

Representation of Corporate Affiliate May Create Basis for Disqualification

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Dr. Falk Pharma GMBH v. Generico LLC, No. 2017-2312 (Fed. Cir. Feb. 20, 2019)

While litigation and *inter partes* review (IPR) proceedings were pending between the parties, the accused infringer's counsel moved to a law firm that was currently engaged in active trademark litigation on behalf of a corporate affiliate of the patent owner. The patent owner alleged this was a conflict of interest and moved to disqualify the accused infringer's counsel. The Federal Circuit granted the motion.

The Federal Circuit applied the Model Rules of Professional Conduct and found that a concurrent conflict of interest existed under Rule 1.7 for two reasons. First, the engagement letter that the patent owner's affiliate had with its law firm stated that it governed the firm's relationship with the company's "subsidiaries" and "affiliates," and thus created an attorney-client relationship with the patent owner as an affiliate of the party represented in the trademark litigation. Second, even if the engagement letter were ambiguous, the corporate affiliates at issue were "sufficiently interrelated" to give rise to a conflict because of their "high degree of operational commonality" and because they were "financially interdependent." (For example, the companies had shared legal departments, shared infrastructure, and the subsidiary companies substantially contributed financially to the parent company's bottom line.)

The Federal Circuit then considered whether disqualification was warranted (without deciding whether disqualification is mandatory for a concurrent conflict of interest, as some district courts have held). It concluded that disqualification was appropriate here because only prospective relief was sought, and the accused infringer would have an opportunity to obtain new counsel for the appeals. The Federal Circuit also rejected the sufficiency of an "ethical wall" imposed by the law firm, because it was created after counsel joined their new firm and applied only partially. Thus, the Federal Circuit granted the motion to disqualify counsel.

[A copy of the opinion can be found here](#)

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