assembly can be a sustaining innovation if it is used to make the delivery of services by lawyers better and more efficient. In the alternative, taken to its potential it can be a disruptive technology.[192] For the general small firm lawyers that inhabit this cell, automated document assembly can help accelerate their delivery of services, and can even help ensure that the documents they provide are correctly drawn and compliant with the most recent changes in the law.

Small firm generalist lawyers face a nearly impossible task in staying current on legal requirements across a variety of fields. To serve clients properly, they must take into account complex new statutes that were not part of their law school curriculum and deliver advice and documents that comply with the most recent changes in the law. At the same time, they bring to the task diagnostic skills that are lacking in current automated document assembly services, helping to make sure that the clients are getting the right kind of form for their needs.

Automated document assembly services (and related decision tree software that helps ensure all the bases are touched in diagnosing issues) can be a sustaining technology in such a setting. It is not hard to see a world where small firm lawyers routinely subscribe to inexpensive document assembly services along the lines of what is now offered by LegalZoom. As was true with franchise law firm clients unaware that their supposed lawyer-drawn will was actually being created by a secretary using boilerplate forms, the client may not be aware that the scrivener has a silicon brain.[193] Due to efficiencies of scale, the firm providing the document assembly service can afford

192. *See* Darryl R. Mountain, *Disrupting Conventional Law Firm Business Models Using Document Assembly*, 15 INT'L J.L. & INFO. TECH. 170 (2007) (arguing that document assembly will be a disruptive innovation).

193. See VAN HOY, *supra* note 141, at 74. *See, e.g.*, Jerry Van Hoy, *Selling and Processing Law: Legal Work at Franchise Law Firms*, 29 L. & SOC'Y REV. 703, 727 (1995) (describing a staff attorney misleading clients, so as to conceal the automated production process of their simple will).

to hire specialists to stay current on developments in the law, modifying the form documents as needed and spreading the cost across many users.

Some firms have gone beyond virtual secretaries to online law offices providing what are, in fact, computer-assembled documents. Firms such as DirectLaw and products such as the VirtualLawOffice offering of TotalAttorneys provide lawyers with sophisticated document assembly services they can offer online. Attorneys can then review the product created by the software after input and subsequently deal with the client. There are numerous ethical rules implicated by such systems, all beyond the scope of this article and most quite solvable.[194] However, the geographical restrictions on the practice of law[195] create a mismatch between the borderless marketing potential of the Internet and the practitioner's authorized zone of practice. Only time will tell if this burdens the model too much for economic efficiency to be achieved.

If such practice-enhancing software takes hold and becomes sufficiently sophisticated, it could even become a disruptive innovation with regard to large and medium sized firms currently occupying a higher rung than small firm lawyers. To the extent the software can help guarantee that appropriate documents are produced, smaller firm or in-house lawyers can offer good enough services to companies that currently are paying more than they would like to retain specialists. The larger firms could be forced to retreat up market to areas the software does not serve.

2. *Paraprofessionals*

As a response to a lack of access to lawyers that has left some communities woefully underserved, some scholars have proposed allowing paraprofessionals to offer some legal services in defined areas.[196] A question arises: will these

194. *See generally* Mountain, *supra* note 192 (describing the disruptive effects of automated document assembly systems).

195. MODEL RULES OF PROF'L CONDUCT R. 5.5 (2012).

196. *See, e.g.*, Deborah L. Rhode, *The Delivery of Legal Services by Non-Lawyers*, 4 GEO. J. LEGAL ETHICS 209, 229-30 (1990); COMM'N ON NONLAWYER PRACTICE, A.B.A., NONLAWYER ACTIVITY IN LAW-RELATED SITUATIONS (1995); *Report of the Working Group on the Use of Nonlawyers*, 67 FORDHAM L. REV. 1813, 1816 (1999); Alex J. Hurder, *Nonlawyer Legal Assistance and Access to Justice*, 67 FORDHAM L. REV. 2241, 2241 (1999); Denckla, *supra* note 150, at 2599. *See*

paraprofessionals possess sufficient intensive technology to deliver reliable and valuable services to clients? While unauthorized practice of law provisions as applied are neither necessary nor sufficient to protect the public,[197] it does not necessarily follow that protectionism is the only justification for unauthorized practice of law enforcement. The solution shop model depends on an information asymmetry between the vendor and the consumer, and on the vendor having access to an intensive technology not readily available to the consumer. This is not an artifact of regulation, but related to developing a sustainable value proposition. The laws licensing lawyers have a rational if imperfect relationship to assuring that those offering solution shop services in the legal services market have the information advantages and command of the intensive technology that the model assumes.

The challenge, as yet unsolved, for paraprofessionals in the legal field is defining and perhaps expanding the zone in which they do possess an information advantage that would sustain a value proposition. The organized bar has opposed efforts to train paraprofessionals who could solve simple problems.[198] Some states allow nonprofessionals[199] or paraprofessionals[200] to provide help in the clerical aspects of filling out forms, but this provides a very constrained ambit. When such vendors go beyond clerical aid, perhaps in response to consumer desire, to advise on which form to use or which answers might work best, a real risk arises that they do not possess the necessary asymmetric knowledge to be helpful.[201] More to the point, regulators and private attorneys have

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generally Nathan M. Crystal, *Core Values: False and True*, 70 FORDHAM L. REV. 747, 764-65 (2001) (recounting work of ABA Commission on Nonlawyer Practice and noting the ABA's subsequent disregard of the committee's recommendations).

197. *See generally*, Rhode, *Professional Monopoly*, *supra* note 2 (offering a critical view of the ABA's current monopoly over the practice of law).

198. *See* Rhode, *Access to Justice*, *supra* note *170*, at 79-91.

199. Dressel v. Ameribank, 664 N.W.2d 151, 157 (Mich. 2003) ("In general, the completion of standard legal forms that are available to the public does not constitute the practice of law.").

200. *See, e.g.*, CAL. BUS. & PROF. CODE § 6400 (West 2003).

201. Some of the enforcement actions against We The People franchises suggest that those asserting the chain could harm consumers could at least point to anecdotal evidence. *See* Thomas v. State, 226 S.W.3d 697 (Tex. App. 2007).

been quick to enforce unauthorized practice of law provisions in such settings.

One solution would be licensing and training paraprofessionals competent to handle specific tasks, such as transferring title or assisting in uncontested divorce proceedings.[202] Providing a sufficient asymmetric skill base in well-defined areas can be done with far less expense than providing a full legal education. Some states have taken limited steps toward this kind of licensing.[203] Such paraprofessionals could provide solution shop models in areas where they have expertise, much as nurse practitioners or midwives provide services in the medical arena. Their ability to deliver valuable services could be enhanced by technology that provides appropriate documents or helps to channel interactions. To the extent enforcement against those providing services to individuals remains a threat, however, this is only likely to happen in the wake of clearly defined regulatory change.

B. *Solution Shop – Corporate Client*

Large law firms offer solution shop services. The rise of the general counsel's office has pressured them to change the kinds of services they provide, moving increasingly to specialization so as to offer services of value to clients who are themselves lawyers. Disruptive innovation theory suggests they will not easily switch from the solution shop value configuration to another configuration. Stuck in that configuration, they have been and will increasingly be impacted by the entry of new vendors of legal services.

These new vendors put pressure on the big firms. Disintermediation and competition from value chain vendors have stripped away sources of revenue without alleviating the pressure to maintain high profits per partner so that the firm does not disintegrate. To remain strong, these firms must continue to develop expertise in areas not yet appropriate for commoditization and where in-house departments do not have the depth of experience to develop comparable exper-

202. *See* Rhode, *Professional Monopoly*, *supra* note 2, at 98.

203. For example, in some states the legal aspects of real estate closings can be handled by non-lawyers licensed to perform just that task.

tise.[204] Value configuration analysis suggests the path forward for large law firms involves what amounts to a specialization arms race, with large firms seeking to develop and market asymmetric expertise in specialized areas of law, and necessarily moving on to new areas of specialization as older areas become commoditized. Cutting-edge practice groups will be mobile and desirable, while groups with devalued specialties will become disposable. Managing careers and firms in such a setting will pose substantial challenges.

Large firms are not the only players, however, in providing solution shop services to corporate clients. Recent years have seen franchise level lawyers depart large firms to create new firms with alternative billing and organizational models. Non-lawyers have also begun openly offering legally rich solution shop services while disclaiming professional status or obligations.

1. *Alternative Billing Structures*

There are two ways to look at alternative and flat fee pricing: flat and alternative fees simply shift the risk for runaway engagements to the law firm, or they require law firms to redesign their business model and processes for delivering services. If it is the former, the impact on innovation will be small. Law firms that engage in alternative pricing must become acutely skilled at forecasting costs, and must develop contractual structures that allow some room for adjusting for the unexpectable. Aside from how they price, the basic solution shop model for delivering value will remain in place.

With the second option more interesting questions arise. To prosper, alternative billing shops must deliver compensation to mobile partners that matches or exceeds that of traditional firms. Such firms must develop resources, processes and values consistent with the new billing structure.

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204. It would be premature to conclude that some large law firms cannot meet this challenge. Law firm specialty groups lead naturally to communities of practice that allow them to develop levels of expertise hard to duplicate in other settings. *See generally* ETIENNE WENGER, RICHARD MCDERMOTT & WILLIAM M. SNYDER, CULTIVATING COMMUNITIES OF PRACTICE (2002). While "generic" big law firms will face problems, those with sufficient intensive technologies to meet the solution shop value configuration should still find clients in a legally complex world. In a world of hyper-specialization, however, the skills needed to avoid commoditization must constantly change.

Evidence exists that some of these new structure firms are doing just that. Bartlit Beck Herman Palenchar & Scott LLP, for example, boasts of its "diamond" structure in contrast to the leveraged "pyramid" of the traditional hourly fee firm.[205] Bartlit Beck hires fewer associates, suffers lower attrition, and staffs cases with more experienced lawyers. In order to do this, Bartlit Beck sends some commoditizable work out to other, lower cost law firms or to legal process outsourcers. Bartlit Beck's resources, processes and values make it easier for them to incorporate inputs from different value configurations, even as they deliver a solution shop service.[206]

Traditionally structured law firms will face challenges in offering flat rates. Their business model has been built on leveraging the "inventory" of non-partner hours. Shifting to other profit models will require a reconfiguring of resources, processes and values that disruptive innovation theory suggests rarely occur within dominant legacy providers.

The disruptive potential of these firms remains to be seen. Other firms have joined Bartlit Beck in pursuing alternative billing and firm structure models,[207] but most firms continue to default to hourly billing. At present, alternative firms appear to price in the shadow of hourly fees, committing to fees that are valued in comparison to traditional hourly packages. Wider adoption of this model may depend not just on law firms reinventing their resources, process and value configurations, but on their clients rebuilding their RPV structures to work with these new vendors. For this restructuring to happen,

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205. *See Nicholas Varchaver, Diamonds Are This Firm's Best Friend, The American Lawyer (Dec. 1995), available at* http://www.bartlit-beck.com/about-news-122.html; *Outcome-Driven Fees in High Stakes Litigation . . . Bartlit Beck's Alternative Approach, Association of Corporate Counsel (Sept. 2009), available at http://www.acc.com/legalresources/resource.cfm?show=743837.*

206. *See* Varchaver, *supra* note 205. The rapid collapse of AmLaw 100 firm Howrey & Simon led to a discussion of whether the firm's embrace of alternative billing options led to its demise. In the case of Howrey & Simon, the use of alternative billing methods was not accompanied by a change in firm structure or revamping of the firm's resources, values and processes. *See* Jay Shepherd, *Alternative Fees Kill Major Law Firm. Or Not*, CLIENT REVOLUTION (Mar. 10, 2011), http://www.clientrevolution.com/2011/03/alternative-fees-kill-major-law-firm-or-not.html.

207. Examples include,Valorem Law Group (former big firm lawyers in Chicago), MoloLamke (former big firm partners in New York), and Boies Schiller (former big firm lawyers in New York).

new kinds of in-house law departments will have to arise, with resources not limited by the paradigm of an in-house law firm, with processes that reach beyond managing hourly work, and with values that shift away from implicit alignments with prestigious law firms to a new sense of what matters.

2. *Legal Consultants*

While academics and the organized bar debated whether lawyers could practice law as lawyers in multidisciplinary practices,[208] an interesting thing happened—lawyers and non-lawyers began dispensing legal services from multidisciplinary firms in the guise of consulting services.[209] Disclaiming any intent to practice law, legal consultants nonetheless operate in a legally infused space. Not all legal consultants offer services equivalent to those offered by practicing lawyers—on the litigation side, for example, they may emphasize preparing demonstrative evidence, preparing expert testimony, or managing electronic discovery. Over time, however, the services offered can broaden. At times, based on their promotional materials and case studies, some services seem indistinguishable from practicing law.[210]

Operating as consultants, rather than as lawyers, frees lawyers from many[211] of the rules that govern legal practice.[212]

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208. *See, e.g.*, Thomas R. Andrews, *Nonlawyers in the Business of Law: Does the One Who Has the Gold Really Make the Rules?*, 40 HASTINGS L.J. 577 (1989); Bruce A. Green, *The Disciplinary Restrictions on Multidisciplinary Practice: Their Derivation, Their Development, and Some Implications for the Core Values Debate*, 84 MINN. L. REV. 1115 (2000); Thomas D. Morgan, *Toward Abandoning Organized Professionalism*, 30 HOFSTRA L. REV. 947 (2002); Paul D. Paton, *Multidisciplinary Practice Redux: Globalization, Core Values, and Reviving the MDP Debate in America*, 78 FORDHAM L. REV. 2193 (2010).

209. *See generally* Rostain, *supra* note 147.

210. *See, e.g.*, http://208.71.239.82/services/ifai/litigation_consulting/ (last accessed May 24, 2011).

211. But this does not free them from all rules, so long as they wish to remain licensed lawyers. Rule 8.4 applies, for example, to conduct not related to legal representations, and could apply if a lawyer operating as a consultant engaged in deception. MODEL RULES OF PROF'L CONDUCT R. 8.4(c) (forbidding "conduct involving dishonesty, fraud, deceit, or misrepresentation").

212. *See* John Leubsdorf, *Legal Ethics Falls Apart*, 57 BUFFALO L. REV. 959, 1042 (2009) ("To the extent that 'law consultants,' not subject to professional rules or benefiting from the lawyer-client privilege but able to offer 'one stop shopping,' compete successfully with traditional law firms, legal

Some partner with experts from other disciplines, delivering solution shop services that go beyond law. Many of these consultants incorporate software platforms or routinized processes in their services, but deliver in the end what often seem to be solution shop services.[213]

The most interesting aspect of these legally infused consultants is that they seem to have drawn little regulatory attention. In part, this could be because their corporate clients are sophisticated players who neither need nor want to be "protected" in a way that interferes with their choice.[214] In other areas, however, merely disclaiming an intent to "practice law," has not sufficed to end inquiries, and the organized bar proved resolute in opposing multidisciplinary practice innovations that would have created organizations similar to these consulting shops. Whether these consultants continue to expand their footprint will tell much about the risk of unauthorized practice of law enforcement against innovators in the corporate half of the market.

C. *Value Chain – Individual Client*

Documents assembled by computer without human interaction fit neatly into the disruptive innovation model. As products, at present levels of technology they are inferior to similar documents created or even reviewed by a competent lawyer. The most substantial defect has to do with diagnostics—consumers have difficulty knowing if the product they have purchased is indeed the right product for them.[215] Automated document assembly currently has limited ability to address the diagnostic function. Consumers can purchase a document that, on its face, has been properly prepared, without really

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ethics will tend to become optional. Clients will have a choice whether it is worth its costs, and lawyers will find themselves switching in and out of professional rules as they change jobs.").

213. For example, Kroll Ontrack provides a technological platform but also provides consultative advice. *See* KROLL ONTRACK, http://www.krollontrack.co.uk/litigation-readiness (last visited Sept. 8, 2012) (discussing litigation and consulting services).

214. Rostain, *supra* note 147, at 1425 (noting that while corporate clients are viewed as being to take care of themselves, the use of non-lawyers can have implications for the protection of third parties).

215. Other defects would include the lack of attorney client privilege and an "insurance" element comparable to the right to sue for malpractice.

knowing if it is the right kind of document for their personalized needs. At the same time, for most consumers with limited assets and simple goals a computer-assembled will, for example, is not just a superior product to no will at all but probably all the will that is needed. The combination of being less expensive and initially inferior positions automated document assembly as a classic disruptive product targeting unserved consumers.

Over time, as computers grow faster, decision tree software grows more refined, and experience helps show where recurrent problems arise, the product can become better and the ability to target the product to individual needs can improve. As the products get better, they can move up the value chain and challenge for more and more of the legal marketplace.

Computer-assembled documents, at least according to the claims of the vendors, do not involve the practice of law.[216] This gives the vendors certain marketplace advantages over licensed lawyers. They do not need to track conflicts, for example, nor need they be cognizant of state borders when providing products.

Many vendors are now offering automated document assembly products directly to consumers. The best known, LegalZoom, claims a customer base in the millions.[217] Based on strong customer response, LegalZoom has been able to attract the support of first tier venture capital firms and is poised for a public offering.

The organized bar has expressed some concern that LegalZoom's model—which currently involves a "clerical" review of the finished documents by a human—constitutes the unauthorized practice of law.[218] State bars have not, however,

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216. Courts and regulators do not always agree with this assessment, even when there is no human intervention. *See, e.g.*, *In re* Reynoso, 477 F.3d 1117 (9th Cir. 2007) (holding that computer software that prepared bankruptcy petitions violated unauthorized practice of law and bankruptcy petition preparer rules where, among other misstatements, website misrepresented to consumers that use of the software would allow them to hide bankruptcy from credit agencies).

217. *Why LegalZoom?*, LegalZoom, http://www.legalzoom.com/about-us/why-legalzoom (last visited Sept. 4, 2012).

218. Pennsylvania issued a formal opinion on the matter without hearing or soliciting input from LegalZoom. *See* Unauthorized Practice of Law Com-

filed suits that have led to LegalZoom being prohibited from doing business in their states.

A more aggressive effort has come from the private attorneys general who have taken upon themselves the burden of enforcing the unauthorized practice of law regulations. Actions have been filed in several states, and a class was certified and set for trial in Missouri. Prior to the settlement of the case, potential damages and litigation expenses looked to be substantial in Missouri, and represented potential costs that could drive a less richly funded innovator from the market.[219]

As a technology, automated document assembly looks sure to alter the legal services marketplace. The live question is whether lawyers must mediate between the machine and the client. At present, automated document assembly looks like an example of where unauthorized practice of law regulations could stifle innovation that would benefit consumers. LegalZoom and its competitors do not need to be driven from the market for consumers to suffer; if such companies choose to "dumb down" potential technological improvements that would improve customization and diagnostics in order to avoid legal challenges, consumers will have less choice. Time will tell whether regulatory barriers will block such companies

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mittee, *Formal Opinion 2010-01*, PA. BAR ASS'N, (Mar. 10, 2010), http://www.pabar.org/public/committees/unautpra/Opinions/2010-01LglDocumentPreparation.pdf (last accessed Oct. 16, 2012) (asserting that LegalZoom engaged in the unauthorized practice of law in Pennsylvania). North Carolina has also issued a letter of caution stating that creating papers for incorporation of businesses constituted the practice of law. Neither state, to date, has sought an injunction or otherwise taken action to block LegalZoom from operations in the state. For LegalZoom's responses to these actions, see Letter from Charles Rampenthal, Vice President and General Counsel, LegalZoom, to Gretchen Mundorff, President, Pa. Bar Ass'n (Sept. 29, 2010) (available at http://www.legalzoom.com/perspectives/legalzoom-responds-pennsylvania-upl) (discussing response) and *LegalZoom Serves North Carolina: High Quality, Affordable Legal Documents Remain an Option For North Carolina Consumers*, LEGALZOOM.COM, http://www.legalzoom.com/perspectives/legalzoom-serves-north-carolina-high (last visited Sept. 4, 2012) (same).

219. The putative class contained "at least 14,000" members, and damages could be trebled under the applicable Missouri law. Janson v. LegalZoom.com, Inc., 271 F.R.D. 506, 509, 510 (W.D.Mo. 2010). Conservatively assuming an average purchase of $100, that would put potential damages somewhere over $4 million. No information is available on litigation costs, but certified class actions are typically defended vigorously.

from marching up the value chain in a way that could disrupt the incumbent firms offering higher priced services to their potential customers.

D. *Value Chain – Corporate Client*

On the corporate side, LPO represents a value chain approach to legal services. LPO firms take on routinized and low value work, and handle it with attention to auditable processes. As with most value chain models, close attention is paid to driving down the cost element of the service.[220] Because LPO services can and will be delivered under the supervision of a licensed attorney to the corporate market, they have little to fear from unauthorized practice of law regulation.

LPO has arrived and promises to be disruptive at several levels for the currently dominant large law firms.[221] By stripping off work that historically was done by associates, they take away leveraged associate revenues that have been an important part of large firm profits.[222] To the extent they tempt major firms into competing with firm-branded low cost offerings provided by less elite lawyers, they can help to undermine the brand mystique that is essential to marketing high end solution shop services. Once entrenched in relationships with general counsels, LPOs can begin the march up the legal services

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220. Reducing costs has been a driver of client and firm use of outsourcers. Milton C. Regan, Jr. & Palmer T. Heenan, *Supply Chains and Porous Boundaries: The Disaggregation of Legal Services*, 78 FORDHAM L. REV. 2137, 2177-78 (2010). Predictably, this in turn puts pressure on outsourcers to keep costs low.

221. *See Innovators at the Barricades*, ADAM SMITH ESQ. BLOG (July 19, 2010), http://www.adamsmithesq.com/2010/07/innovators_at_the_barricades/ http://www.google.com.hk/url?sa=t&rct=j&q=adam+smith+innovators+at+the+barricades; *Will Legal Outsourcing Drive Large Law Firm Innovation?*, PRISM LEGAL BLOG (July 29, 2010), http://www.prismlegal.com/wordpress/index.php?p=1076&c=1http://www.prismlegal.com/wordpress/b2trackback.php/10. For more on LPOs, see Laurel S. Terry, *The Legal World Is Flat: Globalization and Its Effect on Lawyers Practicing in Non-Global Law Firms,* 28 NW. J. INT'L L. & BUS. 527 (2008) [hereinafter Terry, *The Legal World]*.

222. The work includes not just document review, but contract drafting and modification. *Case Study*, Integreon (2012), http://www.integreon.com/phpapp/wordpress/wp-content/uploads/2011/05/Contract-Drafting-Global-Technology-Company-Integreon.pdf.

Contract Drafting and Modifications for a Global Tech Company.

value chain that ultimately results in the demise of incumbents.

LPO firms originally based their value proposition on labor arbitrage—equally talented and diligent lawyers are available at far lower prices overseas or in smaller markets.[223] That has already begun to change. Able to access the capital markets and with a secure and growing customer base, LPO firms will develop software and proprietary processes that will differentiate them from each other and from law firms. LPO firms will evolve to offer not just sufficiently equivalent services at lower prices, but new types of services and higher quality services.

Disruptive innovation theory teaches us to expect this shift, and to expect the current dominant players in the space—the large multinational firms—to retreat up the value chain as the LPO firms take markets away from below. At present, the generic work of massive document productions and reviews on commoditized cases are being ceded to the LPOs. To a lesser degree, LPOs have moved into legal research and drafting legal documents. In the future, still putatively working under the supervision of attorneys, the LPO firms will move up the value chain, offering higher value legal research and drafting, higher value legal document creation, advice on litigation and corporate transactions, and services designed to prevent the occurrence of future legal problems.

The LPO firms are better positioned than law firms to invest in technology and more robust business processes. Law firms divert earnings from partners at their peril, since such diverting income from current distributions can easily lead to the departure of the firm's most marketable talent. Software development also draws on expertise, both in technology and in business processes, that law firms typically do not hold. At present, LPO software presents digitized versions of documents for coding by category. Already, this software is evolving with greater embedded intelligence, improving accuracy and requiring less human intervention. Over time, the pattern recognition abilities of this software will improve, and not just in

223. Terry, *The Legal World*, *supra* note 221, at 537 (noting that lawyers from India are generally paid much less than $10,000 annually, versus $30 an hour for U.S. contract lawyers and $160,000 for first year big firm associates).

ways that help manage the individual litigation or corporate matter. The software will help identify documents, individuals and even ad hoc collections of individuals that have been associated with problems.[224]

Imagine, for example, an LPO firm that reviews a massive set of documents in connection with a corporate acquisition, either for due diligence or antitrust review. Software can analyze the changing networks of contacts and the timing of communications in ways that can help reveal potential legal problems. Regression algorithms can identify patterns not readily visible to human document reviewers—such as identifying extended networks of individuals or comparing how frequently certain terms are used.[225]

Look also for software development on the legal research and document creation side. As LPOs handle an increasing volume of legal research and drafting tasks, they can invest in proprietary document assembly software as well as data mining. A properly funded LPO could track, for example, not just the reported decisions, but filings in cases that later settle. Again, regression analysis will enable patterns to emerge that will escape even attentive lawyers.[226]

LPO firms will also develop proprietary business processes. Law schools do not teach business process management, and law firms can only teach the version of law process management that they use, a version inevitably tied to their solution shop business model. LPOs can invest in investigating and implementing business processes better designed to deliver lower costs and higher quality. Performing the same dis-

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224. The release into the public domain of a massive dataset of emails from Enron has spawned much research into analyzing such files with artificial intelligence. *See, e.g.*, Bob Brown, *Researcher: Email Wording a Dead Giveaway of Who's the Boss*, PCWorld.com (Feb. 14, 2012, 6:00 PM), http://www.pcworld.com/businesscenter/article/249982/researcher_email_wording_a_dead_giveaway_of_whos_the_boss.html.

225. For an introduction to regression analysis, see Alan O. Sykes, An Introduction to Regression Analysis, 1992 Coase Lecture (Dec.1, 1992), *available at* http://www.law.uchicago.edu/node/1309. For an example of regression analysis used against a large email dataset to determine factors such as relative hierarchy, see Eric Gilbert, *Phrases That Signal Workplace Hierarchy* (2012), http://comp.social.gatech.edu/papers/cscw12.hierarchy.gilbert.pdf.

226. *See* George S. Geis, *Automating Contract Law*, 83 N.Y.U. L. Rev. 450 (2008).

aggregated tasks over and over, they can track how well processes have performed, and in an iterative and planned manner develop better and better processes.

One might ask why, with the rise of LPO firms being so foreseeable, major law firms do not simply pursue the same strategies. Disruptive innovation theory provides the answer. Even aside from restraints imposed by regulation, law firms are captives of their resources, processes and values. The current big law firm model resists migration from a solution shop value configuration to a value adding processes model. Successful companies, even with plenty of capital, typically do not divert that capital to pursuing less profitable markets than the ones they currently dominate.[227]

The possibility remains for a law firm to establish a captive or affiliate LPO, much as IBM spun out its personal computer project to a separate division at a separate location. Some law firms have set up onshore or offshore LPO subsidiaries; most have not.[228] With the leading LPO firms already having achieved scale and having obtained substantial investment capital,[229] the date may have passed when law firms not already up the curve could make a serious run at being a player in the LPO market. Once expertise has been developed, new entrants can have great difficulty displacing the established contenders, and in the LPO value chain space the established players are the LPO firms. That is especially true when the new entrants have less access to investment capital, higher cost structures, and lack essential skills.

At some point, the LPO firms may find that to finish their move up the value chain and fully leverage their assets they

227. CHRISTENSEN, *supra* note 12, at 89.

228. For example, the Minneapolis based patent firm of Schwegman, Lundberg, Woessner & Kluth established a captive LPO subsidiary. *See* Julie Foster, *Law Firm Cuts Rates By Outsourcing To India*, ST. PAUL PIONEER PRESS, Mar. 3, 2004, *available at* http://www.bearcave.com/misl/misl_other/legal_outsourcing.html.

229. *See, e.g.*, Press Release, Integreon, Actis Invests US$50 Million in Integreon, (Feb. 16, 2010) *available at* http://www.integreon.com/blog/2010/02/actis-invests-us50-million-in-integreon.html; Gavriel Hollander, *Lyceum Capital Injects £25m into LPO Start-up*, THELAWYER.COM (Nov. 19, 2009), http://www.thelawyer.com/lyceum-capital-injects-%C2%A325m-into-lpo-start-up/1002669.article; Daniel Schäfer, *ICG Starts Disposal Process for CPA Global*, FINANCIAL TIMES (Dec. 5, 2011, 9:08 PM), http://www.ft.com/intl/cms/s/0/f9ee6a68-1f65-11e1-9916-00144feabdc0.html#axzz1oRGJUKyn.

will need to hire lawyers of the type now found principally at the Magic Circle and leading U.S. firms to provide a solution shop option. That will be no problem. If there is one thing the current market shows us, talented lawyers at big firms are willing to switch employers on short notice if the pay is right.[230]

E. *Network – Individual Client*

Network business models draw their value from the connections made in the network. In the medical arena, patients with chronic diseases join together at social networking websites such as PatientsLikeMe.com or CarePlace.com. From their peers, they learn techniques and responses that help them deal with their disease. They can seek help either through the named disease or the symptoms they suffer from.

In theory, such websites could also serve a useful purpose in the legal arena. However, a host of legal issues beyond the scope of this article, such as confidentiality and waiver, could arise. Furthermore, to the extent lay people engage in too much mutual help, a problem relevant to this article could arise—the participants, and the site, could be deemed to be engaged in the unauthorized practice of law. This, again, is an example of a situation on the consumer side where unauthorized practice of law provisions could block a potentially useful innovation.

F. *Network – Corporate Client*

In the corporate sector, peer-to-peer networking sites could offer similar benefits. Some such sites have arisen—back in the 1990s, CounselConnect brought together in-house lawyers in private forums. Today, LegalOnRamp.com seeks to build a community centered on corporate counsel, while the American Corporate Counsel Association offers its private members web resources such as law firm ratings.

The issue on the corporate side will not be unauthorized practice of law, and one need not fear that sophisticated corporate counsel will be unmindful of issues such as confidentiality and privilege. Here, the issue goes right to the nature of

230. *See* Bernard A. Burk & David McGowan, *Big But Brittle: Economic Perspectives On The Future Of The Law Firm In The New Economy*, 2011 COLUM. BUS. L. REV. 1, 15 (2011).

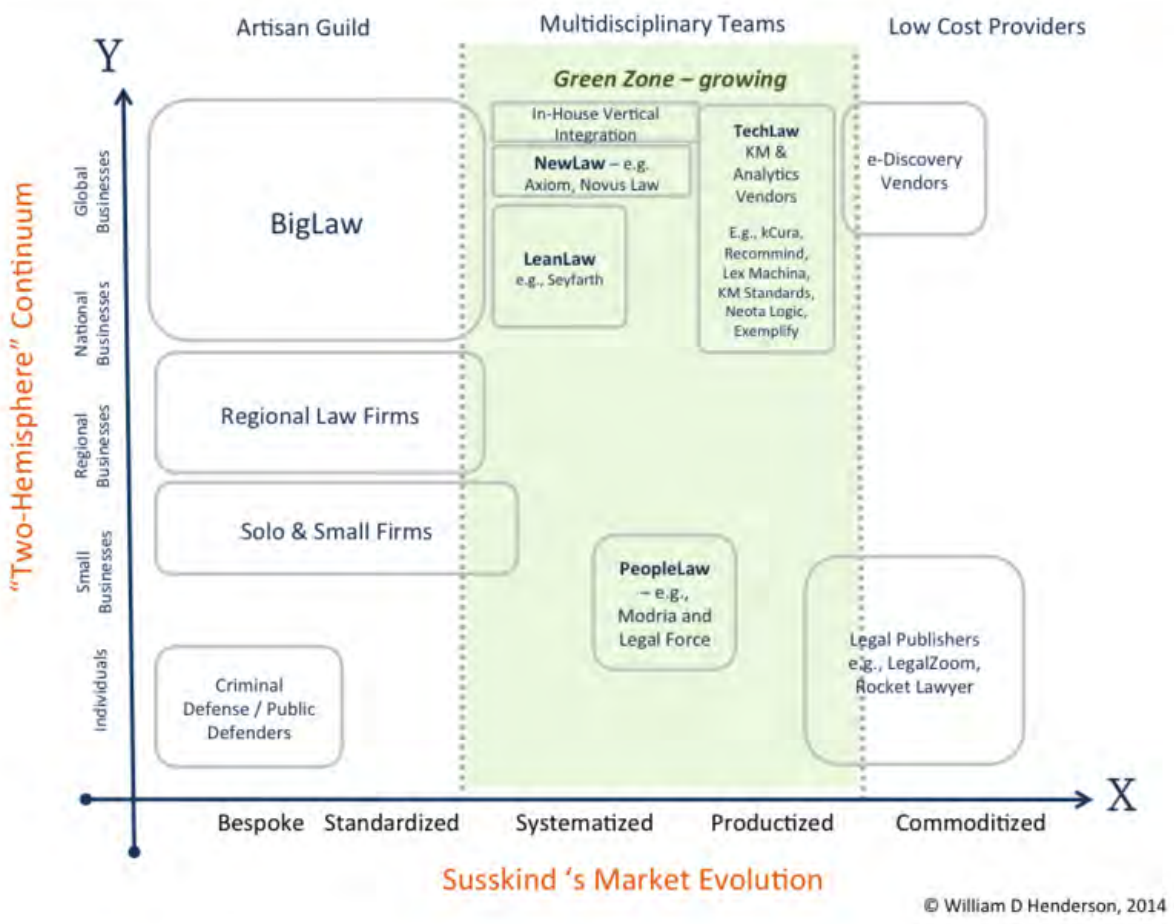
the business model. Networks are only as valuable as their membership. The site must exclude undesirable members while persuading desirable members to participate actively. Given that corporate counsel time is a scarce and valuable resource, getting the networks to sufficient density to be useful has proved a vexing problem. In part, growing these networks to critical mass may depend on sufficient in-house departments developing new resource, process and value configurations to see such networks as meeting core needs.

VI.
Conclusion

Those who would reform and bring innovation to legal services have looked in the past at the regulatory structure governing lawyers, finding there the answer to why radical innovations have not transformed the legal market. As this article shows, however, regulation alone fails to provide an explanation. Regulations fail to block innovation on the corporate side of the market; rather, where innovation lags there, it may be due to clients that cling to resource, process and value patterns that lock them into relationships with traditional law firms. On the individual side of the market, regulation does provide an effective barrier, and it remains to be seen whether technology can deliver all the benefits it might to individual consumers. Market structure, value configurations and business models constrain possibilities even in fully deregulated markets.

Anyone seeking to reform legal markets must take the process of innovative disruption into account or the regulatory changes will not produce the expected results.

A Model of the Future of Evolution of Legal Services



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We should be, for the sake of millions of people with pressing legal needs.

BY MARC LAURITSEN

Are We Free to Code the Law?

THE EMERGENCE OF interactive online services for legal self-helpers has triggered suppression efforts by the legal profession, as well as by state government officials in the U.S. While couched in terms of consumer protection, and at least partly motivated by such concerns, these efforts are also seen by some as blatant turf management by a profession anxious to avoid further erosion of its monopoly over legal advice and representation.

Often neglected in these discussions is whether restricting the distribution of software is within the legitimate scope of government action. No one would contend that attempts to suppress books, pamphlets, and speeches on how the legal system works and what forms one needs to interact with it would pass constitutional muster. Is providing software that helps people meet their legal needs an activity the state can prohibit under the U.S. Constitution?

Here, I explore ways software-based legal-assistance systems can be understood for purposes of public policy and constitutional analysis. The focus is on circumstances in the U.S., but many other countries face the same issues.

Assistance and Authorization

Individuals and organizations who need to prepare documents with legal significance turn to a variety of sources, including form books, courts, government agencies, physical form suppliers,[a] packaged software,[b] online form sites,[c] free online document repositories,[d] notaries public, legal-document technicians, conventional

a See, for example, Blumberg (http://www.blumberg.com)

b See, for example, Turbotax (http://turbotax.intuit.com), Will Maker (http://www.nolo.com/products/quicken-willmaker-plus-WQP.html), and WillWriter (http://www.broderbund.com/p-124-willwriter.aspx)

c See, for example, U.S. Legal Forms (http://www.uslegalforms.com), SmartLegalForms (http://www.smartlegalforms.com), and CompleteCase.com (http://completecase.com)

d See, for example, Docracy (http://www.docracy.com/)

» key insights

- **Online document-preparation services and other forms of automated legal assistance raise concerns about the unauthorized practice of law.**
- **Such concerns should be balanced against social policy and economic freedom.**
- **Software programs are more like books than like personal human services when determining whether they deserve protection under provisions like the First Amendment of the U.S. Constitution.**

private law practices and corporate law departments, and virtual law practices.[3]

An increasingly popular, and controversial, category of service providers generates customer-specific documents over the Internet, using interactive software, without purporting to be engaged in the practice of law, including:

- Commercial services;[e]
- Nonprofit sites;[f]
- Governmental and court sites (such as self-help court resources);[g] and
- Free services by law firms.[h]

Most of these services use specialized document-assembly software long used by lawyers themselves; for an overview of document assembly and other specialized technologies used by lawyers, see Lauritsen.[6] That technology enables someone to program "what words go where" under various sets of answers, gathered in interactive questionnaires that change as users work through them, with context-specific guidance. Applications can embody rule sets of arbitrary size and complexity and generate highly tailored and precisely styled documents.

In addition to commercial, governmental, and nonprofit initiatives, courses are offered at a growing number of law schools, some under an "Apps for Justice" rubric, in which students build useful software applications as part of their education, results of which can be made available to the public.[i]

The debate. Consider the following imagined example of the arguments one encounters (sometimes within a single head):

Voice A. At least in my state, these new services are blatantly illegal. By telling people what legal documents they need, and preparing them, they are engaged in the practice of law in all but name.

Voice B. Even if the provider makes perfectly clear it is not practicing law and the user explicitly acknowledges it?

A. We don't think it is OK for unlicensed people to perform medical procedures, just so long as they do not claim to be doctors. Or to manufacture devices for self-help surgery.[j]

B. Cutting yourself open and generating a simple will are not exactly analogous.

A. Would you allow people to extract teeth and fill cavities without a license, so long as they do not claim to be dentists? What about self-help pharmacies that dispense drugs after some interaction with a medical expert system?

B. That's different. Online legal help systems just provide information. Words. They do not do anything physically.

A. An improper legal "procedure" can cause a lot of financial and emotional damage, maybe even result in loss of shelter, child custody, citizenship, or liberty.

B. Lots of things people are allowed to do are dangerous. A weekend do-it-yourselfer can cause real damage with a power saw. Should we bar home-improvement television shows and limit power tools to licensed craftsmen?

A. Law is special. We need lawyers, and it's only fair that in exchange for the years of education they are required to have, and the ethical rules they are required to follow, they get exclusive rights to perform certain kinds of services.

B. Come on. We have a huge population unable to afford legal help. Even unemployed lawyers are unwilling to work at rates low enough, and legal aid is grossly underfunded throughout the U.S.

A. That does not mean vulnerable people should be victimized by companies out to make a quick buck or even by well meaning do-gooders. Software rarely does justice to people's legal needs.

B. Why should consumers incur the inconvenience and expense of hiring a lawyer to create documents that someone else is willing to do inexpensively or free? When they are informed of risks, and prepared to accept them? We are talking willing consumers here. This sounds like the nanny state.

A. We regulate many consumer transactions.

B. It seems to me that writing software is like writing a book, an expressive act that should be protected as speech.

A. Do not try to hide behind the First Amendment. These are not "publications" but services, with people behind them.

B. There are people behind books, too.

A. Yeah, but books don't do anything.

B. Well, they do inform people, and they can be written to give very specific advice for very specific circumstances.

A. That doesn't mean software deserves the same protection as written books.

B. Antipathy to these kinds of applications comes mostly from biased and techno-illiterate policymakers. Many lawyers, judges, legislators, and regulators have little understanding of the nature of computer code. And professionals naturally resist demystification of their expertise.

A. Stuff like this could destroy the legal profession. Is that what you want?

B. Hey, some of my best friends are lawyers. Lawyers just need to learn to compete on the merits. If machines

e See http://www.legalzoom.com, http://www.rocketlawyer.com, http://www.smartlegalforms.com, and http://whichdraft.com

f I-CAN! was created by the Legal Aid Society of Orange County, CA; its E-FILE application, a free Web-based tax-assistance program for low-income workers, has returned more than $233 million to U.S. taxpayers (https://secure.icandocs.org/donor2/icanlegal.asp). LawHelp Interactive, a service of Pro Bono Net, has delivered more than one million customized documents for free (https://lawhelpinteractive.org/ and http://collegeoflpm.org/innovaction-awards/award-winners/2010-innovaction-award-winners/); its contributors and operators arguably risk civil and criminal liability in certain U.S. states under certain interpretations of their rules concerning the unauthorized practice of law.

g See, for example, http://www.courts.ca.gov/selfhelp.htm, http://www.nycourts.gov/courthelp, and http://www.nycourts.gov/courthelp

h See, for example, http://www.goodwinfoundersworkbench.com, https://tsc.orrick.com, http://www.startuppercolator.com, and http://www.wsgr.com/wsgr/display.aspx?sectionname=practice/termsheet.htm

i See, for example, http://www.kentlaw.iit.edu/courses/jd-courses/jd-elective-courses/justice-and-technology-practicum and http://www.law.suffolk.edu/academic/jd/course.cfm?CourseID=571. Courses in which students build interactive legal applications have also been offered at Georgetown Law School and New York Law School; see article "Legal Education Goes High-Tech" http://www.law.com/jsp/nlj/PubArticleNLJ.jsp?id=1202556661527 and http://www.virtual-strategy.com/2012/08/02/neota-logic-ceo-fastcase-50

j The 2012 film *Prometheus* included a scene in which the character played by Noomi Rapace disembowels herself of an alien fetus with the aid of a surgical robot.

can perform better than they can, they should consider another career path. Welcome to capitalism.

And so on...

The questions. The questions here fall into two groups: those about the power of government to regulate automated legal assistance and those about the wisdom of doing so. That is, can government prohibit automated legal assistance, and, if it can, to what extent should it?

Do people have a right to write, read, and run software that embodies ideas about how the law works? To what extent are people free to provide automated legal assistance? Is there a right to receive such assistance? To what extent can government enjoin or punish such provision or receipt? Is the distribution of software that helps people with their legal needs an activity that needs to be "authorized?" What is the right regulatory response? Is it good policy to forbid automated legal assistance? Should lawyers be given a monopoly over legal software, as well as over in-person legal services? In general, what are the appropriate boundaries? What principled lines can we draw in this area?

Unauthorized practice of law. Most states have defined law practice, as well as its unauthorized variants, in statutes and case law. Most such definitions extend to the selection and preparation of documents.

Attorneys General, bar authorities, and private plaintiffs in the U.S. have initiated proceedings against providers of automated legal assistance. Several matters are mentioned here to illustrate.

In the *Parsons*[k] case, the Texas Unauthorized Practice of Law Committee sued two manufacturers of software that helped people prepare wills and other documents, and was granted summary judgment by the court. The case was mooted when the Texas legislature crafted the following statutory exception:

"In this chapter, the 'practice of law' does not include the design, creation, publication, distribution, display, or sale, including publication, distribution, display, or sale by means of an Internet website, of written materials, books, forms, computer software, or similar products if the products clearly and conspicuously state that the products are not a substitute for the advice of an attorney."[l]

Is an occasional harm sufficient reason to forgo the power of modern information technology to make a dent in the vast unmet need for legal assistance?

In the *Reynoso*[m] case, the court found a provider of software for bankruptcy preparation was engaged in UPL, laying stress on the point that websites are "put together by people."

Many state bar committees have opined on this subject; for instance, in March 2010 the Pennsylvania Bar Association Unauthorized Practice of Law Committee concluded as follows:

"It is the opinion of the Pennsylvania Bar Association Unauthorized Practice of Law Committee that the offering or providing [in Pennsylvania] of legal document preparation services as described herein (beyond the supply of preprinted forms selected by the consumer, not the legal document preparation service), either online or at a site in Pennsylvania is the unauthorized practice of law and thus prohibited, unless such services are provided by a person who is duly licensed to practice law in Pennsylvania retained directly for the subject of the legal services."[n]

That is, according to authorities in at least some states many of the services in the section on automated legal assistance are violating the law.

Policy

The case for prohibition. Arguments in favor of disallowing automated legal assistance generally involve protection of the public and of the legal profession:

Protecting the public. Some people will undoubtedly be harmed by automated systems. Defective or incomplete legal assistance can cause significant damage, and it is reasonable to assume such damage is more likely

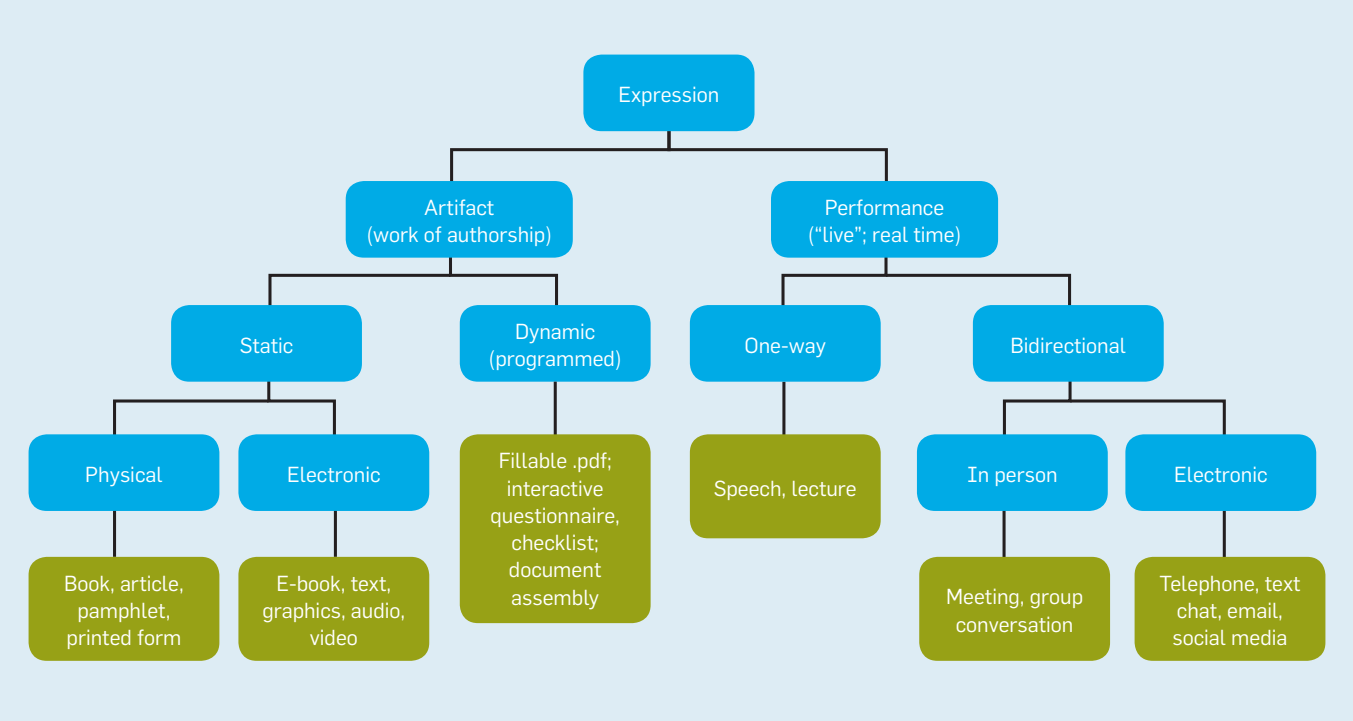
k See *Unauthorized Practice of Law Committee v. Parsons Tech. Inc.*, 1999 Westlaw 47235 (N.D. Tex. Jan. 22, 1999) vacated, 179 F.3d 956 (5th Cir. 1999)

l See Section 81.101(c) of the Texas Government Code

m See in re: *Jayson Reynoso: Frankfort Digital Services et al. v. Sara L. Kistler, United States Trustee et al.* 447 F.3d 1117 (9th Cir. 2007)

n See Pennsylvania Unauthorized Practice of Law Committee, Formal Opinion 2010-01 (Mar. 10, 2010); http://www.pabar.org/public/committees/unautpra/Opinions/2010-01Lgl-DocumentPreparation.pdf

Figure 1. A typology of expressions.



when no lawyer is involved.

Software applications lack common sense. They cannot hear what is not being said. They do not detect nuance or emotion. On the other hand, as with people, they can operate on unspoken assumptions, create the illusion of expertise, and engender unwarranted trust.

Protecting the legal profession. Lawyers are bound by many restrictions on their behavior in exchange for licensing. Is it unfair or unwise to restrict what non-lawyers can do in relation to giving legal advice, counseling, and representation? Part of the societal bargain regarding any profession involves a limited monopoly.

By not allowing unqualified people to advise citizens on their legal affairs, and seeing to it that such advice occurs within appropriately structured and protected relationships, we help ensure the smooth functioning of the legal system and the preservation of an independent legal profession that is so important to democracy.

The case for toleration. Those who favor allowing automated legal-assistance systems generally claim they yield net benefits for both society and the legal profession.

Given the vast amount of textual material already available to legal self-helpers, much of uncertain quality and with few clues as to currency and relevance to specific situations, interactive systems seem more likely to reduce harm than cause it. Their development requires significant time and money few organizations would invest recklessly.

Lawyers themselves are not infallible. Much legal work can be scripted, and software will eventually make fewer mistakes in many contexts. Machines have proven demonstrably better in certain law-related activities (such as coding documents for relevance to pending litigation).[2]

Counterbalanced against the inevitable harms automated assistance sometimes engenders are many clear benefits: more-informed citizens; better-prepared litigants; and cleaner and more-complete documents.

There are also considerations of economic freedom. Business and social entrepreneurs are anxious to innovate in the legal field. Threats of unauthorized practice claims chill innovation. An open market is the best defense against poor quality.

Reaching a balance. Do concerns about harms to consumers and the legal profession outweigh the benefits of citizens having access to legal knowledge through interactive programs? Is an occasional harm sufficient reason to forgo the power of modern information technology to make a dent in the vast unmet need for legal assistance?

The free flow of automated systems seems to offer net advantages. Reasonable regulations should be established to minimize potential harms, but a robust and open market of interactively coded legal ideas is in the best long-term interest of both society and the profession. It is desirable to have lots of such programs competing for use in a free market and to incentivize legal knowledge codification and systemization.

Imagine if a trade union of human "computers"[o] in the 1940s had successfully thwarted the development of electronic machines as the "unauthorized practice of computing." We at least would not, I think, have to worry today about machines doing legal work.

Freedom

Even if a good case could be made for regulating creation and distribution of automated legal-assistance systems, do

o George Dyson's *Turing's Cathedral: The Origins of the Digital Universe*[1] tells the fascinating story of the early days of electronic computing at Princeton's Institute for Advanced Study and elsewhere, including the (non-obstructive) role of human "computers."

such regulations pass muster under the First Amendment?

Admittedly, these applications are novel artifacts not envisioned by the founders.

First Amendment protections are not without exceptions; for instance, they do not authorize people to violate intellectual property or reputational rights. U.S. citizens are not free to engage in libel, copyright infringement, or sedition. Obscenity is only partially protected.

None of these exceptions apply to the expressive activity involved in automated legal-assistance systems.

Alleged misinformation or harmfulness is not viewed as justifying suppression of books, except in extreme circumstances. Government is not appropriately in the business of judging the quality or content of speech. A landmark case[p] held that distributing the 1965 book *How To Avoid Probate* did not constitute the unauthorized practice of law.

One may be inclined to suggest that some automated systems are a form of "commercial speech" and thus deserve less protection. Commercial speech has generally been understood as the activity of beckoning business, not the substantive content of what is being offered. Selling a book does not render it any less deserving of First Amendment protection than giving it away for free.

An alternative way to avoid First Amendment issues is to conclude that programs are not "speech" at all but a form of conduct, analogous to the work of manual document preparers. This involves distinguishing between "pure" speech and "speech plus" that entails actions, as well as words. Sometimes speech-related action is not protected if it is physically dangerous. Does such a dangerousness rationale extend to communicative action?

Several legal scholars have tentatively concluded for the unconstitutionality of repressing online legal services under the guise of the unauthorized practice of law.[q] The following sections lay out an analytical framework that may support more definitive conclusions.

A typology of expressions. Figure 1 outlines one way to organize the varieties of expression a legal self-helper might access; blue boxes are categories, and green boxes contain examples.

Expressive conduct falls into two main categories: creating artifacts, or works of authorship, and "performing," or engaging in live, real-time communication with others. Artifacts in turn are either static (with fixed content in a fixed order) or dynamic (programmed to present different content in different orders depending on external triggers (such as a user's behavior interacting with it). Performances fall into two high-level categories: those in which communication is unidirectional, or one-way, (such as speeches) and those in which communication is bidirectional (such as one-on-one and many-to-many conversations).

Some features apply to multiple branches of the Figure 1 tree:

- Most modes of expression can be through either physical or electronic means; for practical purposes, programmed content and social-media interaction can be accomplished only electronically;
- Electronically mediated expression can happen offline or online; that is, via electronic networks (such as the Internet) and protocols (such as the Web);
- Artifacts can include charts, diagrams, tables, flowcharts, decision trees, and other graphical elements; such things can also be used in most forms of performative expression;
- Artifacts can include audio and video elements that can also be used in performances; and
- Artifacts can include structural and navigational features (such as tables of contents, indices, and links); with physical artifacts the reader does the work; in electronic ones, buttons and hyperlinks make navigation easier. Many artifacts involve arbitrary access to any part (such as by page turning, fast-forwarding, and scene selection).

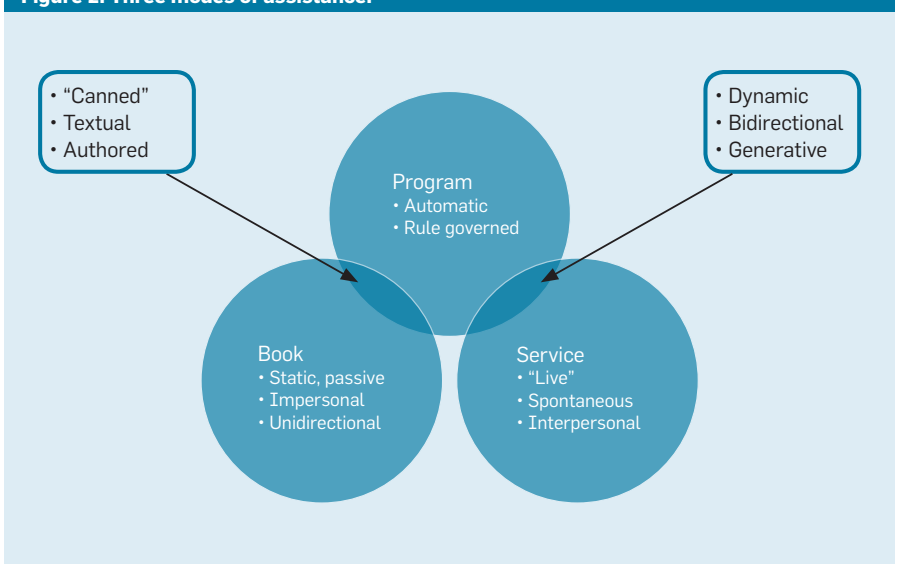
Are software programs more like books or like human services? The difficulty of reaching a satisfactory conclusion about automated legal assistance arises in part from our instinctive assent to two propositions:

- People should not be allowed to do through a program what they are not allowed to do in person; and
- People should not be disallowed to do through a program what they are allowed to do through books and other media.

To the extent a software application is viewed as a kind of personal conduct, it makes sense to apply the treatment one would apply to comparable functions being accomplished through an in-person service. To the extent a software application is viewed as a work of authorship, it makes sense to apply the treatment one would apply to the comparable content delivered through a book. How can these competing views be resolved?

We might first acknowledge that software applications are a tertium quid, or something similar to but distinct from both books and services.

Figure 2. Three modes of assistance.



p See *New York Lawyers Ass'n v. Dacey*, 234 N.E.2d 459 (N.Y. 1967)

q See, for example, Lanctot[4,5] and Oriola[9]

Like the wave/particle duality of light in modern physics, perhaps it makes sense to regard software as both a "work" and a service; Figure 2 outlines the shared and unshared characteristics of these kinds of things.

Software programs share characteristics with both books and instances of service delivery. Like books, they are essentially textual works of authorship, fully written in advance of their use; the author is not present at the time of use. Like services, they can be dynamic, bidirectional, and generative (such as by producing case-specific answers and documents). Unlike both, programs operate as machines, with automated behavior, and are rule-governed and deterministic.

Any of these modes of communication can be used for the transmission of knowledge, guidance, opinions, and expertise. The content being delivered can be "neutral" or tilted in favor of a particular kind of party or point of view.

Programs as texts. When in use, software applications typically involve no contemporaneous human involvement by their authors. Users interact with pre-written code, with no other human interacting with them as they do so.

Programs are special forms of words and numbers, textual objects that instruct machines how to behave. Any program can by definition be expressed textually. You can think of them, as hypertext pioneer Ted Nelson put it, as "literary machines."[8]

All outputs of an automated legal-assistance system are also in the form of textual speech acts. Delivering a document someone can download is not meaningfully different, except in terms of convenience, from presenting content that in effect says, "Here are the words you need, in this order."

That is, these systems not only emit texts, they *are* texts.

While debate among legal scholars continues as to whether the First Amendment extends to "symbolic" speech like flag burning,[10] there is little doubt it protects written texts. If I have the right to share the text of a program with others, and they would commit no offense by compiling and running it, why should I not have the right to run the program and give them access to it?

The question of whether First Amendment rights extend to computer code has arisen in cases involving publication of decryption algorithms; for example, "[C]omputer source code, though unintelligible to many, is the preferred method of communication among computer programmers. Because computer source code is an expressive means for the exchange of information and ideas about computer programming, we hold that it is protected by the First Amendment."[r]

Legality Broken

Like the world that inspired gamers in Jane McGonigal's 2011 book *Reality is Broken*,[7] the legal system in many countries is broken in many respects. Millions of people with pressing legal needs go without help. Courts are underfunded and overwhelmed. Many lawyers are unemployed or underemployed. Some law schools are struggling to survive. Recent law graduates are drowning in student loans.

Forbidding distribution of self-help legal software is not only of dubious wisdom as social policy, it is offensive to First Amendment values. It is difficult to make a principled case for suppressing freedom of expression about how the law works.

Free expression by definition need not be "authorized." Honest attempts to transmit knowledge about how the law works should not be suppressed, at least when done in ways that do not impersonate trusted lawyer/client relationships. Free citizens should not be required to have a license in order to express their understanding of how the law works or to sell or give away such expressions.

Coded law is not something, like hate speech at a military funeral, we should have to tolerate due to concern for higher values. It is an affirmative good we should embrace.

It is in the enlightened interest of lawyers, as well as the best interest of society in general, to enable programmatic expression of legal knowledge. We should be free to write code, run code, and let others run our code. If concerned citizens, law students, and entrepreneurs want to create tools that help people access and interact with the legal system, the government should not get in the way.

Are citizens at liberty to create and share software that helps others understand and interact with the legal system? Are we free to code the law?

We certainly should be.

Acknowledgments

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r See *Junger v. Daley* 209 F.3d 481, 484-485 (6th Cir. 2000)

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TAB 5

California Rules of Professional Conduct

CALIFORNIA RULES OF PROFESSIONAL CONDUCT

(Current rules as of January 1, 2014. The operative dates of select rule amendments are shown at the end of relevant rules.)

CHAPTER 1.
PROFESSIONAL INTEGRITY IN GENERAL

Rule 1-100 Rules of Professional Conduct, in General

(A) Purpose and Function.

The following rules are intended to regulate professional conduct of members of the State Bar through discipline. They have been adopted by the Board of Governors of the State Bar of California and approved by the Supreme Court of California pursuant to Business and Professions Code sections 6076 and 6077 to protect the public and to promote respect and confidence in the legal profession. These rules together with any standards adopted by the Board of Governors pursuant to these rules shall be binding upon all members of the State Bar.

For a willful breach of any of these rules, the Board of Governors has the power to discipline members as provided by law.

The prohibition of certain conduct in these rules is not exclusive. Members are also bound by applicable law including the State Bar Act (Bus. & Prof. Code, §6000 et seq.) and opinions of California courts. Although not binding, opinions of ethics committees in California should be consulted by members for guidance on proper professional conduct. Ethics opinions and rules and standards promulgated by other jurisdictions and bar associations may also be considered.

These rules are not intended to create new civil causes of action. Nothing in these rules shall be deemed to create, augment, diminish, or eliminate any substantive legal duty of lawyers or the non-disciplinary consequences of violating such a duty.

(B) Definitions.

(1) "Law Firm" means:

(a) two or more lawyers whose activities constitute the practice of law, and who share its profits, expenses, and liabilities; or

(b) a law corporation which employs more than one lawyer; or

(c) a division, department, office, or group within a business entity, which includes more than one lawyer who performs legal services for the business entity; or

(d) a publicly funded entity which employs more than one lawyer to perform legal services.

(2) "Member" means a member of the State Bar of California.

(3) "Lawyer" means a member of the State Bar of California or a person who is admitted in good standing of and eligible to practice before the bar of any United States court or the highest court of the District of Columbia or any state, territory, or insular possession of the United States, or is licensed to practice law in, or is admitted in good standing and eligible to practice before the bar of the highest court of, a foreign country or any political subdivision thereof.

(4) "Associate" means an employee or fellow employee who is employed as a lawyer.

(5) "Shareholder" means a shareholder in a professional corporation pursuant to Business and Professions Code section 6160 et seq.

(C) Purpose of Discussions.

Because it is a practical impossibility to convey in black letter form all of the nuances of these disciplinary rules, the comments contained in the Discussions of the rules, while they do not add independent basis for imposing discipline, are intended to provide guidance for interpreting the rules and practicing in compliance with them.

(D) Geographic Scope of Rules.

(1) As to members:

These rules shall govern the activities of members in and outside this state, except as members lawfully practicing outside this state may be specifically required by a jurisdiction in which they are practicing to follow rules of professional conduct different from these rules.

(2) As to lawyers from other jurisdictions who are not members:

These rules shall also govern the activities of lawyers while engaged in the performance of lawyer functions in this state; but nothing contained in these rules shall be deemed to authorize the performance of such functions by such persons in this state except as otherwise permitted by law.

(E) These rules may be cited and referred to as "Rules of Professional Conduct of the State Bar of California."

Discussion:

The Rules of Professional Conduct are intended to establish the standards for members for purposes of discipline. (See *Ames v. State Bar* (1973) 8 Cal.3d 910 [106 Cal.Rptr. 489].) The fact that a member has engaged in conduct that may be contrary to these rules does not automatically give rise to a civil cause of action. (See *Noble v. Sears, Roebuck & Co.* (1973) 33 Cal.App.3d 654 [109 Cal.Rptr. 269]; *Wilhelm v. Pray, Price, Williams & Russell* (1986) 186 Cal.App.3d 1324 [231 Cal.Rptr. 355].) These rules are not intended to supercede existing law relating to members in non-disciplinary contexts. (See, e.g., *Klemm v. Superior Court* (1977) 75 Cal.App.3d 893 [142 Cal.Rptr. 509] (motion for disqualification of counsel due to a conflict of interest); *Academy of California Optometrists, Inc. v. Superior Court* (1975) 51 Cal.App.3d 999 [124 Cal.Rptr. 668] (duty to return client files); *Chronometrics, Inc. v. Sysgen, Inc.* (1980) 110 Cal.App.3d 597 [168 Cal.Rptr. 196] (disqualification of member appropriate remedy for improper communication with adverse party).)

Law firm, as defined by subparagraph (B)(1), is not intended to include an association of lawyers who do not share profits, expenses, and liabilities. The subparagraph is not intended to imply that a law firm may include a person who is not a member in violation of the law governing the unauthorized practice of law. (Amended by order of the Supreme Court, operative September 14, 1992.)

[***Publisher's Note re Rule 1-100(A):*** *Operative January 1, 2012, Business and Professions Code section 6010, in part, provides that the State Bar is governed by a board known as the board of trustees of the State Bar and that any provision of law referring to the "board of governors" shall be deemed to refer to the "board of trustees." In accordance with this law, references to the "board of governors" included in the current Rules of Professional Conduct are deemed to refer to the "board of trustees."*]

Rule 1-110 Disciplinary Authority of the State Bar

A member shall comply with conditions attached to public or private reprovals or other discipline administered by the State Bar pursuant to Business and Professions Code sections 6077 and 6078 and rule 9.19, California Rules of Court. (Amended by order of the Supreme Court, operative July 11, 2008.)

Rule 1-120 Assisting, Soliciting, or Inducing Violations

A member shall not knowingly assist in, solicit, or induce any violation of these rules or the State Bar Act.

Rule 1-200 False Statement Regarding Admission to the State Bar

(A) A member shall not knowingly make a false statement regarding a material fact or knowingly fail to disclose a material fact in connection with an application for admission to the State Bar.

(B) A member shall not further an application for admission to the State Bar of a person whom the member knows to be unqualified in respect to character, education, or other relevant attributes.

(C) This rule shall not prevent a member from serving as counsel of record for an applicant for admission to practice in proceedings related to such admission.

Discussion:

For purposes of rule 1-200 "admission" includes readmission.

Rule 1-300 Unauthorized Practice of Law

(A) A member shall not aid any person or entity in the unauthorized practice of law.

(B) A member shall not practice law in a jurisdiction where to do so would be in violation of regulations of the profession in that jurisdiction.

Rule 1-310 Forming a Partnership With a Non-Lawyer

A member shall not form a partnership with a person who is not a lawyer if any of the activities of that partnership consist of the practice of law.

Discussion:

Rule 1-310 is not intended to govern members' activities which cannot be considered to constitute the practice of law. It is intended solely to preclude a member from being involved in the practice of law with a person who is not a lawyer. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 1-311 Employment of Disbarred, Suspended, Resigned, or Involuntarily Inactive Member

(A) For purposes of this rule:

(1) "Employ" means to engage the services of another, including employees, agents, independent contractors and consultants, regardless of whether any compensation is paid;

(2) "Involuntarily inactive member" means a member who is ineligible to practice law as a result of action taken pursuant to Business and Professions Code sections 6007, 6203(c), or California Rule of Court 9.31; and

(3) "Resigned member" means a member who has resigned from the State Bar while disciplinary charges are pending.

(B) A member shall not employ, associate professionally with, or aid a person the member knows or reasonably should know is a disbarred, suspended, resigned, or involuntarily inactive member to perform the following on behalf of the member's client:

(1) Render legal consultation or advice to the client;

(2) Appear on behalf of a client in any hearing or proceeding or before any judicial officer, arbitrator, mediator, court, public agency, referee, magistrate, commissioner, or hearing officer;

(3) Appear as a representative of the client at a deposition or other discovery matter;

(4) Negotiate or transact any matter for or on behalf of the client with third parties;

(5) Receive, disburse or otherwise handle the client's funds; or

(6) Engage in activities which constitute the practice of law.

(C) A member may employ, associate professionally with, or aid a disbarred, suspended, resigned, or involuntarily inactive member to perform research, drafting or clerical activities, including but not limited to:

(1) Legal work of a preparatory nature, such as legal research, the assemblage of data and other necessary information, drafting of pleadings, briefs, and other similar documents;

(2) Direct communication with the client or third parties regarding matters such as scheduling, billing, updates, confirmation of receipt or sending of correspondence and messages; or

(3) Accompanying an active member in attending a deposition or other discovery matter for the limited purpose of providing clerical assistance to the active member who will appear as the representative of the client.

(D) Prior to or at the time of employing a person the member knows or reasonably should know is a disbarred, suspended, resigned, or involuntarily inactive member, the member shall serve upon the State Bar written notice of the employment, including a full description of such person's current bar status. The written notice shall also list the activities prohibited in paragraph (B) and state that the disbarred, suspended, resigned, or involuntarily inactive member will not perform such activities. The member shall serve similar written notice upon each client on whose specific matter such person will work, prior to or at the time of employing such person to work on the client's specific matter. The

member shall obtain proof of service of the client's written notice and shall retain such proof and a true and correct copy of the client's written notice for two years following termination of the member's employment with the client.

(E) A member may, without client or State Bar notification, employ a disbarred, suspended, resigned, or involuntarily inactive member whose sole function is to perform office physical plant or equipment maintenance, courier or delivery services, catering, reception, typing or transcription, or other similar support activities.

(F) Upon termination of the disbarred, suspended, resigned, or involuntarily inactive member, the member shall promptly serve upon the State Bar written notice of the termination.

Discussion:

For discussion of the activities that constitute the practice of law, see *Farnham v. State Bar* (1976) 17 Cal.3d 605 [131 Cal.Rptr. 611]; *Bluestein v. State Bar* (1974) 13 Cal.3d 162 [118 Cal.Rptr. 175]; *Baron v. City of Los Angeles* (1970) 2 Cal.3d 535 [86 Cal.Rptr. 673]; *Crawford v. State Bar* (1960) 54 Cal.2d 659 [7 Cal.Rptr. 746]; *People v. Merchants Protective Corporation* (1922) 189 Cal. 531, 535 [209 P. 363]; *People v. Landlords Professional Services* (1989) 215 Cal.App.3d 1599 [264 Cal.Rptr. 548]; and *People v. Sipper* (1943) 61 Cal.App.2d Supp. 844 [142 P.2d 960].)

Paragraph (D) is not intended to prevent or discourage a member from fully discussing with the client the activities that will be performed by the disbarred, suspended, resigned, or involuntarily inactive member on the client's matter. If a member's client is an organization, then the written notice required by paragraph (D) shall be served upon the highest authorized officer, employee, or constituent overseeing the particular engagement. (See rule 3-600.)

Nothing in rule 1-311 shall be deemed to limit or preclude any activity engaged in pursuant to rules 9.40, 9.41, 9.42, and 9.44 of the California Rules of Court, or any local rule of a federal district court concerning admission *pro hac vice*. (Added by Order of Supreme Court, operative August 1, 1996. Amended by order of the Supreme Court, operative July 11, 2008.)

Rule 1-320 Financial Arrangements With Non-Lawyers

(A) Neither a member nor a law firm shall directly or indirectly share legal fees with a person who is not a lawyer, except that:

(1) An agreement between a member and a law firm, partner, or associate may provide for the payment of money after the member's death to the member's estate or to one or more specified persons over a reasonable period of time; or

(2) A member or law firm undertaking to complete unfinished legal business of a deceased member may pay to the estate of the deceased member or other person legally entitled thereto that proportion of the total compensation which fairly represents the services rendered by the deceased member; or

(3) A member or law firm may include non-member employees in a compensation, profit-sharing, or retirement plan even though the plan is based in whole or in part on a profit-sharing arrangement, if such plan does not circumvent these rules or Business and Professions Code section 6000 et seq.; or

(4) A member may pay a prescribed registration, referral, or participation fee to a lawyer referral service established, sponsored, and operated in accordance with the State Bar of California's Minimum Standards for a Lawyer Referral Service in California.

(B) A member shall not compensate, give, or promise anything of value to any person or entity for the purpose of recommending or securing employment of the member or the member's law firm by a client, or as a reward for having made a recommendation resulting in employment of the member or the member's law firm by a client. A member's offering of or giving a gift or gratuity to any person or entity having made a recommendation resulting in the employment of the member or the member's law firm shall not of itself violate this rule, provided that the gift or gratuity was not offered or given in consideration of any promise, agreement, or understanding that such a gift or gratuity would be forthcoming or that referrals would be made or encouraged in the future.

(C) A member shall not compensate, give, or promise anything of value to any representative of the press, radio, television, or other communication medium in anticipation of or in return for publicity of the member, the law firm, or any other member as such in a news item, but the incidental provision of food or beverage shall not of itself violate this rule.

Discussion:

Rule 1-320(C) is not intended to preclude compensation to the communications media in exchange for advertising the member's or law firm's availability for professional employment. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 1-400 Advertising and Solicitation

(A) For purposes of this rule, "communication" means any message or offer made by or on behalf of a member concerning the availability for professional employment of a member or a law firm directed to any former, present, or prospective client, including but not limited to the following:

(1) Any use of firm name, trade name, fictitious name, or other professional designation of such member or law firm; or

(2) Any stationery, letterhead, business card, sign, brochure, or other comparable written material describing such member, law firm, or lawyers; or

(3) Any advertisement (regardless of medium) of such member or law firm directed to the general public or any substantial portion thereof; or

(4) Any unsolicited correspondence from a member or law firm directed to any person or entity.

(B) For purposes of this rule, a "solicitation" means any communication:

(1) Concerning the availability for professional employment of a member or a law firm in which a significant motive is pecuniary gain; and

(2) Which is:

(a) delivered in person or by telephone, or

(b) directed by any means to a person known to the sender to be represented by counsel in a matter which is a subject of the communication.

(C) A solicitation shall not be made by or on behalf of a member or law firm to a prospective client with whom the member or law firm has no family or prior professional relationship, unless the solicitation is protected from abridgment by the Constitution of the United States or by the Constitution of the State of California. A solicitation to a former or present client in the discharge of a member's or law firm's professional duties is not prohibited.

(D) A communication or a solicitation (as defined herein) shall not:

(1) Contain any untrue statement; or

(2) Contain any matter, or present or arrange any matter in a manner or format which is false, deceptive, or which tends to confuse, deceive, or mislead the public; or

(3) Omit to state any fact necessary to make the statements made, in the light of circumstances under which they are made, not misleading to the public; or

(4) Fail to indicate clearly, expressly, or by context, that it is a communication or solicitation, as the case may be; or

(5) Be transmitted in any manner which involves intrusion, coercion, duress, compulsion, intimidation, threats, or vexatious or harassing conduct.

(6) State that a member is a "certified specialist" unless the member holds a current certificate as a specialist issued by the Board of Legal Specialization, or any other entity accredited by the State Bar to designate specialists pursuant to standards adopted by the Board of Governors, and states the complete name of the entity which granted certification.

(E) The Board of Governors of the State Bar shall formulate and adopt standards as to communications which will be presumed to violate this rule 1-400. The standards shall only be used as presumptions affecting the burden of proof in disciplinary proceedings involving alleged violations of these rules. "Presumption affecting the burden of proof"

means that presumption defined in Evidence Code sections 605 and 606. Such standards formulated and adopted by the Board, as from time to time amended, shall be effective and binding on all members.

(F) A member shall retain for two years a true and correct copy or recording of any communication made by written or electronic media. Upon written request, the member shall make any such copy or recording available to the State Bar, and, if requested, shall provide to the State Bar evidence to support any factual or objective claim contained in the communication.

[***Publisher's Note****: Former rule 1-400(D)(6) repealed by order of the Supreme Court effective November 30, 1992. New rule 1-400(D)(6) added by order of the Supreme Court effective June 1, 1997.*]

Standards:

Pursuant to rule 1-400(E) the Board has adopted the following standards, effective May 27, 1989, unless noted otherwise, as forms of "communication" defined in rule 1-400(A) which are presumed to be in violation of rule 1-400:

(1) A "communication" which contains guarantees, warranties, or predictions regarding the result of the representation.

(2) A "communication" which contains testimonials about or endorsements of a member unless such communication also contains an express disclaimer such as "this testimonial or endorsement does not constitute a guarantee, warranty, or prediction regarding the outcome of your legal matter."

(3) A "communication" which is delivered to a potential client whom the member knows or should reasonably know is in such a physical, emotional, or mental state that he or she would not be expected to exercise reasonable judgment as to the retention of counsel.

(4) A "communication" which is transmitted at the scene of an accident or at or en route to a hospital, emergency care center, or other health care facility.

(5) A "communication," except professional announcements, seeking professional employment for pecuniary gain, which is transmitted by mail or equivalent means which does not bear the word "Advertisement," "Newsletter" or words of similar import in 12 point print on the first page. If such communication, including firm brochures, newsletters, recent legal development advisories, and similar materials, is transmitted in an envelope, the envelope shall bear the word "Advertisement," "Newsletter" or words of similar import on the outside thereof.

(6) A "communication" in the form of a firm name, trade name, fictitious name, or other professional designation which states or implies a relationship between any member in private practice and a government agency or instrumentality or a public or non-profit legal services organization.

(7) A "communication" in the form of a firm name, trade name, fictitious name, or other professional designation which states or implies that a member has a relationship to any other lawyer or a law firm as a partner or associate, or officer or shareholder pursuant to Business and Professions Code sections 6160-6172 unless such relationship in fact exists.

(8) A "communication" which states or implies that a member or law firm is "of counsel" to another lawyer or a law firm unless the former has a relationship with the latter (other than as a partner or associate, or officer or shareholder pursuant to Business and Professions Code sections 6160-6172) which is close, personal, continuous, and regular.

(9) A "communication" in the form of a firm name, trade name, fictitious name, or other professional designation used by a member or law firm in private practice which differs materially from any other such designation used by such member or law firm at the same time in the same community.

(10) A "communication" which implies that the member or law firm is participating in a lawyer referral service which has been certified by the State Bar of California or as having satisfied the Minimum Standards for Lawyer Referral Services in California, when that is not the case.

(11) (Repealed. See rule 1-400(D)(6) for the operative language on this subject.)

(12) A "communication," except professional announcements, in the form of an advertisement primarily directed to seeking professional employment primarily for pecuniary gain transmitted to the general public or any substantial portion thereof by mail or equivalent means or by means of television, radio, newspaper, magazine or other form of commercial mass media which does not state the name of the member responsible for the communication. When the communication is made on behalf of a law firm, the communication shall state the name of at least one member responsible for it.

(13) A "communication" which contains a dramatization unless such communication contains a disclaimer which states "this is a dramatization" or words of similar import.

(14) A "communication" which states or implies "no fee without recovery" unless such communication also expressly discloses whether or not the client will be liable for costs.

(15) A "communication" which states or implies that a member is able to provide legal services in a language other than English unless the member can actually provide legal services in such language or the communication also states in the language of the communication (a) the employment title of the person who speaks such language and (b) that the person is not a member of the State Bar of California, if that is the case.

(16) An unsolicited "communication" transmitted to the general public or any substantial portion thereof primarily directed to seeking professional employment primarily for pecuniary gain which sets forth a specific fee or range of fees for a particular service where, in fact, the member charges a greater fee than advertised in such communication within a period of 90 days following dissemination of such communication, unless such communication expressly specifies a shorter period of time regarding the advertised fee. Where the communication is published in the classified or "yellow pages" section of telephone, business or legal directories or in other media not published more frequently than once a year, the member shall conform to the advertised fee for a period of one year from initial publication, unless such communication expressly specifies a shorter period of time regarding the advertised fee. (Amended by order of Supreme Court, operative September 14, 1992. Standard (5) amended by the Board, effective May 11, 1994. Standards (12) - (16) added by the Board, effective May 11, 1994. Standard (11) repealed June 1, 1997)

[***Publisher's Note re Rule 1-400(D)(6) and (E):*** *Operative January 1, 2012, Business and Professions Code section 6010, in part, provides that the State Bar is governed by a board known as the board of trustees of the State Bar and that any provision of law referring to the "board of governors" shall be deemed to refer to the "board of trustees." In accordance with this law, references to the "board of governors" included in the current Rules of Professional Conduct are deemed to refer to the "board of trustees."*]

Rule 1-500 Agreements Restricting a Member's Practice

(A) A member shall not be a party to or participate in offering or making an agreement, whether in connection with the settlement of a lawsuit or otherwise, if the agreement restricts the right of a member to practice law, except that this rule shall not prohibit such an agreement which:

(1) Is a part of an employment, shareholders', or partnership agreement among members provided the restrictive agreement does not survive the termination of the employment, shareholder, or partnership relationship; or

(2) Requires payments to a member upon the member's retirement from the practice of law; or

(3) Is authorized by Business and Professions Code sections 6092.5 subdivision (i), or 6093.

(B) A member shall not be a party to or participate in offering or making an agreement which precludes the reporting of a violation of these rules.

Discussion:

Paragraph (A) makes it clear that the practice, in connection with settlement agreements, of proposing that a member refrain from representing other clients in similar litigation, is prohibited. Neither counsel may demand or suggest such provisions nor may opposing counsel accede or agree to such provisions.

Paragraph (A) permits a restrictive covenant in a law corporation, partnership, or employment agreement. The law corporation shareholder, partner, or associate may agree not to have a separate practice during the existence of the relationship; however, upon termination of the relationship (whether voluntary or involuntary), the member is free to practice law without any contractual restriction except in the case of retirement from the active practice of law. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 1-600 Legal Service Programs

(A) A member shall not participate in a nongovernmental program, activity, or organization furnishing, recommending, or paying for legal services, which allows any third person or organization to interfere with the member's independence of professional judgment, or with the client-lawyer relationship, or allows unlicensed persons to practice law, or allows any third person or organization to receive directly or indirectly any part of the consideration paid to the member except as permitted by these rules, or otherwise violates the State Bar Act or these rules.

(B) The Board of Governors of the State Bar shall formulate and adopt Minimum Standards for Lawyer Referral Services, which, as from time to time amended, shall be binding on members.

Discussion:

The participation of a member in a lawyer referral service established, sponsored, supervised, and operated in conformity with the Minimum Standards for a Lawyer Referral Service in California is encouraged and is not, of itself, a violation of these rules.

Rule 1-600 is not intended to override any contractual agreement or relationship between insurers and insureds regarding the provision of legal services.

Rule 1-600 is not intended to apply to the activities of a public agency responsible for providing legal services to a government or to the public.

For purposes of paragraph (A), "a nongovernmental program, activity, or organization" includes, but is not limited to group, prepaid, and voluntary legal service programs, activities, or organizations.

[***Publisher's Note re Rule 1-600(B):*** *Operative January 1, 2012, Business and Professions Code section 6010, in part, provides that the State Bar is governed by a board known as the board of trustees of the State Bar and that any provision of law referring to the "board of governors" shall be deemed to refer to the "board of trustees." In accordance with this law, references to the "board of governors" included in the current Rules of Professional Conduct are deemed to refer to the "board of trustees."*]

Rule 1-650 Limited Legal Services Programs

(A) A member who, under the auspices of a program sponsored by a court, government agency, bar association, law school, or nonprofit organization, provides short-term limited legal services to a client without expectation by either the member or the client that the member will provide continuing representation in the matter:

(1) is subject to rule 3-310 only if the member knows that the representation of the client involves a conflict of interest; and

(2) has an imputed conflict of interest only if the member knows that another lawyer associated with the member in a law firm would have a conflict of interest under rule 3-310 with respect to the matter.

(B) Except as provided in paragraph (A)(2), a conflict of interest that arises from a member's participation in a program under paragraph (A) will not be imputed to the member's law firm.

(C) The personal disqualification of a lawyer participating in the program will not be imputed to other lawyers participating in the program.

Discussion:

[1] Courts, government agencies, bar associations, law schools and various nonprofit organizations have established programs through which lawyers provide short-term limited legal services – such as advice or the completion of legal forms – that will assist persons in addressing their legal problems without further representation by a lawyer. In these programs, such as legal-advice hotlines, advice-only clinics or pro se counseling programs, whenever a lawyer-client relationship is established, there is no expectation that the lawyer's representation of the client will continue

beyond that limited consultation. Such programs are normally operated under circumstances in which it is not feasible for a lawyer to systematically screen for conflicts of interest as is generally required before undertaking a representation.

[2] A member who provides short-term limited legal services pursuant to rule 1-650 must secure the client's informed consent to the limited scope of the representation. If a short-term limited representation would not be reasonable under the circumstances, the member may offer advice to the client but must also advise the client of the need for further assistance of counsel. See rule 3-110. Except as provided in this rule 1-650, the Rules of Professional Conduct and the State Bar Act, including the member's duty of confidentiality under Business and Professions Code § 6068(e)(1), are applicable to the limited representation.

[3] A member who is representing a client in the circumstances addressed by rule 1-650 ordinarily is not able to check systematically for conflicts of interest. Therefore, paragraph (A)(1) requires compliance with rule 3-310 only if the member knows that the representation presents a conflict of interest for the member. In addition, paragraph (A)(2) imputes conflicts of interest to the member only if the member knows that another lawyer in the member's law firm would be disqualified under rule 3-310.

[4] Because the limited nature of the services significantly reduces the risk of conflicts of interest with other matters being handled by the member's law firm, paragraph (B) provides that imputed conflicts of interest are inapplicable to a representation governed by this rule except as provided by paragraph (A)(2). Paragraph (A)(2) imputes conflicts of interest to the participating member when the member knows that any lawyer in the member's firm would be disqualified under rule 3-310. By virtue of paragraph (B), moreover, a member's participation in a short-term limited legal services program will not be imputed to the member's law firm or preclude the member's law firm from undertaking or continuing the representation of a client with interests adverse to a client being represented under the program's auspices. Nor will the personal disqualification of a lawyer participating in the program be imputed to other lawyers participating in the program.

[5] If, after commencing a short-term limited representation in accordance with rule 1-650, a member undertakes to represent the client in the matter on an ongoing basis, rule 3-310 and all other rules become applicable. (Added by order of the Supreme Court, operative August 28, 2009.)

Rule 1-700 Member as Candidate for Judicial Office

(A) A member who is a candidate for judicial office in California shall comply with Canon 5 of the Code of Judicial Ethics.

(B) For purposes of this rule, "candidate for judicial office" means a member seeking judicial office by election. The determination of when a member is a candidate for judicial office is defined in the terminology section of the California Code of Judicial Ethics. A member's duty to comply with paragraph (A) shall end when the member announces withdrawal of the member's candidacy or when the results of the election are final, whichever occurs first.

Discussion:

Nothing in rule 1-700 shall be deemed to limit the applicability of any other rule or law. (Added by order of the Supreme Court, operative November 21, 1997.)

Rule 1-710 Member as Temporary Judge, Referee, or Court-Appointed Arbitrator

A member who is serving as a temporary judge, referee, or court-appointed arbitrator, and is subject under the Code of Judicial Ethics to Canon 6D, shall comply with the terms of that canon.

Discussion:

This rule is intended to permit the State Bar to discipline members who violate applicable portions of the Code of Judicial Ethics while acting in a judicial capacity pursuant to an order or appointment by a court.

Nothing in rule 1-710 shall be deemed to limit the applicability of any other rule or law. (Added by order of the Supreme Court, operative March 18, 1999.)

[***Publisher's Note:*** *The California Code of Judicial Ethics is available on-line at the official website of the California Courts located at www.courtinfo.ca.gov. Select "Code of Judicial Ethics" in the "Rules" area of the website.*]

CHAPTER 2.
RELATIONSHIP AMONG MEMBERS

Rule 2-100 Communication With a Represented Party

(A) While representing a client, a member shall not communicate directly or indirectly about the subject of the representation with a party the member knows to be represented by another lawyer in the matter, unless the member has the consent of the other lawyer.

(B) For purposes of this rule, a "party" includes:

(1) An officer, director, or managing agent of a corporation or association, and a partner or managing agent of a partnership; or

(2) An association member or an employee of an association, corporation, or partnership, if the subject of the communication is any act or omission of such person in connection with the matter which may be binding upon or imputed to the organization for purposes of civil or criminal liability or whose statement may constitute an admission on the part of the organization.

(C) This rule shall not prohibit:

(1) Communications with a public officer, board, committee, or body; or

(2) Communications initiated by a party seeking advice or representation from an independent lawyer of the party's choice; or

(3) Communications otherwise authorized by law.

Discussion:

Rule 2-100 is intended to control communications between a member and persons the member knows to be represented by counsel unless a statutory scheme or case law will override the rule. There are a number of express statutory schemes which authorize communications between a member and person who would otherwise be subject to this rule. These statutes protect a variety of other rights such as the right of employees to organize and to engage in collective bargaining, employee health and safety, or equal employment opportunity. Other applicable law also includes the authority of government prosecutors and investigators to conduct criminal investigations, as limited by the relevant decisional law.

Rule 2-100 is not intended to prevent the parties themselves from communicating with respect to the subject matter of the representation, and nothing in the rule prevents a member from advising the client that such communication can be made. Moreover, the rule does not prohibit a member who is also a party to a legal matter from directly or indirectly communicating on his or her own behalf with a represented party. Such a member has independent rights as a party which should not be abrogated because of his or her professional status. To prevent any possible abuse in such situations, the counsel for the opposing party may advise that party (1) about the risks and benefits of communications with a lawyer-party, and (2) not to accept or engage in communications with the lawyer-party.

Rule 2-100 also addresses the situation in which member A is contacted by an opposing party who is represented and, because of dissatisfaction with that party's counsel, seeks A's independent advice. Since A is employed by the opposition, the member cannot give independent advice.

As used in paragraph (A), "the subject of the representation," "matter," and "party" are not limited to a litigation context.

Paragraph (B) is intended to apply only to persons employed at the time of the communication. (See *Triple A Machine Shop, Inc. v. State of California* (1989) 213 Cal.App.3d 131 [261 Cal.Rptr. 493].)

Subparagraph (C)(2) is intended to permit a member to communicate with a party seeking to hire new counsel or to obtain a second opinion. A member contacted by such a party continues to be bound by other Rules of Professional Conduct. (See, e.g., rules 1-400 and 3-310.) (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 2-200 Financial Arrangements Among Lawyers

(A) A member shall not divide a fee for legal services with a lawyer who is not a partner of, associate of, or shareholder with the member unless:

(1) The client has consented in writing thereto after a full disclosure has been made in writing

that a division of fees will be made and the terms of such division; and

(2) The total fee charged by all lawyers is not increased solely by reason of the provision for division of fees and is not unconscionable as that term is defined in rule 4-200.

(B) Except as permitted in paragraph (A) of this rule or rule 2-300, a member shall not compensate, give, or promise anything of value to any lawyer for the purpose of recommending or securing employment of the member or the member's law firm by a client, or as a reward for having made a recommendation resulting in employment of the member or the member's law firm by a client. A member's offering of or giving a gift or gratuity to any lawyer who has made a recommendation resulting in the employment of the member or the member's law firm shall not of itself violate this rule, provided that the gift or gratuity was not offered in consideration of any promise, agreement, or understanding that such a gift or gratuity would be forthcoming or that referrals would be made or encouraged in the future.

Rule 2-300 Sale or Purchase of a Law Practice of a Member, Living or Deceased

All or substantially all of the law practice of a member, living or deceased, including goodwill, may be sold to another member or law firm subject to all the following conditions:

(A) Fees charged to clients shall not be increased solely by reason of such sale.

(B) If the sale contemplates the transfer of responsibility for work not yet completed or responsibility for client files or information protected by Business and Professions Code section 6068, subdivision (e), then;

(1) if the seller is deceased, or has a conservator or other person acting in a representative capacity, and no member has been appointed to act for the seller pursuant to Business and Professions Code section 6180.5, then prior to the transfer;

(a) the purchaser shall cause a written notice to be given to the client stating that the interest in the law practice is being transferred to the purchaser; that the client has the right to retain other counsel; that the client may take possession of any client papers and property, as required by rule 3-700(D); and that if no response is received to the notification within 90 days of the sending of such notice, or in the event the client's rights would be prejudiced by a failure to act during that time, the purchaser may act on behalf of the client until otherwise notified by the client. Such notice shall comply with the requirements as set forth in rule 1-400(D) and any provisions relating to attorney-client fee arrangements, and

(b) the purchaser shall obtain the written consent of the client provided that such consent shall be presumed until otherwise notified by the client if no response is received to the notification specified in subparagraph (a) within 90 days of the date of the sending of such notification to the client's last address as shown on the records of the seller, or the client's rights would be prejudiced by a failure to act during such 90-day period.

(2) in all other circumstances, not less than 90 days prior to the transfer;

(a) the seller, or the member appointed to act for the seller pursuant to Business and Professions Code section 6180.5, shall cause a written notice to be given to the client stating that the interest in the law practice is being transferred to the purchaser; that the client has the right to retain other counsel; that the client may take possession of any client papers and property, as required by rule 3-700(D); and that if no response is received to the notification within 90 days of the sending of such notice, the purchaser may act on behalf of the client until otherwise notified by the client. Such notice shall comply with the requirements as set forth in rule 1-400(D) and any provisions relating to attorney-client fee arrangements, and

(b) the seller, or the member appointed to act for the seller pursuant to Business and Professions Code section 6180.5, shall obtain the written consent of the client prior to the transfer provided that such consent shall be presumed until otherwise notified by the client if no response is

received to the notification specified in subparagraph (a) within 90 days of the date of the sending of such notification to the client's last address as shown on the records of the seller.

(C) If substitution is required by the rules of a tribunal in which a matter is pending, all steps necessary to substitute a member shall be taken.

(D) All activity of a purchaser or potential purchaser under this rule shall be subject to compliance with rules 3-300 and 3-310 where applicable.

(E) Confidential information shall not be disclosed to a non-member in connection with a sale under this rule.

(F) Admission to or retirement from a law partnership or law corporation, retirement plans and similar arrangements, or sale of tangible assets of a law practice shall not be deemed a sale or purchase under this rule.

Discussion:

Paragraph (A) is intended to prohibit the purchaser from charging the former clients of the seller a higher fee than the purchaser is charging his or her existing clients.

"All or substantially all of the law practice of a member" means, for purposes of rule 2-300, that, for example, a member may retain one or two clients who have such a longstanding personal and professional relationship with the member that transfer of those clients' files is not feasible. Conversely, rule 2-300 is not intended to authorize the sale of a law practice in a piecemeal fashion except as may be required by subparagraph (B)(1)(a) or paragraph (D).

Transfer of individual client matters, where permitted, is governed by rule 2-200. Payment of a fee to a non-lawyer broker for arranging the sale or purchase of a law practice is governed by rule 1-320. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 2-400 Prohibited Discriminatory Conduct in a Law Practice

(A) For purposes of this rule:

(1) "law practice" includes sole practices, law partnerships, law corporations, corporate and governmental legal departments, and other entities which employ members to practice law;

(2) "knowingly permit" means a failure to advocate corrective action where the member knows of a discriminatory policy or practice which results in the unlawful discrimination prohibited in paragraph (B); and

(3) "unlawfully" and "unlawful" shall be determined by reference to applicable state or federal statutes or decisions making unlawful discrimination in employment and in offering goods and services to the public.

(B) In the management or operation of a law practice, a member shall not unlawfully discriminate or knowingly permit unlawful discrimination on the basis of race , national origin, sex, sexual orientation, religion, age or disability in:

(1) hiring, promoting, discharging, or otherwise determining the conditions of employment of any person; or

(2) accepting or terminating representation of any client.

(C) No disciplinary investigation or proceeding may be initiated by the State Bar against a member under this rule unless and until a tribunal of competent jurisdiction, other than a disciplinary tribunal, shall have first adjudicated a complaint of alleged discrimination and found that unlawful conduct occurred. Upon such adjudication, the tribunal finding or verdict shall then be admissible evidence of the occurrence or non-occurrence of the alleged discrimination in any disciplinary proceeding initiated under this rule. In order for discipline to be imposed under this rule, however, the finding of unlawfulness must be upheld and final after appeal, the time for filing an appeal must have expired, or the appeal must have been dismissed.

Discussion:

In order for discriminatory conduct to be actionable under this rule, it must first be found to be unlawful by an appropriate civil administrative or judicial tribunal under applicable state or federal law. Until there is a finding of civil unlawfulness, there is no basis for disciplinary action under this rule.

A complaint of misconduct based on this rule may be filed with the State Bar following a finding of

unlawfulness in the first instance even though that finding is thereafter appealed.

A disciplinary investigation or proceeding for conduct coming within this rule may be initiated and maintained, however, if such conduct warrants discipline under California Business and Professions Code sections 6106 and 6068, the California Supreme Court's inherent authority to impose discipline, or other disciplinary standard. (Added by order of Supreme Court, effective March 1, 1994.)

CHAPTER 3.
PROFESSIONAL RELATIONSHIP WITH CLIENTS

Rule 3-100 Confidential Information of a Client

(A) A member shall not reveal information protected from disclosure by Business and Professions Code section 6068, subdivision (e)(1) without the informed consent of the client, or as provided in paragraph (B) of this rule.

(B) A member may, but is not required to, reveal confidential information relating to the representation of a client to the extent that the member reasonably believes the disclosure is necessary to prevent a criminal act that the member reasonably believes is likely to result in death of, or substantial bodily harm to, an individual.

(C) Before revealing confidential information to prevent a criminal act as provided in paragraph (B), a member shall, if reasonable under the circumstances:

(1) make a good faith effort to persuade the client: (i) not to commit or to continue the criminal act or (ii) to pursue a course of conduct that will prevent the threatened death or substantial bodily harm; or do both (i) and (ii); and

(2) inform the client, at an appropriate time, of the member's ability or decision to reveal information as provided in paragraph (B).

(D) In revealing confidential information as provided in paragraph (B), the member's disclosure must be no more than is necessary to prevent the criminal act, given the information known to the member at the time of the disclosure.

(E) A member who does not reveal information permitted by paragraph (B) does not violate this rule.

Discussion:

[1] *Duty of confidentiality.* Paragraph (A) relates to a member's obligations under Business and Professions Code section 6068, subdivision (e)(1), which provides it is a duty of a member: "To maintain inviolate the confidence, and at every peril to himself or herself to preserve the secrets, of his or her client." A member's duty to preserve the confidentiality of client information involves public policies of paramount importance. (*In Re Jordan* (1974) 12 Cal.3d 575, 580 [116 Cal.Rptr. 371].) Preserving the confidentiality of client information contributes to the trust that is the hallmark of the client-lawyer relationship. The client is thereby encouraged to seek legal assistance and to communicate fully and frankly with the lawyer even as to embarrassing or legally damaging subject matter. The lawyer needs this information to represent the client effectively and, if necessary, to advise the client to refrain from wrongful conduct. Almost without exception, clients come to lawyers in order to determine their rights and what is, in the complex of laws and regulations, deemed to be legal and correct. Based upon experience, lawyers know that almost all clients follow the advice given, and the law is upheld. Paragraph (A) thus recognizes a fundamental principle in the client-lawyer relationship that, in the absence of the client's informed consent, a member must not reveal information relating to the representation. (See, e.g., *Commercial Standard Title Co. v. Superior Court* (1979) 92 Cal.App.3d 934, 945 [155 Cal.Rptr. 393].)

[2] *Client-lawyer confidentiality encompasses the attorney-client privilege, the work-product doctrine and ethical standards of confidentiality.* The principle of client-lawyer confidentiality applies to information relating to the representation, whatever its source, and encompasses matters communicated in confidence by the client, and therefore protected by the attorney-client privilege, matters protected by the work product doctrine, and matters protected under ethical standards of confidentiality, all as established in law, rule and policy. (See *In the Matter of Johnson* (Rev. Dept. 2000) 4 Cal. State Bar Ct. Rptr. 179; *Goldstein v. Lees* (1975) 46 Cal.App.3d 614 [120 Cal.Rptr. 253].) The attorney-client privilege and work-product doctrine apply in judicial and other

proceedings in which a member may be called as a witness or be otherwise compelled to produce evidence concerning a client. A member's ethical duty of confidentiality is not so limited in its scope of protection for the client-lawyer relationship of trust and prevents a member from revealing the client's confidential information even when not confronted with such compulsion. Thus, a member may not reveal such information except with the consent of the client or as authorized or required by the State Bar Act, these rules, or other law.

[3] *Narrow exception to duty of confidentiality under this Rule.* Notwithstanding the important public policies promoted by lawyers adhering to the core duty of confidentiality, the overriding value of life permits disclosures otherwise prohibited under Business & Professions Code section 6068, subdivision (e)(1). Paragraph (B), which restates Business and Professions Code section 6068, subdivision (e)(2), identifies a narrow confidentiality exception, absent the client's informed consent, when a member reasonably believes that disclosure is necessary to prevent a criminal act that the member reasonably believes is likely to result in the death of, or substantial bodily harm to an individual. Evidence Code section 956.5, which relates to the evidentiary attorney-client privilege, sets forth a similar express exception. Although a member is not permitted to reveal confidential information concerning a client's past, completed criminal acts, the policy favoring the preservation of human life that underlies this exception to the duty of confidentiality and the evidentiary privilege permits disclosure to prevent a future or ongoing criminal act.

[4] *Member not subject to discipline for revealing confidential information as permitted under this Rule.* Rule 3-100, which restates Business and Professions Code section 6068, subdivision (e)(2), reflects a balancing between the interests of preserving client confidentiality and of preventing a criminal act that a member reasonably believes is likely to result in death or substantial bodily harm to an individual. A member who reveals information as permitted under this rule is not subject to discipline.

[5] *No duty to reveal confidential information*. Neither Business and Professions Code section 6068, subdivision (e)(2) nor this rule imposes an affirmative obligation on a member to reveal information in order to prevent harm. (See rule 1-100(A).) A member may decide not to reveal confidential information. Whether a member chooses to reveal confidential information as permitted under this rule is a matter for the individual member to decide, based on all the facts and circumstances, such as those discussed in paragraph [6] of this discussion.

[6] *Deciding to reveal confidential information as permitted under paragraph (B*). Disclosure permitted under paragraph (B) is ordinarily a last resort, when no other available action is reasonably likely to prevent the criminal act. Prior to revealing information as permitted under paragraph (B), the member must, if reasonable under the circumstances, make a good faith effort to persuade the client to take steps to avoid the criminal act or threatened harm. Among the factors to be considered in determining whether to disclose confidential information are the following:

(1) the amount of time that the member has to make a decision about disclosure;

(2) whether the client or a third party has made similar threats before and whether they have ever acted or attempted to act upon them;

(3) whether the member believes the member's efforts to persuade the client or a third person not to engage in the criminal conduct have or have not been successful;

(4) the extent of adverse effect to the client's rights under the Fifth, Sixth and Fourteenth Amendments of the United States Constitution and analogous rights and privacy rights under Article 1 of the Constitution of the State of California that may result from disclosure contemplated by the member;

(5) the extent of other adverse effects to the client that may result from disclosure contemplated by the member; and

(6) the nature and extent of information that must be disclosed to prevent the criminal act or threatened harm.

A member may also consider whether the prospective harm to the victim or victims is imminent in deciding whether to disclose the confidential information. However, the imminence of the harm is not a prerequisite to disclosure and a member may disclose the information without waiting until immediately before the harm is likely to occur.

[7] *Counseling client or third person not to commit a criminal act reasonably likely to result in death of substantial bodily harm.* Subparagraph (C)(1)

provides that before a member may reveal confidential information, the member must, if reasonable under the circumstances, make a good faith effort to persuade the client not to commit or to continue the criminal act, or to persuade the client to otherwise pursue a course of conduct that will prevent the threatened death or substantial bodily harm, or if necessary, do both. The interests protected by such counseling is the client's interest in limiting disclosure of confidential information and in taking responsible action to deal with situations attributable to the client. If a client, whether in response to the member's counseling or otherwise, takes corrective action – such as by ceasing the criminal act before harm is caused – the option for permissive disclosure by the member would cease as the threat posed by the criminal act would no longer be present. When the actor is a nonclient or when the act is deliberate or malicious, the member who contemplates making adverse disclosure of confidential information may reasonably conclude that the compelling interests of the member or others in their own personal safety preclude personal contact with the actor. Before counseling an actor who is a nonclient, the member should, if reasonable under the circumstances, first advise the client of the member's intended course of action. If a client or another person has already acted but the intended harm has not yet occurred, the member should consider, if reasonable under the circumstances, efforts to persuade the client or third person to warn the victim or consider other appropriate action to prevent the harm. Even when the member has concluded that paragraph (B) does not permit the member to reveal confidential information, the member nevertheless is permitted to counsel the client as to why it may be in the client's best interest to consent to the attorney's disclosure of that information.

[8] *Disclosure of confidential information must be no more than is reasonably necessary to prevent the criminal act.* Under paragraph (D), disclosure of confidential information, when made, must be no more extensive than the member reasonably believes necessary to prevent the criminal act. Disclosure should allow access to the confidential information to only those persons who the member reasonably believes can act to prevent the harm. Under some circumstances, a member may determine that the best course to pursue is to make an anonymous disclosure to the potential victim or relevant law-enforcement authorities. What particular measures are reasonable depends on the circumstances known to the member. Relevant circumstances include the time available, whether the victim might be unaware of the threat, the member's prior course of dealings with the client, and the extent of the adverse effect on the client that may result from the disclosure contemplated by the member.

[9] *Informing client of member's ability or decision to reveal confidential information under subparagraph (C)(2).* A member is required to keep a client reasonably informed about significant developments regarding the employment or representation. Rule 3-500; Business and Professions Code, section 6068, subdivision (m). Paragraph (C)(2), however, recognizes that under certain circumstances, informing a client of the member's ability or decision to reveal confidential information under paragraph (B) would likely increase the risk of death or substantial bodily harm, not only to the originally-intended victims of the criminal act, but also to the client or members of the client's family, or to the member or the member's family or associates. Therefore, paragraph (C)(2) requires a member to inform the client of the member's ability or decision to reveal confidential information as provided in paragraph (B) only if it is reasonable to do so under the circumstances. Paragraph (C)(2) further recognizes that the appropriate time for the member to inform the client may vary depending upon the circumstances. (See paragraph [10] of this discussion.) Among the factors to be considered in determining an appropriate time, if any, to inform a client are:

(1) whether the client is an experienced user of legal services;

(2) the frequency of the member's contact with the client;

(3) the nature and length of the professional relationship with the client;

(4) whether the member and client have discussed the member's duty of confidentiality or any exceptions to that duty;

(5) the likelihood that the client's matter will involve information within paragraph (B);

(6) the member's belief, if applicable, that so informing the client is likely to increase the likelihood that a criminal act likely to result in the death of, or substantial bodily harm to, an individual; and

(7) the member's belief, if applicable, that good faith efforts to persuade a client not to act on a threat have failed.

[10] *Avoiding a chilling effect on the lawyer-client relationship.* The foregoing flexible approach to the member's informing a client of his or her ability or decision to reveal confidential information recognizes the concern that informing a client about limits on confidentiality may have a chilling effect on client communication. (See Discussion paragraph [1].) To avoid that chilling effect, one member may choose to inform the client of the member's ability to reveal information as early as the outset of the representation, while another member may choose to inform a client only at a point when that client has imparted information that may fall under paragraph (B), or even choose not to inform a client until such time as the member attempts to counsel the client as contemplated in Discussion paragraph [7]. In each situation, the member will have discharged properly the requirement under subparagraph (C)(2), and will not be subject to discipline.

[11] *Informing client that disclosure has been made; termination of the lawyer-client relationship.* When a member has revealed confidential information under paragraph (B), in all but extraordinary cases the relationship between member and client will have deteriorated so as to make the member's representation of the client impossible. Therefore, the member is required to seek to withdraw from the representation (see rule 3-700(B)), unless the member is able to obtain the client's informed consent to the member's continued representation. The member must inform the client of the fact of the member's disclosure unless the member has a compelling interest in not informing the client, such as to protect the member, the member's family or a third person from the risk of death or substantial bodily harm.

[12] *Other consequences of the member's disclosure.* Depending upon the circumstances of a member's disclosure of confidential information, there may be other important issues that a member must address. For example, if a member will be called as a witness in the client's matter, then rule 5-210 should be considered. Similarly, the member should consider his or her duties of loyalty and competency (rule 3-110).

[13] *Other exceptions to confidentiality under California law.* Rule 3-100 is not intended to augment, diminish, or preclude reliance upon, any other exceptions to the duty to preserve the confidentiality of client information recognized under California law. (Added by order of the Supreme Court, operative July 1, 2004.)

Rule 3-110 Failing to Act Competently

(A) A member shall not intentionally, recklessly, or repeatedly fail to perform legal services with competence.

(B) For purposes of this rule, "competence" in any legal service shall mean to apply the 1) diligence, 2) learning and skill, and 3) mental, emotional, and physical ability reasonably necessary for the performance of such service.

(C) If a member does not have sufficient learning and skill when the legal service is undertaken, the member may nonetheless perform such services competently by 1) associating with or, where appropriate, professionally consulting another lawyer reasonably believed to be competent, or 2) by acquiring sufficient learning and skill before performance is required.

Discussion:

The duties set forth in rule 3-110 include the duty to supervise the work of subordinate attorney and non-attorney employees or agents. (See, e.g., *Waysman v. State Bar* (1986) 41 Cal.3d 452; *Trousil v. State Bar* (1985) 38 Cal.3d 337, 342 [211 Cal.Rptr. 525]; *Palomo v. State Bar* (1984) 36 Cal.3d 785 [205 Cal.Rptr. 834]; *Crane v. State Bar* (1981) 30 Cal.3d 117, 122; *Black v. State Bar* (1972) 7 Cal.3d 676, 692 [103 Cal.Rptr. 288; 499 P.2d 968]; *Vaughn v. State Bar* (1972) 6 Cal.3d 847, 857-858 [100 Cal.Rptr. 713; 494 P.2d 1257]; *Moore v. State Bar* (1964) 62 Cal.2d 74, 81 [41 Cal.Rptr. 161; 396 P.2d 577].)

In an emergency a lawyer may give advice or assistance in a matter in which the lawyer does not have the skill ordinarily required where referral to or consultation with another lawyer would be impractical. Even in an emergency, however, assistance should be limited to that reasonably necessary in the circumstances. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 3-120 Sexual Relations With Client

(A) For purposes of this rule, "sexual relations" means sexual intercourse or the touching of an

intimate part of another person for the purpose of sexual arousal, gratification, or abuse.

(B) A member shall not:

(1) Require or demand sexual relations with a client incident to or as a condition of any professional representation; or

(2) Employ coercion, intimidation, or undue influence in entering into sexual relations with a client; or

(3) Continue representation of a client with whom the member has sexual relations if such sexual relations cause the member to perform legal services incompetently in violation of rule 3-110.

(C) Paragraph (B) shall not apply to sexual relations between members and their spouses or to ongoing consensual sexual relationships which predate the initiation of the lawyer-client relationship.

(D) Where a lawyer in a firm has sexual relations with a client but does not participate in the representation of that client, the lawyers in the firm shall not be subject to discipline under this rule solely because of the occurrence of such sexual relations.

Discussion:

Rule 3-120 is intended to prohibit sexual exploitation by a lawyer in the course of a professional representation. Often, based upon the nature of the underlying representation, a client exhibits great emotional vulnerability and dependence upon the advice and guidance of counsel. Attorneys owe the utmost duty of good faith and fidelity to clients. (See, e.g., *Greenbaum v. State Bar* (1976) 15 Cal.3d 893, 903 [126 Cal.Rptr. 785]; *Alkow v. State Bar* (1971) 3 Cal.3d 924, 935 [92 Cal.Rptr. 278]; *Cutler v. State Bar* (1969) 71 Cal.2d 241, 251 [78 Cal.Rptr 172]; *Clancy v. State Bar* (1969) 71 Cal.2d 140, 146 [77 Cal.Rptr. 657].) The relationship between an attorney and client is a fiduciary relationship of the very highest character and all dealings between an attorney and client that are beneficial to the attorney will be closely scrutinized with the utmost strictness for unfairness. (See, e.g., *Giovanazzi v. State Bar* (1980) 28 Cal.3d 465, 472 [169 Cal Rptr. 581]; *Benson v. State Bar* (1975) 13 Cal.3d 581, 586 [119 Cal.Rptr. 297]; *Lee v. State Bar* (1970) 2 Cal.3d 927, 939 [88 Cal.Rptr. 361]; *Clancy v. State Bar* (1969) 71 Cal.2d 140, 146 [77 Cal.Rptr. 657].) Where attorneys exercise undue influence over clients or take unfair advantage of clients, discipline is appropriate. (See, e.g., *Magee v. State Bar* (1962) 58 Cal.2d 423 [24 Cal.Rptr. 839]; *Lantz v. State Bar* (1931) 212 Cal. 213 [298 P. 497].) In all client matters, a member is advised to keep clients' interests paramount in the course of the member's representation.

For purposes of this rule, if the client is an organization, any individual overseeing the representation shall be deemed to be the client. (See rule 3-600.)

Although paragraph (C) excludes representation of certain clients from the scope of rule 3-120, such exclusion is not intended to preclude the applicability of other Rules of Professional Conduct, including rule 3-110. (Added by order of Supreme Court, operative September 14, 1992.)

Rule 3-200 Prohibited Objectives of Employment

A member shall not seek, accept, or continue employment if the member knows or should know that the objective of such employment is:

(A) To bring 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

(B) To 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 such existing law.

Rule 3-210 Advising the Violation of Law

A member shall not advise the violation of any law, rule, or ruling of a tribunal unless the member believes in good faith that such law, rule, or ruling is invalid. A member may take appropriate steps in good faith to test the validity of any law, rule, or ruling of a tribunal.

Discussion:

Rule 3-210 is intended to apply not only to the prospective conduct of a client but also to the interaction between the member and client and to the specific legal service sought by the client from the

member. An example of the former is the handling of physical evidence of a crime in the possession of the client and offered to the member. (See *People v. Meredith* (1981) 29 Cal.3d 682 [175 Cal.Rptr. 612].) An example of the latter is a request that the member negotiate the return of stolen property in exchange for the owner's agreement not to report the theft to the police or prosecutorial authorities. (See *People v. Pic'l* (1982) 31 Cal.3d 731 [183 Cal.Rptr. 685].)

Rule 3-300 Avoiding Interests Adverse to a Client

A member shall not enter into a business transaction with a client; or knowingly acquire an ownership, possessory, security, or other pecuniary interest adverse to a client, unless each of the following requirements has been satisfied:

(A) The transaction or acquisition and its terms are fair and reasonable to the client and are fully disclosed and transmitted in writing to the client in a manner which should reasonably have been understood by the client; and

(B) The client is advised in writing that the client may seek the advice of an independent lawyer of the client's choice and is given a reasonable opportunity to seek that advice; and

(C) The client thereafter consents in writing to the terms of the transaction or the terms of the acquisition.

Discussion:

Rule 3-300 is not intended to apply to the agreement by which the member is retained by the client, unless the agreement confers on the member an ownership, possessory, security, or other pecuniary interest adverse to the client. Such an agreement is governed, in part, by rule 4-200.

Rule 3-300 is not intended to apply where the member and client each make an investment on terms offered to the general public or a significant portion thereof. For example, rule 3-300 is not intended to apply where A, a member, invests in a limited partnership syndicated by a third party. B, A's client, makes the same investment. Although A and B are each investing in the same business, A did not enter into the transaction "with" B for the purposes of the rule.

Rule 3-300 is intended to apply where the member wishes to obtain an interest in client's property in order to secure the amount of the member's past due or future fees. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 3-310 Avoiding the Representation of Adverse Interests

(A) For purposes of this rule:

(1) "Disclosure" means informing the client or former client of the relevant circumstances and of the actual and reasonably foreseeable adverse consequences to the client or former client;

(2) "Informed written consent" means the client's or former client's written agreement to the representation following written disclosure;

(3) "Written" means any writing as defined in Evidence Code section 250.

(B) A member shall not accept or continue representation of a client without providing written disclosure to the client where:

(1) The member has a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; or

(2) The member knows or reasonably should know that:

(a) the member previously had a legal, business, financial, professional, or personal relationship with a party or witness in the same matter; and

(b) the previous relationship would substantially affect the member's representation; or

(3) The member has or had a legal, business, financial, professional, or personal relationship with another person or entity the member knows or reasonably should know would be affected substantially by resolution of the matter; or

(4) The member has or had a legal, business, financial, or professional interest in the subject matter of the representation.

(C) A member shall not, without the informed written consent of each client:

(1) Accept representation of more than one client in a matter in which the interests of the clients potentially conflict; or

(2) Accept or continue representation of more than one client in a matter in which the interests of the clients actually conflict; or

(3) Represent a client in a matter and at the same time in a separate matter accept as a client a person or entity whose interest in the first matter is adverse to the client in the first matter.

(D) A member who represents two or more clients shall not enter into an aggregate settlement of the claims of or against the clients without the informed written consent of each client.

(E) A member shall not, without the informed written consent of the client or former client, accept employment adverse to the client or former client where, by reason of the representation of the client or former client, the member has obtained confidential information material to the employment.

(F) A member shall not accept compensation for representing a client from one other than the client unless:

(1) There is no interference with the member's independence of professional judgment or with the client-lawyer relationship; and

(2) Information relating to representation of the client is protected as required by Business and Professions Code section 6068, subdivision (e); and

(3) The member obtains the client's informed written consent, provided that no disclosure or consent is required if:

(a) such nondisclosure is otherwise authorized by law; or

(b) the member is rendering legal services on behalf of any public agency which provides legal services to other public agencies or the public.

Discussion:

Rule 3-310 is not intended to prohibit a member from representing parties having antagonistic positions on the same legal question that has arisen in different cases, unless representation of either client would be adversely affected.

Other rules and laws may preclude making adequate disclosure under this rule. If such disclosure is precluded, informed written consent is likewise precluded. (See, e.g., Business and Professions Code section 6068, subdivision (e).)

Paragraph (B) is not intended to apply to the relationship of a member to another party's lawyer. Such relationships are governed by rule 3-320.

Paragraph (B) is not intended to require either the disclosure of the new engagement to a former client or the consent of the former client to the new engagement. However, both disclosure and consent are required if paragraph (E) applies.

While paragraph (B) deals with the issues of adequate disclosure to the present client or clients of the member's present or past relationships to other parties or witnesses or present interest in the subject matter of the representation, paragraph (E) is intended to protect the confidences of another present or former client. These two paragraphs are to apply as complementary provisions.

Paragraph (B) is intended to apply only to a member's own relationships or interests, unless the member knows that a partner or associate in the same firm as the member has or had a relationship with another party or witness or has or had an interest in the subject matter of the representation.

Subparagraphs (C)(1) and (C)(2) are intended to apply to all types of legal employment, including the concurrent representation of multiple parties in litigation or in a single transaction or in some other common enterprise or legal relationship. Examples of the latter include the formation of a partnership for several partners or a corporation for several shareholders, the preparation of an ante-nuptial agreement, or joint or reciprocal wills for a husband and wife, or the resolution of an "uncontested" marital dissolution. In such situations, for the sake of convenience or economy, the parties may well prefer to employ a single counsel, but a member must disclose the potential adverse aspects of such multiple representation (e.g., Evid. Code, §962) and must obtain the informed written consent of the clients

thereto pursuant to subparagraph (C)(1). Moreover, if the potential adversity should become actual, the member must obtain the further informed written consent of the clients pursuant to subparagraph (C)(2).

Subparagraph (C)(3) is intended to apply to representations of clients in both litigation and transactional matters.

In *State Farm Mutual Automobile Insurance Company v. Federal Insurance Company* (1999) 72 Cal.App.4th 1422 [86 Cal.Rptr.2d 20], the court held that subparagraph (C)(3) was violated when a member, retained by an insurer to defend one suit, and while that suit was still pending, filed a direct action against the same insurer in an unrelated action without securing the insurer's consent. Notwithstanding State Farm, subparagraph (C)(3) is not intended to apply with respect to the relationship between an insurer and a member when, in each matter, the insurer's interest is only as an indemnity provider and not as a direct party to the action.

There are some matters in which the conflicts are such that written consent may not suffice for non-disciplinary purposes. (See *Woods v. Superior Court* (1983) 149 Cal.App.3d 931 [197 Cal.Rptr. 185]; *Klemm v. Superior Court* (1977) 75 Cal.App.3d 893 [142 Cal.Rptr. 509]; *Ishmael v. Millington* (1966) 241 Cal.App.2d 520 [50 Cal.Rptr. 592].)

Paragraph (D) is not intended to apply to class action settlements subject to court approval.

Paragraph (F) is not intended to abrogate existing relationships between insurers and insureds whereby the insurer has the contractual right to unilaterally select counsel for the insured, where there is no conflict of interest. (See *San Diego Navy Federal Credit Union v. Cumis Insurance Society* (1984) 162 Cal.App.3d 358 [208 Cal.Rptr. 494].) (Amended by order of Supreme Court, operative September 14, 1992; operative March 3, 2003.)

Rule 3-320 Relationship With Other Party's Lawyer

A member shall not represent a client in a matter in which another party's lawyer is a spouse, parent, child, or sibling of the member, lives with the member, is a client of the member, or has an intimate personal relationship with the member, unless the member informs the client in writing of the relationship.

Discussion:

Rule 3-320 is not intended to apply to circumstances in which a member fails to advise the client of a relationship with another lawyer who is merely a partner or associate in the same law firm as the adverse party's counsel, and who has no direct involvement in the matter. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 3-400 Limiting Liability to Client

A member shall not:

(A) Contract with a client prospectively limiting the member's liability to the client for the member's professional malpractice; or

(B) Settle a claim or potential claim for the member's liability to the client for the member's professional malpractice, unless the client is informed in writing that the client may seek the advice of an independent lawyer of the client's choice regarding the settlement and is given a reasonable opportunity to seek that advice.

Discussion:

Rule 3-400 is not intended to apply to customary qualifications and limitations in legal opinions and memoranda, nor is it intended to prevent a member from reasonably limiting the scope of the member's employment or representation. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 3-410 Disclosure of Professional Liability Insurance

(A) A member who knows or should know that he or she does not have professional liability insurance shall inform a client in writing, at the time of the client's engagement of the member, that the member does not have professional liability insurance whenever it is reasonably foreseeable that the total amount of the member's legal representation of the client in the matter will exceed four hours.

(B) If a member does not provide the notice required under paragraph (A) at the time of a client's engagement of the member, and the member

subsequently knows or should know that he or she no longer has professional liability insurance during the representation of the client, the member shall inform the client in writing within thirty days of the date that the member knows or should know that he or she no longer has professional liability insurance.

(C) This rule does not apply to a member who is employed as a government lawyer or in-house counsel when that member is representing or providing legal advice to a client in that capacity.

(D) This rule does not apply to legal services rendered in an emergency to avoid foreseeable prejudice to the rights or interests of the client.

(E) This rule does not apply where the member has previously advised the client under Paragraph (A) or (B) that the member does not have professional liability insurance.

Discussion:

[1] The disclosure obligation imposed by Paragraph (A) of this rule applies with respect to new clients and new engagements with returning clients.

[2] A member may use the following language in making the disclosure required by Rule 3-410(A), and may include that language in a written fee agreement with the client or in a separate writing:

> *"Pursuant to California Rule of Professional Conduct 3-410, I am informing you in writing that I do not have professional liability insurance."*

[3] A member may use the following language in making the disclosure required by Rule 3-410(B):

> *"Pursuant to California Rule of Professional Conduct 3-410, I am informing you in writing that I no longer have professional liability insurance."*

[4] Rule 3-410(C) provides an exemption for a "government lawyer or in-house counsel when that member is representing or providing legal advice to a client in that capacity." The basis of both exemptions is essentially the same. The purpose of this rule is to provide information directly to a client if a member is not covered by professional liability insurance. If a member is employed directly by and provides legal services directly for a private entity or a federal, state or local governmental entity, that entity presumably knows whether the member is or is not covered by professional liability insurance. The exemptions under this rule are limited to situations involving direct employment and representation, and do not, for example, apply to outside counsel for a private or governmental entity, or to counsel retained by an insurer to represent an insured. (Added by order of the Supreme Court, operative January 1, 2010.)

Rule 3-500 Communication

A member shall keep a client reasonably informed about significant developments relating to the employment or representation, including promptly complying with reasonable requests for information and copies of significant documents when necessary to keep the client so informed.

Discussion:

Rule 3-500 is not intended to change a member's duties to his or her clients. It is intended to make clear that, while a client must be informed of significant developments in the matter, a member will not be disciplined for failing to communicate insignificant or irrelevant information. (See Bus. & Prof. Code, §6068, subd. (m).)

A member may contract with the client in their employment agreement that the client assumes responsibility for the cost of copying significant documents. This rule is not intended to prohibit a claim for the recovery of the member's expense in any subsequent legal proceeding.

Rule 3-500 is not intended to create, augment, diminish, or eliminate any application of the work product rule. The obligation of the member to provide work product to the client shall be governed by relevant statutory and decisional law. Additionally, this rule is not intended to apply to any document or correspondence that is subject to a protective order or non-disclosure agreement, or to override applicable statutory or decisional law requiring that certain information not be provided to criminal defendants who are clients of the member. (Amended by order of the Supreme Court, operative June 5, 1997.)

Rule 3-510 Communication of Settlement Offer

(A) A member shall promptly communicate to the member's client:

(1) All terms and conditions of any offer made to the client in a criminal matter; and

(2) All amounts, terms, and conditions of any written offer of settlement made to the client in all other matters.

(B) As used in this rule, "client" includes a person who possesses the authority to accept an offer of settlement or plea, or, in a class action, all the named representatives of the class.

Discussion:

Rule 3-510 is intended to require that counsel in a criminal matter convey all offers, whether written or oral, to the client, as give and take negotiations are less common in criminal matters, and, even were they to occur, such negotiations should require the participation of the accused.

Any oral offers of settlement made to the client in a civil matter should also be communicated if they are "significant" for the purposes of rule 3-500.

Rule 3-600 Organization as Client

(A) In representing an organization, a member shall conform his or her representation to the concept that the client is the organization itself, acting through its highest authorized officer, employee, body, or constituent overseeing the particular engagement.

(B) If a member acting on behalf of an organization knows that an actual or apparent agent of the organization acts or intends or refuses to act in a manner that is or may be a violation of law reasonably imputable to the organization, or in a manner which is likely to result in substantial injury to the organization, the member shall not violate his or her duty of protecting all confidential information as provided in Business and Professions Code section 6068, subdivision (e). Subject to Business and Professions Code section 6068, subdivision (e), the member may take such actions as appear to the member to be in the best lawful interest of the organization. Such actions may include among others:

(1) Urging reconsideration of the matter while explaining its likely consequences to the organization; or

(2) Referring the matter to the next higher authority in the organization, including, if warranted by the seriousness of the matter, referral to the highest internal authority that can act on behalf of the organization.

(C) If, despite the member's actions in accordance with paragraph (B), the highest authority that can act on behalf of the organization insists upon action or a refusal to act that is a violation of law and is likely to result in substantial injury to the organization, the member's response is limited to the member's right, and, where appropriate, duty to resign in accordance with rule 3-700.

(D) In dealing with an organization's directors, officers, employees, members, shareholders, or other constituents, a member shall explain the identity of the client for whom the member acts, whenever it is or becomes apparent that the organization's interests are or may become adverse to those of the constituent(s) with whom the member is dealing. The member shall not mislead such a constituent into believing that the constituent may communicate confidential information to the member in a way that will not be used in the organization's interest if that is or becomes adverse to the constituent.

(E) A member representing an organization may also represent any of its directors, officers, employees, members, shareholders, or other constituents, subject to the provisions of rule 3-310. If the organization's consent to the dual representation is required by rule 3-310, the consent shall be given by an appropriate constituent of the organization other than the individual or constituent who is to be represented, or by the shareholder(s) or organization members.

Discussion:

Rule 3-600 is not intended to enmesh members in the intricacies of the entity and aggregate theories of partnership.

Rule 3-600 is not intended to prohibit members from representing both an organization and other parties connected with it, as for instance (as simply one example) in establishing employee benefit packages for closely held corporations or professional partnerships.

Rule 3-600 is not intended to create or to validate artificial distinctions between entities and their officers, employees, or members, nor is it the purpose of the rule to deny the existence or importance of such formal distinctions. In dealing with a close corporation or small association, members commonly perform professional engagements for both the organization and its major constituents. When a change in control occurs or is threatened, members are faced with complex decisions involving personal and institutional relationships and loyalties and have frequently had difficulty in perceiving their correct duty. (See *People ex rel Deukmejian v. Brown* (1981) 29 Cal.3d 150 [172 Cal.Rptr. 478]; *Goldstein v. Lees* (1975) 46 Cal.App.3d 614 [120 Cal.Rptr. 253]; *Woods v. Superior Court* (1983) 149 Cal.App.3d 931 [197 Cal.Rptr. 185]; *In re Banks* (1978) 283 Ore. 459 [584 P.2d 284]; 1 A.L.R.4th 1105.) In resolving such multiple relationships, members must rely on case law.

Rule 3-700 Termination of Employment

(A) In General.

(1) If permission for termination of employment is required by the rules of a tribunal, a member shall not withdraw from employment in a proceeding before that tribunal without its permission.

(2) A member shall not withdraw from employment until the member has taken reasonable steps to avoid reasonably foreseeable prejudice to the rights of the client, including giving due notice to the client, allowing time for employment of other counsel, complying with rule 3-700(D), and complying with applicable laws and rules.

(B) Mandatory Withdrawal.

A member representing a client before a tribunal shall withdraw from employment with the permission of the tribunal, if required by its rules, and a member representing a client in other matters shall withdraw from employment, if:

(1) The member knows or should know that the client is bringing an action, conducting a defense, asserting a position in litigation, or taking an appeal, without probable cause and for the purpose of harassing or maliciously injuring any person; or

(2) The member knows or should know that continued employment will result in violation of these rules or of the State Bar Act; or

(3) The member's mental or physical condition renders it unreasonably difficult to carry out the employment effectively.

(C) Permissive Withdrawal.

If rule 3-700(B) is not applicable, a member may not request permission to withdraw in matters pending before a tribunal, and may not withdraw in other matters, unless such request or such withdrawal is because:

(1) The client

(a) insists upon presenting a claim or defense that is not warranted under existing law and cannot be supported by good faith argument for an extension, modification, or reversal of existing law, or

(b) seeks to pursue an illegal course of conduct, or

(c) insists that the member pursue a course of conduct that is illegal or that is prohibited under these rules or the State Bar Act, or

(d) by other conduct renders it unreasonably difficult for the member to carry out the employment effectively, or

(e) insists, in a matter not pending before a tribunal, that the member engage in conduct that is contrary to the judgment and advice of the member but not prohibited under these rules or the State Bar Act, or

(f) breaches an agreement or obligation to the member as to expenses or fees.

(2) The continued employment is likely to result in a violation of these rules or of the State Bar Act; or

(3) The inability to work with co-counsel indicates that the best interests of the client likely will be served by withdrawal; or

(4) The member's mental or physical condition renders it difficult for the member to carry out the employment effectively; or

(5) The client knowingly and freely assents to termination of the employment; or

(6) The member believes in good faith, in a proceeding pending before a tribunal, that the tribunal will find the existence of other good cause for withdrawal.

(D) Papers, Property, and Fees.

A member whose employment has terminated shall:

(1) Subject to any protective order or non-disclosure agreement, promptly release to the client, at the request of the client, all the client papers and property. "Client papers and property" includes correspondence, pleadings, deposition transcripts, exhibits, physical evidence, expert's reports, and other items reasonably necessary to the client's representation, whether the client has paid for them or not; and

(2) Promptly refund any part of a fee paid in advance that has not been earned. This provision is not applicable to a true retainer fee which is paid solely for the purpose of ensuring the availability of the member for the matter.

Discussion:

Subparagraph (A)(2) provides that "a member shall not withdraw from employment until the member has taken reasonable steps to avoid reasonably foreseeable prejudice to the rights of the clients." What such steps would include, of course, will vary according to the circumstances. Absent special circumstances, "reasonable steps" do not include providing additional services to the client once the successor counsel has been employed and rule 3-700(D) has been satisfied.

Paragraph (D) makes clear the member's duties in the recurring situation in which new counsel seeks to obtain client files from a member discharged by the client. It codifies existing case law. (See *Academy of California Optometrists v. Superior Court* (1975) 51 Cal.App.3d 999 [124 Cal.Rptr. 668]; *Weiss v. Marcus* (1975) 51 Cal.App.3d 590 [124 Cal.Rptr. 297].) Paragraph (D) also requires that the member "promptly" return unearned fees paid in advance. If a client disputes the amount to be returned, the member shall comply with rule 4-100(A)(2).

Paragraph (D) is not intended to prohibit a member from making, at the member's own expense, and retaining copies of papers released to the client, nor to prohibit a claim for the recovery of the member's expense in any subsequent legal proceeding.

CHAPTER 4.
FINANCIAL RELATIONSHIP WITH CLIENTS

Rule 4-100 Preserving Identity of Funds and Property of a Client

(A) All funds received or held for the benefit of clients by a member or law firm, including advances for costs and expenses, shall be deposited in one or more identifiable bank accounts labeled "Trust Account," "Client's Funds Account" or words of similar import, maintained in the State of California, or, with written consent of the client, in any other jurisdiction where there is a substantial relationship between the client or the client's business and the other jurisdiction. No funds belonging to the member or the law firm shall be deposited therein or otherwise commingled therewith except as follows:

(1) Funds reasonably sufficient to pay bank charges.

(2) In the case of funds belonging in part to a client and in part presently or potentially to the member or the law firm, the portion belonging to the member or law firm must be withdrawn at the earliest reasonable time after the member's interest in that portion becomes fixed. However, when the right of the member or law firm to receive a portion of trust funds is disputed by the client, the disputed portion shall not be withdrawn until the dispute is finally resolved.

(B) A member shall:

(1) Promptly notify a client of the receipt of the client's funds, securities, or other properties.

(2) Identify and label securities and properties of a client promptly upon receipt

and place them in a safe deposit box or other place of safekeeping as soon as practicable.

(3) Maintain complete records of all funds, securities, and other properties of a client coming into the possession of the member or law firm and render appropriate accounts to the client regarding them; preserve such records for a period of no less than five years after final appropriate distribution of such funds or properties; and comply with any order for an audit of such records issued pursuant to the Rules of Procedure of the State Bar.

(4) Promptly pay or deliver, as requested by the client, any funds, securities, or other properties in the possession of the member which the client is entitled to receive.

(C) The Board of Governors of the State Bar shall have the authority to formulate and adopt standards as to what "records" shall be maintained by members and law firms in accordance with subparagraph (B)(3). The standards formulated and adopted by the Board, as from time to time amended, shall be effective and binding on all members.

*[**Publisher's Note re Rule 4-100(C):** Operative January 1, 2012, Business and Professions Code section 6010, in part, provides that the State Bar is governed by a board known as the board of trustees of the State Bar and that any provision of law referring to the "board of governors" shall be deemed to refer to the "board of trustees." In accordance with this law, references to the "board of governors" included in the current Rules of Professional Conduct are deemed to refer to the "board of trustees.".]*

Standards:

Pursuant to rule 4-100(C) the Board adopted the following standards, effective January 1, 1993, as to what "records" shall be maintained by members and law firms in accordance with subparagraph (B)(3).

(1) A member shall, from the date of receipt of client funds through the period ending five years from the date of appropriate disbursement of such funds, maintain:

(a) a written ledger for each client on whose behalf funds are held that sets forth:

(i) the name of such client,

(ii) the date, amount and source of all funds received on behalf of such client,

(iii) the date, amount, payee and purpose of each disbursement made on behalf of such client, and

(iv) the current balance for such client;

(b) a written journal for each bank account that sets forth:

(i) the name of such account,

(ii) the date, amount and client affected by each debit and credit, and

(iii) the current balance in such account;

(c) all bank statements and canceled checks for each bank account; and

(d) each monthly reconciliation (balancing) of (a), (b), and (c).

(2) A member shall, from the date of receipt of all securities and other properties held for the benefit of client through the period ending five years from the date of appropriate disbursement of such securities and other properties, maintain a written journal that specifies:

(a) each item of security and property held;

(b) the person on whose behalf the security or property is held;

(c) the date of receipt of the security or property;

(d) the date of distribution of the security or property; and

(e) person to whom the security or property was distributed.

*[**Publisher's Note:** Trust Account Record Keeping Standards as adopted by the Board on July 11, 1992, effective January 1, 1993.]*

Rule 4-200 Fees for Legal Services

(A) A member shall not enter into an agreement for, charge, or collect an illegal or unconscionable fee.

(B) Unconscionability of a fee shall be determined on the basis of all the facts and circumstances existing at the time the agreement is entered into except where the parties contemplate that the fee will be affected by later events. Among the factors to be considered, where appropriate, in determining the conscionability of a fee are the following:

(1) The amount of the fee in proportion to the value of the services performed.

(2) The relative sophistication of the member and the client.

(3) The novelty and difficulty of the questions involved and the skill requisite to perform the legal service properly.

(4) The likelihood, if apparent to the client, that the acceptance of the particular employment will preclude other employment by the member.

(5) The amount involved and the results obtained.

(6) The time limitations imposed by the client or by the circumstances.

(7) The nature and length of the professional relationship with the client.

(8) The experience, reputation, and ability of the member or members performing the services.

(9) Whether the fee is fixed or contingent.

(10) The time and labor required.

(11) The informed consent of the client to the fee.

(Amended by order of Supreme Court, operative September 14, 1992.)

Rule 4-210 Payment of Personal or Business Expenses Incurred by or for a Client

(A) A member shall not directly or indirectly pay or agree to pay, guarantee, represent, or sanction a representation that the member or member's law firm will pay the personal or business expenses of a prospective or existing client, except that this rule shall not prohibit a member:

(1) With the consent of the client, from paying or agreeing to pay such expenses to third persons from funds collected or to be collected for the client as a result of the representation; or

(2) After employment, from lending money to the client upon the client's promise in writing to repay such loan; or

(3) From advancing the costs of prosecuting or defending a claim or action or otherwise protecting or promoting the client's interests, the repayment of which may be contingent on the outcome of the matter. Such costs within the meaning of this subparagraph (3) shall be limited to all reasonable expenses of litigation or reasonable expenses in preparation for litigation or in providing any legal services to the client.

(B) Nothing in rule 4-210 shall be deemed to limit rules 3-300, 3-310, and 4-300.

Rule 4-300 Purchasing Property at a Foreclosure or a Sale Subject to Judicial Review

(A) A member shall not directly or indirectly purchase property at a probate, foreclosure, receiver's, trustee's, or judicial sale in an action or proceeding in which such member or any lawyer affiliated by reason of personal, business, or professional relationship with that member or with that member's law firm is acting as a lawyer for a party or as executor, receiver, trustee, administrator, guardian, or conservator.

(B) A member shall not represent the seller at a probate, foreclosure, receiver, trustee, or judicial sale in an action or proceeding in which the purchaser is a spouse or relative of the member or of another lawyer in the member's law firm or is an employee of the member or the member's law

firm. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 4-400 Gifts From Client

A member shall not induce a client to make a substantial gift, including a testamentary gift, to the member or to the member's parent, child, sibling, or spouse, except where the client is related to the member.

Discussion:

A member may accept a gift from a member's client, subject to general standards of fairness and absence of undue influence. The member who participates in the preparation of an instrument memorializing a gift which is otherwise permissible ought not to be subject to professional discipline. On the other hand, where impermissible influence occurred, discipline is appropriate. (See *Magee v. State Bar* (1962) 58 Cal.2d 423 [24 Cal.Rptr. 839].)

CHAPTER 5.
ADVOCACY AND REPRESENTATION

Rule 5-100 Threatening Criminal, Administrative, or Disciplinary Charges

(A) A member shall not threaten to present criminal, administrative, or disciplinary charges to obtain an advantage in a civil dispute.

(B) As used in paragraph (A) of this rule, the term "administrative charges" means the filing or lodging of a complaint with a federal, state, or local governmental entity which may order or recommend the loss or suspension of a license, or may impose or recommend the imposition of a fine, pecuniary sanction, or other sanction of a quasi-criminal nature but does not include filing charges with an administrative entity required by law as a condition precedent to maintaining a civil action.

(C) As used in paragraph (A) of this rule, the term "civil dispute" means a controversy or potential controversy over the rights and duties of two or more parties under civil law, whether or not an action has been commenced, and includes an administrative proceeding of a quasi-civil nature pending before a federal, state, or local governmental entity.

Discussion:

Rule 5-100 is not intended to apply to a member's threatening to initiate contempt proceedings against a party for a failure to comply with a court order.

Paragraph (B) is intended to exempt the threat of filing an administrative charge which is a prerequisite to filing a civil complaint on the same transaction or occurrence.

For purposes of paragraph (C), the definition of "civil dispute" makes clear that the rule is applicable prior to the formal filing of a civil action.

Rule 5-110 Performing the Duty of Member in Government Service

A member in government service shall not institute or cause to be instituted criminal charges when the member knows or should know that the charges are not supported by probable cause. If, after the institution of criminal charges, the member in government service having responsibility for prosecuting the charges becomes aware that those charges are not supported by probable cause, the member shall promptly so advise the court in which the criminal matter is pending.

Rule 5-120 Trial Publicity

(A) A member who is participating or has participated in the investigation or litigation of a matter shall not make an extrajudicial statement that a reasonable person would expect to be disseminated by means of public communication if the member knows or reasonably should know that it will have a substantial likelihood of materially prejudicing an adjudicative proceeding in the matter.

(B) Notwithstanding paragraph (A), a member may state:

(1) the claim, offense or defense involved and, except when prohibited by law, the identity of the persons involved;

(2) the information contained in a public record;

(3) that an investigation of the matter is in progress;

(4) the scheduling or result of any step in litigation;

(5) a request for assistance in obtaining evidence and information necessary thereto;

(6) a warning of danger concerning the behavior of a person involved, when there is reason to believe that there exists the likelihood of substantial harm to an individual or the public interest; and

(7) in a criminal case, in addition to subparagraphs (1) through (6):

(a) the identity, residence, occupation, and family status of the accused;

(b) if the accused has not been apprehended, the information necessary to aid in apprehension of that person;

(c) the fact, time, and place of arrest; and

(d) the identity of investigating and arresting officers or agencies and the length of the investigation.

(C) Notwithstanding paragraph (A), a member may make a statement that a reasonable member would believe is required to protect a client from the substantial undue prejudicial effect of recent publicity not initiated by the member or the member's client. A statement made pursuant to this paragraph shall be limited to such information as is necessary to mitigate the recent adverse publicity.

Discussion:

Rule 5-120 is intended to apply equally to prosecutors and criminal defense counsel.

Whether an extrajudicial statement violates rule 5-120 depends on many factors, including: (1) whether the extrajudicial statement presents information clearly inadmissible as evidence in the matter for the purpose of proving or disproving a material fact in issue; (2) whether the extrajudicial statement presents information the member knows is false, deceptive, or the use of which would violate Business and Professions Code section 6068(d); (3) whether the extrajudicial statement violates a lawful "gag" order, or protective order, statute, rule of court, or special rule of confidentiality (for example, in juvenile, domestic, mental disability, and certain criminal proceedings); and (4) the timing of the statement.

Paragraph (A) is intended to apply to statements made by or on behalf of the member.

Subparagraph (B)(6) is not intended to create, augment, diminish, or eliminate any application of the lawyer-client privilege or of Business and Professions Code section 6068(e) regarding the member's duty to maintain client confidence and secrets. (Added by order of the Supreme Court, operative October 1, 1995.)

Rule 5-200 Trial Conduct

In presenting a matter to a tribunal, a member:

(A) Shall employ, for the purpose of maintaining the causes confided to the member such means only as are consistent with truth;

(B) Shall not seek to mislead the judge, judicial officer, or jury by an artifice or false statement of fact or law;

(C) Shall not intentionally misquote to a tribunal the language of a book, statute, or decision;

(D) Shall not, knowing its invalidity, cite as authority a decision that has been overruled or a statute that has been repealed or declared unconstitutional; and

(E) Shall not assert personal knowledge of the facts at issue, except when testifying as a witness.

Rule 5-210 Member as Witness

A member shall not act as an advocate before a jury which will hear testimony from the member unless:

(A) The testimony relates to an uncontested matter; or

(B) The testimony relates to the nature and value of legal services rendered in the case; or

(C) The member has the informed, written consent of the client. If the member represents the People or a governmental entity, the consent shall be obtained from the head of the office or a designee of the head of the office by which the member is employed and shall be consistent with principles of recusal.

Discussion:

Rule 5-210 is intended to apply to situations in which the member knows or should know that he or she ought to be called as a witness in litigation in which there is a jury. This rule is not intended to encompass situations in which the member is representing the client in an adversarial proceeding and is testifying before a judge. In non-adversarial proceedings, as where the member testifies on behalf of the client in a hearing before a legislative body, rule 5-210 is not applicable.

Rule 5-210 is not intended to apply to circumstances in which a lawyer in an advocate's firm will be a witness. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 5-220 Suppression of Evidence

A member shall not suppress any evidence that the member or the member's client has a legal obligation to reveal or to produce.

Rule 5-300 Contact With Officials

(A) A member shall not directly or indirectly give or lend anything of value to a judge, official, or employee of a tribunal unless the personal or family relationship between the member and the judge, official, or employee is such that gifts are customarily given and exchanged. Nothing contained in this rule shall prohibit a member from contributing to the campaign fund of a judge running for election or confirmation pursuant to applicable law pertaining to such contributions.

(B) A member shall not directly or indirectly communicate with or argue to a judge or judicial officer upon the merits of a contested matter pending before such judge or judicial officer, except:

(1) In open court; or

(2) With the consent of all other counsel in such matter; or

(3) In the presence of all other counsel in such matter; or

(4) In writing with a copy thereof furnished to such other counsel; or

(5) In ex parte matters.

(C) As used in this rule, "judge" and "judicial officer" shall include law clerks, research attorneys, or other court personnel who participate in the decision-making process. (Amended by order of Supreme Court, operative September 14, 1992.)

Rule 5-310 Prohibited Contact With Witnesses

A member shall not:

(A) Advise or directly or indirectly cause a person to secrete himself or herself or to leave the jurisdiction of a tribunal for the purpose of making that person unavailable as a witness therein.

(B) Directly or indirectly pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the witness's testimony or the outcome of the case. Except where prohibited by law, a member may advance, guarantee, or acquiesce in the payment of:

(1) Expenses reasonably incurred by a witness in attending or testifying.

(2) Reasonable compensation to a witness for loss of time in attending or testifying.

(3) A reasonable fee for the professional services of an expert witness.

Rule 5-320 Contact With Jurors

(A) A member connected with a case shall not communicate directly or indirectly with anyone the member knows to be a member of the venire from which the jury will be selected for trial of that case.

(B) During trial a member connected with the case shall not communicate directly or indirectly with any juror.

(C) During trial a member who is not connected with the case shall not communicate directly or indirectly concerning the case with anyone the member knows is a juror in the case.

(D) After discharge of the jury from further consideration of a case a member shall not ask questions of or make comments to a member of that jury that are intended to harass or embarrass the juror or to influence the juror's actions in future jury service.

(E) A member shall not directly or indirectly conduct an out of court investigation of a person who is either a member of the venire or a juror in a manner likely to influence the state of mind of such person in connection with present or future jury service.

(F) All restrictions imposed by this rule also apply to communications with, or investigations of, members of the family of a person who is either a member of the venire or a juror.

(G) A member shall reveal promptly to the court improper conduct by a person who is either a member of a venire or a juror, or by another toward a person who is either a member of a venire or a juror or a member of his or her family, of which the member has knowledge.

(H) This rule does not prohibit a member from communicating with persons who are members of a venire or jurors as a part of the official proceedings.

(I) For purposes of this rule, "juror" means any empanelled, discharged, or excused juror. (Amended by order of Supreme Court, operative September 14, 1992.)