

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

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| INTELLECTUAL VENTURES I LLC, | : | |
| | : | |
| Plaintiff, | : | |
| | : | Civ. No. 10-1067-LPS |
| v. | : | |
| | : | |
| CHECKPOINT SOFTWARE | : | Public Version |
| TECHNOLOGIES LTD., CHECKPOINT | : | Issued June 30, 2011 |
| SOFTWARE TECHNOLOGIES, INC. | : | |
| McAFEE, INC., SYMANTEC CORP., | : | |
| TREND MICRO INC., and TREND | : | |
| MICRO, INC. (USA), | : | |
| | : | |
| Defendants. | : | |

MEMORANDUM OPINION

Joseph J. Farnan, III, Brian E. Farnan, FARNAN LLP, Wilmington, DE; John P. Lahad, Houston, TX; Parker C. Folse III, Brooke A.M. Taylor, Lindsey N. Godfrey, Seattle, WA; Ryan C. Kirkpatrick, Los Angeles, CA, SUSMAN GODFREY L.L.P., Attorneys for Plaintiff.

John W. Shaw, Andrew E. Russell, YOUNG CONAWAY STARGATT & TAYLOR, LLP, Wilmington, DE; Stefani E. Shanberg, Matthew A. Argenti, Palo Alto, CA; Larry L. Shatzer, Washington, D.C. WILSON SONSINI GOODRICH & ROSATI, P.C.; Pamela Phillips, Amy L. Bomse, HOWARD RICE NEMEROVSKI CANADY FALK & RABKIN, San Francisco, CA, Attorneys for Defendant.

June 22, 2011
Wilmington, DE



Stark, U.S. District Judge:

Pending before the Court is a motion filed by plaintiff Intellectual Ventures I, LLC to disqualify Wilson Sonsini Goodrich and Rosati, PC, counsel for defendants Check Point Software Technologies, Inc. and Check Point Software Technologies, LTD. (D.I. 55) The Court held oral argument on the instant motion on May 16, 2011. (D.I. 91, hereinafter “Tr.”) At the oral argument, the Court ordered supplemental briefing, which is now complete. (D.I. 89; D.I. 90) For the reasons that follow, the Court will grant the motion.

I. BACKGROUND

Wilson Sonsini Goodrich and Rosati (“WSGR”) is a law firm that, from 2002 to 2009, represented Intellectual Ventures I, LLC (“IV”), the plaintiff in the instant lawsuit. This relationship, however, did not end on good terms. As counsel for WSGR noted at oral argument, this motion, therefore, involves a degree of “emotional heat.”¹ (Tr. at 33) Because of the intensely factual analysis involved in motions to disqualify, the Court finds it necessary to lay out the relevant facts in some detail.

A. IV’s Business

Intellectual Ventures I, LLC (referred to collectively with its predecessors and affiliates as “IV”) was formed in 2002 as a “non practicing entity” or NPE. (D.I. 1 at 3; D.I. 67 at 1-2) Since its founding, IV, along with its parent company, Intellectual Ventures Management, LLC (“IV Management”), has been, according to IV, deeply involved in the “business of invention.” (D.I. 1 at 3.; *see also* Tr. at 5) At the core of IV’s business model are patents: creating inventions and

¹WSGR is represented by the law firm of Howard Rice Nemerovski Canady Falk & Rabkin for purposes of this motion. (D.I. 63)

filing patents on those inventions; collaborating with other inventors and scientists to develop and patent inventions; and acquiring patents and patent rights from individual inventors, universities, and other institutions. (D.I. 1 at 3) Indeed, “[t]he entire business of Intellectual Ventures revolves around patents and technology protected by patents.” (Tr. at 5)

IV appears to have had some measure of success: as of 2006, IV had filed at least 500 of its own patent applications and acquired a “huge war chest” of more than 30,000 patents and patent applications. (D.I. 82 Ex. F at 29; D.I. 1 at 4) A key component of IV’s business is licensing its patents to various technology and software companies. (D.I. 1 at 3) These technology and software companies invest in IV and, in exchange, receive licenses to practice patents. In order to effectively monetize its patents and provide a return on its investment, as well as a return for individual inventors, IV’s business model uses “patent acquisition funds,” which are comprised of various entities that hold patent assets. (D.I. 56 at 3) The funds in turn create “portfolio licenses” – that is, licenses that cover hundreds or even thousands of patents provided to a specific investor in the fund. (D.I. 65 at 2)

The four patents-in-suit were acquired in 2006 and 2007 and placed in four Delaware entities. (D.I. 58 at 2) In 2010, the four entities merged to form IV, the plaintiff in the instant action.

B. Wilson Sonsini’s Representation of IV

IV first retained WSGR in November 2002. (D.I. 58 Ex. A) Peter Detkin, a co-founder of IV, is a former partner at WSGR and, therefore, had ties to the law firm. (D.I. 58 at 1) The initial engagement letter between the parties defined the nature and scope of the duties WSGR agreed to perform for IV as follows:

[T]hose legal services reasonably required to form: (x) the Fund (which may consist of a single limited partnership or a series of parallel entities, as appropriate); and (y) the General partner. . . . Moreover, the Representation will include only issues relating to the Fund and the General Partner as entities, and will not include estate planning, immigration, or similar issues relating to members of the General Partner (although we would be pleased to discuss separate representations regarding such matters).

(D.I. 58 Ex. A) WSGR Partner Jerry Chacon, along with several other WSGR attorneys, was responsible for the architecture and formation of the fund.² (D.I. 58 at 2) According to Detkin, during the formation of IV, he and Chacon were on the phone on an almost daily basis. (*Id.*)

WSGR does not dispute that the legal work it performed on behalf of IV eventually exceeded the scope of the initial engagement letter. In addition to Mr. Chacon, WSGR partners Charles Compton and Suzanne Bell also performed a significant amount of work for IV. Generally, Mr. Compton primarily advises his clients on regulatory issues, focusing on the intersection of antitrust law and intellectual property law. (D.I. 68 at 2) Mr. Compton never negotiated any deal on behalf of IV. (*Id.* at 3) He did, however, [REDACTED]

[REDACTED] (*Id.* at 2-3) Additionally, Mr. Compton attended IV's annual investor meetings [REDACTED]

[REDACTED].³ Ms. Bell is the leader of WSGR's "technology transactions-IT practice group." (D.I. 65 at 2) The primary service she provided to IV was to assist in drafting the "portfolio licenses" through which IV would grant investors the rights to practice certain patents in IV's

²Mr. Chacon no longer practices law with WSGR. (Tr. at 46)

³IV is a privately-held corporation, so its investor meetings are much more private than typical investor meetings of publicly-traded corporations. (Tr. at 10)

portfolio. Many of these licenses contain hundreds or thousands of patents and, most of time, the specific patents to be included in the portfolio were not known to Ms. Bell; often, she would work with portfolio licenses that included a blank “Exhibit A” as a placeholder that would eventually list all of the patents included in the portfolio. (D.I. 65 at 2) Some of the investor portfolios on which Ms. Bell provided advice were royalty bearing. (D.I. 86; *see also* Tr. at 46)

In total, IV paid WSGR in excess of \$2.6 million for the legal services provided over a period of more than six years. (D.I. 58 at 4) During the course of this lengthy relationship, at least twenty-one WSGR partners and employees performed work for IV, the majority of whom work out of the same Palo Alto office as the two WSGR attorneys who have appeared on behalf of Check Point in this litigation. (D.I. 57 at 2) IV has identified tens of thousands of emails that were exchanged between IV and WSGR. (*Id.* at 1)

C. Breakdown of Relationship

During the course of WSGR’s representation of IV, WSGR began to receive complaints from some of its other clients, in particular large publicly-traded technology companies that are often sued for patent infringement by NPEs. (D.I. 67 at 2) Prompted by these concerns, Donald Bradley, WSGR’s General Counsel, spoke several times with Mr. Detkin in 2003 and 2004 about the tension and conflicts that WSGR’s representation of IV was creating for WSGR. (*Id.*) In April 2005, Mr. Bradley discussed with Mr. Detkin the possibility that WSGR would terminate its representation of IV. One of WSGR’s concerns was that IV would eventually sue one of WSGR’s other clients for patent infringement. (*Id.* at 1) Mr. Detkin subsequently met personally with several of WSGR’s partners, including Mr. Bradley, and expressed his displeasure with WSGR’s conduct. (D.I. 58 at 4) Mr. Detkin explained to Mr. Bradley that, in his view, WSGR

could never be adverse to IV, given the amount of confidential information WSGR had acquired through its years of representation of IV. (*Id.* at 4) Mr. Bradley did not respond to Mr. Detkin's assertion. Instead, sometime thereafter, Mr. Bradley told Mr. Detkin that WSGR would continue to represent IV. (D.I. 67 at 2-3)

In October 2007, the question of whether WSGR would continue to represent IV arose again. Around this time, two of the main attorneys who performed work for IV – including Mr. Chacon, the primary lawyer involved in setting up IV as an entity – left WSGR. As a consequence, Mr. Bradley contacted Mr. Detkin to inquire whether IV's thoughts about WSGR's representation had evolved. (D.I. 67 at 3) Mr. Bradley also discussed the issue with WSGR partners who regularly performed work for IV, and these other partners "strongly desired to continue to work with IV." (D.I. 67 at 3) Again, Mr. Bradley informed Mr. Detkin that WSGR would continue to represent IV. (*Id.*)

In late 2008, WSGR continued to field questions from its clients about WSGR's policy on representing NPEs. (*Id.* at 3) After discussing this matter at length internally, WSGR decided to withdraw its representation of IV. (*Id.* at 4) On January 15, 2009, Mr. Bradley phoned Mr. Detkin to explain WSGR's decision. (*Id.*) Once more, Mr. Detkin informed Mr. Bradley that WSGR could never be adverse to IV, and once more, Mr. Bradley was silent. (*Id.*) After this conversation, Mr. Detkin communicated WSGR's decision to management at IV. (D.I. 58 Ex. J) In this internal email, Mr. Detkin informed his colleagues at IV: [REDACTED]

[REDACTED] (*Id.*)

In addition, Mr. Detkin sent several emails to WSGR partners, including one to WSGR

Chairman, Larry Sonsini. To Mr. Sonsini, Mr. Detkin communicated his anger at WSGR's decision and reiterated his belief that WSGR could not perform legal work that would be adverse to IV:

I am shocked at the unprofessional behavior this represents, and I am surprised that you would put up with it. As you know, this is not the case where [Wilson Sonsini] can now be adverse to IV down the road – having been intimately involved in all aspects of our structure, formation and licensing practices, there is no question that [Wilson Sonsini] is conflicted from ever being adverse to us.

(D.I. 58 Ex. L) Mr. Sonsini did not respond to Mr. Detkin's assertion that WSGR could not in the future be adverse to IV.

D. Procedural Background

IV filed the instant lawsuit on December 8, 2010, alleging that various defendants, including Check Point, infringe four patents that IV owns.⁴ (D.I. 1) In December 2010, Mr. Bradley was informed by several partners in WSGR's litigation department that IV had filed this lawsuit against Check Point and that Check Point sought to have WSGR represent it in this litigation. (D.I. 67 at 4-5) Mr. Bradley reviewed the matter internally, consulted with outside counsel, and, despite his previous silence on this issue, determined that WSGR could, in fact, represent Check Point in this matter without running afoul of professional and ethical obligations. (D.I. 67 at 4) In an "abundance of caution," and before WSGR actually performed any work on the litigation, on December 27, 2010 WSGR implemented an "ethical wall." (*Id.* at 5)

⁴The patents-in-suit are U.S. Patent No. 5,987,610; U.S. Patent No. 6,073,142; U.S. Patent No. 6,460,050; and U.S. Patent No. 7,506,155. (D.I. 1)

On February 9, 2011, IV informed WSGR of its view that, given WSGR's prior representation of IV, WSGR's representation of Check Point in this litigation represented a conflict. (D.I. 57 Ex. A) WSGR responded that there was no conflict and, in any event, WSGR had put up an "ethical wall," by which all attorneys and staff on the Check Point litigation are prohibited from accessing any electronic or physical files from WSGR's previous representation of IV. Similarly, the ethical wall prohibited the Check Point team from discussing any information about IV with any other WSGR attorney who had previously represented IV. (*Id.*)

On April 1, 2011, the Court conducted a telephone conference, during which IV stated its plan to file a motion to disqualify WSGR from representing Check Point. (D.I. 71) In order to address issues of confidentiality that had arisen in the context of the motion, the parties filed a stipulation providing that WSGR would be represented by outside counsel for purposes of this motion and that WSGR would not be involved in any further work on this litigation until the motion to disqualify had been resolved by the Court. (D.I. 54; D.I. 53) All other matters, apart from an already filed motion to transfer, were stayed pending the resolution of this motion. (D.I. 53 at 2) On April 6, 2011, IV filed its motion to disqualify WSGR as counsel for Check Point. (D.I. 55) Briefing is now complete. (D.I. 56; D.I. 60; D.I. 81)

II. LEGAL STANDARDS

The Court has the inherent authority to supervise the professional conduct of attorneys appearing before it, including the power to disqualify an attorney from a representation. *See United States v. Miller*, 624 F.2d 1198, 1201 (3d Cir. 1980). Motions to disqualify are "generally disfavored" and, therefore, require the moving party to show clearly that "continued representation would be impermissible." *Talecris Biotherapeutics, Inc. v. Baxter Int'l Inc.*, 491

F.Supp.2d 510, 513 (D. Del. 2007) (internal quotation marks and citations omitted); *see also Conley v. Chaffinch*, 431 F.Supp.2d 494, 496 (D. Del. 2006) (same). Because “[t]he maintenance of public confidence in the propriety of the conduct of those associated with the administration of justice is so important,” however, a court may disqualify an attorney “for failing to avoid even the appearance of impropriety.” *Kabi Pharmacia AB v. Alcon Surgical, Inc.*, 803 F.Supp. 957, 960 (D. Del. 1992).

Attorney conduct is governed by the ethical standards of the court before which the attorney appears. *See In re Corn Derivatives Antitrust Litig.*, 748 F.2d 157, 160 (3d Cir. 1984). The District of Delaware has adopted the Model Rules of Professional Conduct (“M.R.P.C.”). *See* D. Del. LR 83.6(d)(2). M.R.P.C. Rule 1.9(a) provides:

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 consent, confirmed in writing.

To establish that a representation violates Rule 1.9, four elements must be shown: “(1) the lawyer must have had an attorney-client relationship with the former client; (2) the present client’s matter must either be the same as the matter the lawyer worked on for the first client, or a ‘substantially related’ matter; (3) the interests of the second client must be materially adverse to the interests of the former client; and (4) the former client must not have consented to the representation after consultation.” *Apeldyn Corp. v. Samsung Elecs. Co., Ltd.*, 660 F.Supp.2d 557, 561 (D. Del. 2009).

To determine whether a current matter is “substantially related” to a matter involved in a former representation, and, thus, whether disqualification under Rule 1.9 is appropriate, the

Court must answer the following three questions: “(1) What is the nature and scope of the prior representation at issue? (2) What is the nature of the present lawsuit against the former client? (3) In the course of the prior representation, might the client have disclosed to his attorney confidences which could be relevant to the present action? In particular, could any such confidences be detrimental to the former client in the current litigation?” *Satellite Fin. Planning Corp. v. First Nat’l Bank of Wilmington*, 652 F.Supp. 1281, 1283 (D. Del. 1987) (internal quotation marks and citations omitted); *see also Talecris*, 491 F.Supp.2d at 514.

As the Third Circuit has explained, M.R.P.C. 1.9 exists for the purpose of preventing “even the potential that a former client’s confidences and secrets may be used against him,” to maintain “public confidence in the integrity of the bar,” and to fulfill a client’s rightful expectation of “the loyalty of his attorney in the matter for which he is retained.” *Corn Derivatives*, 748 F.2d at 162. Therefore, in attempting to determine whether a “substantial relationship” exists, “disqualification is proper when the similarity in the two representations is enough to raise a common-sense inference that what the lawyer learned from his former client will prove useful in his representation of another client whose interests are adverse to those of the former client.” *Cardona v. General Motors Corp.*, 942 F.Supp. 968, 973 (D.N.J. 1996) (internal quotation marks and citations omitted). While the party seeking disqualification bears the burden of establishing the existence of a substantial relationship, any doubts about whether disqualification is appropriate should be resolved in favor of the moving party, in order to ensure protection of client confidences. *See INA Underwriters v. Nalibotsky*, 594 F.Supp. 1199, 1207 (E.D. Pa. 1984); *see also Buschmeier v. G&G Invs., Inc.*, 2007 WL 4150408, at *7 (E.D. Pa. Nov. 19, 2007).

To the extent that a motion to disqualify involves imputing an individual lawyer's representation to an entire firm, M.R.P.C. 1.10(a) is also relevant. Rule 1.10(a)(1) provides:

While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 or 1.9, unless the prohibition is based on a personal interest of the prohibited lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm.

Rule 1.10(a)(2) applies in circumstances in which a firm is conflicted due to a prior representation undertaken by an attorney while the attorney was at a different law firm. Rule 1.10 “imputes one attorney’s conflicts to all other attorneys in his firm.” *United States v. McDade*, 404 Fed. Appx. 681, 683 (3d Cir. Dec. 22, 2010); *see also Exterior Sys. v. Noble Composites, Inc.*, 210 F.Supp.2d 1062, 1068 (N.D. Ind. 2002) (“Rule 1.10 addresses situations where a conflict of interest may be imputed to other lawyers associated in the same firm with the tainted lawyer.”).

Resolving the question of whether to disqualify counsel requires the Court to “carefully sift all the facts and circumstances.” *Nemours Found. v. Gilbane, Aetna, Fed. Ins. Co.*, 632 F.Supp. 418, 428 (D. Del. 1986) (internal citations and quotation marks omitted). Indeed, “whether disqualification is appropriate depends on the facts of the case and is never automatic.” *Boston Scientific Corp. v. Johnson & Johnson, Inc.*, 647 F.Supp.2d 369, 374 n.7 (D. Del. 2009). The required inquiry necessarily involves “a painstaking analysis of the facts.” *Satellite Fin. Planning*, 652 F.Supp. at 1283 (internal quotation marks omitted); *see also Carlyle Towers Condo. Ass’n v. Crossland Sav., FSB*, 944 F.Supp. 341, 345 (D.N.J. 1996) (“Disqualification questions are intensely fact-specific, and it is essential to approach such problems with a keen

sense of practicality as well as a precise picture of the underlying facts.”). Furthermore, the Court approaches motions to disqualify counsel with “cautious scrutiny,” mindful of a litigant’s right to the counsel of its choice. *Laker Airways, Ltd. v. Pan American World Airways*, 103 F.R.D. 22, 27-28 (D.D.C. 1984).

III. DISCUSSION

There is no serious dispute that WSGR had an attorney client-relationship with IV; that Check Point’s interests are now materially adverse to IV’s interests in this litigation, in which WSGR appears as counsel for Check Point; and that IV has not consented to WSGR’s representation of Check Point.⁵ Thus, the only prong of the inquiry under Rule 1.9 that is disputed is whether WSGR’s current representation of Check Point is fairly characterized as “substantially related” to WSGR’s prior representation of IV. Also at issue is whether, even if the Court finds that a substantial relationship exists, WSGR’s “ethical wall” is sufficient to avoid imputing the conflict arising from the former representation to the entire WSGR firm, or whether, on balance, the equities disfavor disqualification. The Court takes up each question in turn.

A. Substantial Relationship

As already noted, the analysis of whether a current representation is substantially related to a prior representation proceeds in three steps. First, the Court considers the nature and scope of the prior representation. Next, the Court examines the nature and scope of the current

⁵WSGR raises an issue about the corporate structure of IV and highlights the fact that the plaintiff in this lawsuit did not actually exist when WSGR performed legal work relevant to this lawsuit. For purposes of this motion, however, “WSGR agrees that the Court may rule on this motion based on the assumed fact that IV I was a former client of WSGR.” (D.I. 63 at 2 n.1)

representation. Finally, the Court determines whether, in the course of the prior representation, the former client might have disclosed confidences to the attorney that could be relevant – and detrimental to the former client – in the current litigation.

WSGR contends, for two primary reasons, that this patent infringement lawsuit is not substantially related to the previous work that WSGR performed for IV. First, according to WSGR, IV's argument, at bottom, is essentially that WSGR understands too much about IV's business generally. This "you know our playbook" argument, in WSGR's view, is not sufficient to disqualify WSGR. (D.I. 63 at 12; D.I. 90 at 1) WSGR points out that neither Chris Compton nor Suzanne Bell, the WSGR attorneys who worked most closely with IV, are patent litigators. Chris Compton is an antitrust attorney [REDACTED] (D.I. 68; D.I. 57 Ex. B) Suzanne Bell is not a litigator at all; she is, instead, a transactional attorney. (D.I. 65) For instance, as relevant here, Ms. Bell drafted portfolio licenses for IV, which typically included hundreds or even thousands of patents.

WSGR's second argument is that, in order for there to be a substantial relationship, there must be a "factual nexus" between the prior and current representations. (Tr. at 37) ("The right standard is, do you have a factual nexus between the two representations.") WSGR submits that the lack of such a factual connection defeats IV's motion. During the time that Ms. Bell was drafting IV's licenses, for example, she was not even aware of which patents would be included under the license. WSGR argues that because it did not advise IV on any litigation strategy involving any patents (including the patents-in-suit), it also did not learn any confidential information about any of IV's patents or litigation strategy. (D.I. 63 at 10)

IV counters that the nature and scope of the prior representation is substantially related to

the instant lawsuit. IV argues that WSGR's prior representation encompassed all aspects of IV's patent development and licensing. (D.I. 56) In particular, IV contends that Mr. Detkin worked closely with WSGR partners, especially Suzanne Bell, to negotiate patent licensing transactions, develop IV's overall patent licensing strategy, and to analyze potential issues in anticipated litigation. IV points out that WSGR represented IV in connection with every patent portfolio license except one between 2002 and 2009, including the portfolio license for the patents-in-suit in this very case. (D.I. 56 at 12) IV argues that Ms. Bell received confidential and privileged information during the course of these negotiations; hence, Ms. Bell understands intimately how IV prices patent licenses, approaches licensing transactions, and pursues patent monetization. According to IV, its patent licensing practices, pricing, and strategies may be at issue in this litigation. Likewise, IV contends that the confidential IV information to which WSGR had access will be relevant to any potential settlement discussions. (*Id.* at 13) Finally, IV claims it would be inequitable to permit WSGR to undertake this representation adverse to IV when WSGR repeatedly stood silent in the face of IV's assertions that WSGR could never be adverse to IV.

The Court begins its analysis of the parties' competing contentions by emphasizing that each case involving an effort to deprive a party of the counsel of its choice must be decided on its own; the task cannot be "accomplished through mechanical means."⁶ *Nemours Found.*, 632

⁶Accordingly, it is not surprising that the many Rule 1.9 disqualification cases cited by the parties cannot be harmonized with perfect principled consistency. Compare, e.g., *Avocent Redmond Corp. v. Rose Elecs.*, 491 F.Supp.2d 1000, 1007 (W.D. Wash. 2007) (disqualifying attorney where prior work was patent licensing and current adverse work was patent litigation), and *Webb v. E. I. Du Pont de Nemours & Co.*, 811 F.Supp. 158 (D. Del. 1992) (disqualifying attorney who worked previously on same general subject matter, even though not involving same factual matter), with *Reliant Pharmaceuticals, Inc. v. Par Pharmaceutical, Inc.*, 2008 WL

F.Supp. at 423. Cases considering motions to disqualify counsel can be aligned on a continuum. At one extreme is a case like *Laker Airways*, in which the former representation consisted of nothing more than citing established law to the former client, completely untethered to specific facts. See 103 F.R.D. at 40 (denying motion to dismiss). At the other end of the spectrum are cases in which a lawyer literally crosses from one side of the table to the other in the course of the very same litigation. See *Atasi Corp. v. Seagate Technology*, 847 F.2d 826 (Fed. Cir. 1988) (disqualifying law firm). The vast majority of cases, of course, arise somewhere between these extremes. Precisely where to identify the “disqualification point” along this continuum is not an easy – and perhaps not even a possible – task.

In this case, the task is even more complicated because much, if not all, of the representation provided by WSGR was outside of a litigation context. WSGR argues, thus, that its prior transactional and advisory representation of IV is not substantially related to the instant patent infringement lawsuit, in part because there is no “factual nexus” between the prior representation and the instant lawsuit. Put simply, WSGR contends that because it never provided legal advice in the context of litigation involving patent infringement, its prior representation of IV cannot be substantially related to a patent infringement lawsuit. The Court disagrees.

The cases on which WSGR relies are distinguishable. In *Carlyle Towers*, the court found persuasive that the attorney’s prior representation was “purely transactional in nature.” 944

1826036 (D. Del. Apr. 23, 2008) (denying disqualification motion when previous work was purely transactional and there was no chance that attorney could use confidential information against former client), and *Talecris*, 491 F.Supp.2d at 513 (denying disqualification motion even though previous work “overlap[ped] to some degree” with current litigation).

F.Supp. at 345. An important factor in *Carlyle Towers*, however, was that the adverse representation only arose because of a complicated series of mergers: during the pendency of the lawsuit, a former client of the plaintiff's law firm, whose disqualification was being sought, acquired one of the defendants in the case. The result was that the former client became a defendant in the pending case. *Id.* at 343-44. Therefore, the conflict did not exist at the beginning of the new representation, and it only arose due to conduct undertaken by the former client during the course of an entirely separate matter from the previous representation. Under the circumstances, the Court found that the previous transactional representation of what was at the time an entirely different client was not substantially related to the litigation. *See id.* at 351. According to the court, no relevant confidential information had been exchanged: "[T]he parties are different. The properties are different." *Id.* The court found that there was no likelihood that the firm had access to confidential information from the prior representation – including "insight into . . . litigation philosophy or methods and procedures for conducting litigation defense" – that would be relevant and detrimental to its former client in the pending lawsuit. *Id.*

Accordingly, the court denied the motion. Those facts, however, are a far cry from the facts of this case. Likewise, WSGR's reliance on *Exterior*, 210 F.Supp.2d 1062, and *Laker Airways*, 103 F.R.D. 22, is unconvincing.⁷ The defendant in *Exterior* sought disqualification of counsel for plaintiff, Exterior. Exterior's lawyer had previously provided advice to the defendant related to non-compete clauses; in the subsequent litigation, Exterior was suing the defendant on a similar non-compete clause. The court in *Exterior* placed heavy emphasis on the fact that the non-compete clauses at issue in the current representation were in different contracts than those

⁷Neither case is binding on this Court.

involved in the prior representation. Thus, even though the representations involved a recurring problem, the Court did not disqualify the attorney because the representations were not substantially related. *See* 210 F.Supp.2d at 1069-70. Nevertheless, the *Exterior* court did not endorse a blanket presumption about the nature of transactional or advisory work *vis a vis* advice in the litigation context.

Laker Airways, 103 F.R.D. at 22, is also distinguishable. *Laker Airways* involved a motion to disqualify the counsel for plaintiff, Laker Airways. The defendants' main argument was that the lawyer's previous service in various governmental capacities – during which he received confidential information about the defendants – necessitated that he be disqualified. *See id.* at 28. The defendants in *Laker Airways*, however, did not seriously argue that the information to which the lawyer previously had access was material or substantially related to the pending lawsuit. *See id.* *Laker Airways* also arose under a different framework, the Canons of Professional Conduct, not the Model Rules of Professional Conduct.

The defendants also moved for disqualification based on the lawyer's activities once he had moved into private practice. *See id.* at 37-38. As a private attorney, the plaintiff's lawyer had provided legal advice to two of the defendants, but only to the extent of providing a "general clarification" that effectively "amounted to straight-forward, textbook advice." *Id.* at 50. Here, by contrast, WSGR provided detailed, specialized advice tailored to IV's particular circumstances, extending over the course of more than six years and resulting in payment of \$2.6 million in legal fees by IV to WSGR.

The Court also disagrees with WSGR's contention that in order for disqualification to be proper, there must be a "factual nexus" between the prior representation and current

representation.⁸ (Tr. at 37) In support of this view, WSGR points to the comments to M.R.P.C. 1.9. (Tr. at 39) The comment upon which WSGR relies, however, makes clear that there is no *per se* rule requiring that the prior representation and the current representation be factually related. Instead, the comment states that each situation must be analyzed individually and contextually. Thus, the comment observes, “[t]he scope of a ‘matter’ for purposes of this Rule depends on the facts of a particular situation or transaction.” Later, the comment reiterates that “[m]atters are ‘substantially related’ for purposes of this Rule if they involve the same transaction or legal dispute *or* if there otherwise is a substantial risk that confidential factual information as would normally have been obtained in the prior representation would materially advance the client’s position in the subsequent matter.” *Id.* (emphasis added).

At bottom, WSGR’s argument that the substantial relationship must turn on the factual nexus between the two representations is too narrow. As the *Carlyle Towers* court explained, “[t]he phrase ‘substantially related’ has been interpreted by some courts to require a relationship between the factual issues of the case. . . . Other courts have examined the identity of the legal issues involved.” 944 F.Supp. at 350. The *Carlyle Towers* court then declined to choose between the two competing formulations because “the overarching concern of these courts has been to protect client confidences.” *Id.* In the Court’s view, the proper approach considers both

⁸The “factual nexus” language cited by WSGR comes from *Blumenthal Power Co. v. Browning-Ferris, Inc.*, 903 F.Supp. 901, 902 (D. Md. 1995). There, the court noted that the “‘substantial relationship’ test focuses upon the factual nexus between the earlier representation and the present, adverse representation.” *Id.* The court declined to disqualify an attorney based on the “global character” of the alleged confidences shared in the prior representation. Even in *Blumenthal*, the court also emphasized that protecting client confidences was the paramount consideration. *See id.* (noting “sensitivity of client confidence and the profession’s institutional need to avoid even the appearance of a breach of confidence”) (internal citations omitted).

the similarity of the legal issues *and* the factual issues. Further, as many courts have concluded, the most important consideration is protecting a former client's confidences.

Applying these principles to the facts of this case, the Court first examines WSGR's prior representation of IV. When considering the nature and scope of the prior representation, courts "should focus upon the reasons for the retention of counsel and the tasks which the attorney was employed to perform." *Conley v. Chaffinch*, 431 F.Supp.2d 494, 497 (D. Del. 2006) (internal quotation marks and citations omitted). WSGR's prior representation of IV was both broad in nature and extensive in scope. Twenty-one WSGR lawyers over the course of more than six years provided detailed advice about the formation and structure of IV. The subject matter of the prior representation overlaps with the subject matter of the current litigation: IV's entire business is about intellectual property rights, and both Ms. Bell and Mr. Compton concede that intellectual property is a key focus of their practice. (D.I. 65; D.I. 68) Ms. Bell's declaration shows that she advised IV on patent licenses and licensing strategy with respect to investors, and her supplemental declaration acknowledges that some of her advice related to royalty bearing licenses. (D.I. 65; D.I. 86) In fact, Ms. Bell concedes that she knows how IV approaches licensing its patents. (D.I. 65 at 3) Ms. Bell negotiated all but one of IV's portfolio licenses between 2002 and 2009, including licenses on the very patents involved in this suit. Ms. Bell also was involved in email exchanges in which Mr. Detkin provided exact monetary figures in the context of negotiating a patent license. (D.I. 82 Ex. B) Mr. Compton [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

██████████ (D.I. 68 at 2-3) It appears that Mr. Compton advised IV on these concerns, concerns which may come to fruition in the form of counterclaims or defenses in the instant litigation. (D.I. 68 at 2-4)

Next, the Court looks to the nature and scope of the current representation. Despite WSGR's insistence to the contrary, the current lawsuit, in a broad way, implicates the same exact subject matter on which WSGR advised IV – namely, patents and intellectual property rights. Moreover, while the exact contours this litigation are not yet fully known, what is obvious already is that this litigation is part of IV's licensing strategy. It is the logical outgrowth of IV's efforts to monetize its patent portfolio in ways other than by practicing the patents it owns. Indeed, this reality is essentially conceded by WSGR in suggesting that IV is a "patent terrorist" or, less hyperbolically, a "patent troll." (D.I. 67 at 2) However IV is described, and whatever one thinks of its business model, IV was formed with the legal advice and efforts of WSGR, and the possibility that IV would one day be involved in patent litigation was among the broad topics on which IV relied on WSGR for legal representation.⁹ In these respects, at least, the instant lawsuit is substantially related to the prior representation.

WSGR asserts, nonetheless, that no confidential information that may be relevant to this case was exchanged between IV and WSGR, which means that the current representation cannot be substantially related to WSGR's former representation. Again, the Court disagrees. During its lengthy representation of IV, WSGR had access to confidential information about the value IV places on its license portfolio, which may be substantially related to damages (including the

⁹Indeed, the risk – or perhaps inevitability – that IV would resort to litigation was apparently a motivating factor in WSGR's decision to stop representing IV. IV's participation in patent infringement litigation was not unforeseeable.

determination of a reasonable royalty) here; at least, this issue will likely be a subject of controversy. Also, IV seeks injunctive relief. One element of the analysis as to the appropriateness of such relief will be the nature of IV as an entity, e.g., as a practicing or non-practicing entity. WSGR provided advice and relied on confidential information to form IV as an entity, including, according to Mr. Detkin, on the subject of specific identified litigation risks, such as possible claims, counterclaims, and risks that might be raised in litigation against IV. (D.I. 58 at 2) According to Mr. Detkin, “IV consulted extensively with WSGR regarding these issues and engaged WSGR attorneys to ensure that its activities, structure, and partnerships would not expose it to undue risk in litigation.” (*Id.*) Nothing in Mr. Compton’s or Ms. Bell’s affidavits is inconsistent with Mr. Detkin’s description of the work that WSGR performed for IV.

Additionally, potential defenses or counterclaims – [REDACTED] – may eventually be asserted against IV, which in turn may make relevant other confidential information to which WSGR had access during its many years of representing IV. In fact, Ms. Bell was involved in an email exchange with IV personnel [REDACTED] [REDACTED] (D.I. 58 Ex. H)

To many of these facts, WSGR’s basic retort is that IV consistently communicated that it would not sue for patent infringement. (D.I. 67 at 2) The Court finds WSGR’s contention unpersuasive as a matter of fact and as a matter of common sense. WSGR assisted in drafting a private placement memo for IV that contained the following statement: “Although it is the intention of the general partner generally to license the patents on . . . reasonable and non-discriminatory commercial terms, there can be no guarantee that disputes will not arise in licensing negotiations that will lead to litigation. Such litigation may be launched . . . by the

general partner seeking to enforce patent rights” (D.I. 82 Ex. D at 14) (emphasis added)

Further, Mr. Compton provided IV with a case discussing whether injunctive relief was available to NPEs, [REDACTED] (D.I. 58 Ex. G) [REDACTED]

[REDACTED] (*Id.*) Clearly, the possibility of litigation was always present during the period WSGR represented IV. WSGR can point to no document in which IV advises WSGR that IV would never sue on its patents. Moreover, it strains credulity to suggest that an entity in the business of monetizing patents would abjure the possibility of ever being involved in patent litigation. WSGR’s clients recognized this, as evidenced by the client concerns Mr. Bradley had to deal with as a result of WSGR’s representation of IV, which ultimately led to WSGR terminating IV as a client.

In this case, WSGR was involved intimately in every aspect of IV’s formation, patent licensing practices, negotiation of patent licenses, strategies for potential patent litigation, and ways of mitigating the risk of patent litigation; in the process, WSGR accepted more than \$2.6 million in fees. Here, the similarity in the two representations is enough to raise at least a common sense inference that the information WSGR learned in its previous representation will prove relevant – and harmful to IV – in this lawsuit. *See Cardona*, 942 F.Supp. at 973; *see also generally Webb*, 811 F.Supp. at 160 (“Adverse use of confidential information is not limited to disclosure. It includes knowing what to ask for in discovery, which witnesses to seek to depose, what questions to ask them, what lines of attack to abandon and what lines to pursue, what settlements to accept and what offers to reject, and innumerable other uses.”). IV has met its burden of demonstrating a substantial relationship.

B. WSGR Ethical Wall

Finding a substantial relationship between WSGR's prior representation of IV and the current litigation does not end the Court's inquiry. Because the lawyers representing Check Point in this litigation are not the same lawyers who previously represented IV, the Court must next determine the extent to which the disqualifying conflict should be imputed to the entire WSGR firm. This requires the Court to consider whether WSGR's ethical wall cures the problem.

WSGR contends that even if the Court were to find that some attorneys who worked previously on IV matters – such as Ms. Bell or Mr. Compton – were disqualified from representing Check Point in this matter, the Court should decline to impute the conflict to all attorneys at WSGR. WSGR points out that prior to agreeing to represent Check Point in the instant litigation, WSGR established an ethical wall to protect IV's confidential information. (D.I. 63 at 14) None of the WSGR attorneys currently representing Check Point ever worked on any matter for IV, and the firm implemented the ethical wall before any work had actually been performed on behalf of Check Point in the instant matter. (D.I. 58 Ex. A; D.I. 63 at 15) Furthermore, WSGR suggests that ethical walls have been upheld under M.R.P.C. 1.10, even outside the context of a lateral attorney switching law firms. (*Id.*) According to WSGR, the ethical wall is a practical mechanism that protects IV and avoids imputing the conflict of interest from WSGR's prior representation to every lawyer at WSGR. (D.I. 63 at 14)

IV responds that M.R.P.C. 1.10 does not contemplate that a screening mechanism will cure problems under M.R.P.C. 1.9, as are present in this case. Specifically, IV submits that under Rule 1.10, screening would only permit the representation if a lawyer had switched firms or if the conflict arose because of a personal interest of a lawyer. (D.I. 56 at 17) IV further

argues that there are no cases in which an ethical wall has been deemed a satisfactory safeguard in the face of a finding that a substantial relationship exists between a prior representation and a current representation. (Tr. at 70)

M.R.P.C. 1.10(a) begins by imputing conflicts of interest broadly, but then identifies certain exceptions:

(a) While lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rules 1.7 or 1.9, unless:

(1) the prohibition is based on a personal interest of the disqualified lawyer and does not present a significant risk of materially limiting the representation of the client by the remaining lawyers in the firm; or

(2) the prohibition is based upon Rule 1.9(a) or (b) and arises out of the disqualified lawyer's association with a prior firm

Hence, Rule 1.10 imputes one attorney's conflicts to all other attorneys in the lawyer's firm, subject to exceptions. *See United States v. McDade*, 404 Fed. Appx. 681, 683 (3d Cir. Dec. 22, 2010). Here, neither exception to imputation is present: the conflict is not based on a personal interest of a lawyer, but rather on WSGR's representation of IV; and the representation plainly is not based on a WSGR lawyer's association with a prior firm. Hence, the many WSGR attorneys' prior work for IV must be imputed to WSGR as a firm.

This leaves the issue of the ethical wall. As WSGR correctly points out, this Court has wide discretion in fashioning appropriate remedies. *See United States v. Miller*, 624 F.2d 1198, 1201 (3d Cir. 1980) ("Although disqualification ordinarily is the result of a finding that a

disciplinary rule prohibits an attorney's appearance in a case . . . [w]e have noted that the district court has a wide discretion in framing its sanctions to be just and fair to all parties involved.”) (internal citations and quotation marks omitted); *Elonex I.P. Holdings v. Apple Computer*, 142 F.Supp.2d 579, 581 (D. Del. 2001) (same). It follows that, in an appropriate case, the Court has discretion to rely on an ethical wall as a cure for a conflict of interest.

In arguing that this is such an appropriate case, WSGR relies primarily on two cases. *See Boston Sci. Corp. v. Johnson & Johnson, Inc.*, 647 F.Supp.2d 369 (D. Del. 2009); *Nemours Found.*, 632 F.Supp. at 428. Both, however, are readily distinguishable. In *Boston Scientific*, Judge Robinson found a violation of M.R.P.C. 1.7. One of a law firm’s European offices had agreed to accept representation that was adverse to a long-time client of one of the same firm’s United States offices. Despite the violation, Judge Robinson found that a screening mechanism obviated the need to disqualify the entire law firm. Critically, however, Judge Robinson’s decision rested on three criteria: “the law firm’s concurrent representations were *in unrelated matters*; were being done *out of different offices* in different cities; and were being done with an ethical wall in place between the two matters.” *Boston Sci.*, 647 F.Supp.2d at 374 (emphasis added). Additionally, the party seeking disqualification in *Boston Scientific* had engaged in “obfuscatory conduct,” which contributed to the firm finding itself in a conflicted situation. Even leaving aside the fact that *Boston Scientific* arose as a violation of Rule 1.7 and not Rule 1.9, this case is very different from *Boston Scientific*. There has been no obfuscatory conduct by IV; instead, the conflict of interest arose from WSGR’s knowing and intentional decision to take on a new client who had just been sued by WSGR’s former longtime client. Moreover, here, the matters are substantially related, and the attorneys representing WSGR are in the same office as

attorneys who previously represented IV.

WSGR's reliance on *Nemours* is similarly misplaced. As an initial matter, the disqualified lawyer in *Nemours* had lateraled to a different firm, which places the *Nemours* case squarely within one of the exceptions listed in Rule 1.10. Moreover, the entire analysis in the *Nemours* case was premised on the idea that courts confronted with motions to disqualify must use a flexible approach, considering various factors and policy rationales. *See* 632 F.Supp. at 427. Most of Judge Farnan's analysis was directed to explaining that a "liberalized approach based on a functional analysis" was the appropriate way to approach motions to disqualify. *Id.* ("A rule based on a functional analysis is more appropriate for determining the question of vicarious disqualification.").

Nothing in *Nemours* suggests that a screening mechanism cures every imputed conflict. To the contrary, Judge Farnan was explicit in stating that a screening mechanism, "*in the proper circumstances, may* rebut the presumption of shared confidences." *Id.* at 428 (emphasis added). Moreover, Judge Farnan explained that two key concerns should animate a court's analysis: "preserving confidentiality and avoiding positions adverse to a client." *Id.* at 426. These concerns applied here counsel against finding an ethical wall to be adequate for the reasons already discussed.¹⁰

¹⁰WSGR relies on *Nemours* for its assertion that the "appearance of impropriety" standard is no longer operative. (Tr. at 35-39) The appearance of impropriety language comes from the Code of Professional Conduct, not the Model Rules of Professional Conduct. *See Nemours*, 632 F.Supp. at 422. It is true that the court in *Nemours* did note the Model Rules contained no such "appearance of impropriety" provision. *Id.* at 426. But *Nemours* went on to explain that the "appearance of impropriety" standard from the Code of Professional Conduct was not an exclusive basis for disqualification, adding that "[c]ourts interpreted the Code in such a manner that the test for a conflict of interest is not substantially different from that embodied in Rule 1.9." *Id.* at 423; *see also Apeldyn Corp. v. Samsung Elecs. Co. Ltd.*, 693 F.Supp.2d 399, 404 (D.

C. Additional Considerations

As is well-settled, “[t]he ethical rules should not be blindly applied without consideration of relative hardships.” *Carlyle Towers*, 944 F.Supp. at 345. Thus, in order to make such a momentous decision as to deny a party its chosen counsel, it is proper to consider the equities. *See generally Corn Derivatives*, 748 F.2d at 162 (“This court has often employed a balancing test in determining the appropriateness of the disqualification of an attorney.”) (internal citations omitted). Consistent with precedent, the Court will thus weigh several different factors to determine whether, on balance, disqualification of WSGR is merited. *See Elonex*, 142 F.Supp.2d at 583 (discussing attorney loyalty, prejudice to parties, and protection of integrity of judicial process); *End of Road Trust v. Terex Corp.* 2002 WL 242464, at *2 (D. Del. Feb. 20, 2002) (discussing geography, timing of disqualification motion, prejudice to parties, duration of prior representation, delay, and stage of proceedings); *Carlyle Towers*, 944 F.Supp. at 348 (discussing prejudice to parties, whether confidential information had passed from prior representation, cost to obtain new counsel, delay to litigation, and complexity of case); *Nemours*, 632 F.Supp at 428-30 (discussing size of firm, nature and degree of prior involvement of tainted attorney, extensiveness of the screening, length of prior involvement, whether disqualified lawyer was partner or associate, prejudice to party if disqualification were ordered, and any ulterior motive for filing motion to disqualify).

On balance, the Court finds that the equities do not favor allowing WSGR to remain as

Del. 2010) (explaining that “the settled case law of the Third Circuit” holds that “the maintenance of public confidence in the propriety of the conduct of those associated with the with the administration of justice is so important, a court may disqualify an attorney for failing to avoid even the appearance of impropriety.”)

counsel for Check Point in this case. First, Check Point has not identified any extraordinary prejudice that it will experience in this case if WSGR is not allowed to remain as its counsel. As WSGR conceded at oral argument, Check Point is represented by other law firms in pending cases in this District. (Tr. at 35) While certainly Check Point's choice of counsel is entitled to substantial weight, Check Point has presented no evidence that it will be unable to obtain alternate adequate representation or that it will be unduly burdensome – in terms of time or money – to do so. On the other hand, due to WSGR's handling of this situation, IV has already been prejudiced. WSGR initially considered dropping IV as a client in 2003 and 2005, and then told IV it would continue to represent IV. IV relied on WSGR's decision and continued to share confidential information with WSGR for several more years. Even then, when WSGR did finally terminate IV as a client, WSGR did not expressly dispute IV's professed belief that, at the very least, IV would not find itself litigating against WSGR. As a result, IV has now had to spend money and time bringing the instant motion (which has also prevented this case from moving forward).

The timing of the motion also favors IV. This motion was filed at an early stage of the litigation; no trial date has been set. Finally, promoting public confidence also favors IV: avoiding the appearance of impropriety is an important consideration for the Court, as it relates to protecting the integrity of the judicial system. In order for our adversarial system to function properly, clients must feel confident that they can divulge all relevant information to their attorneys, without fear that such confidences will eventually be used against them in a later, related matter.

On balance, the equities in this case weigh against allowing the ethical wall to overcome

the violation of M.R.P.C. 1.9.¹¹ Accordingly, the Court will exercise its discretion and disqualify WSGR from representing Check Point in this litigation.

IV. CONCLUSION

For the foregoing reasons, the Court will grant IV's motion to disqualify WSGR. An appropriate Order follows.

¹¹The Court does not make this determination lightly and entirely accepts WSGR's representations that its attorneys will faithfully abide by the terms of the ethical wall in place.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

INTELLECTUAL VENTURES I LLC,

Plaintiff,

v.

CHECKPOINT SOFTWARE
TECHNOLOGIES LTD., CHECKPOINT
SOFTWARE TECHNOLOGIES, INC.
McAFEE, INC., SYMANTEC CORP.,
TREND MICRO INC., and TREND
MICRO, INC. (USA),

Defendants.

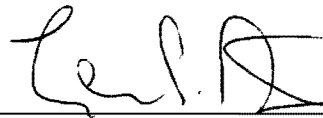
Civ. No. 10-1067-LPS

ORDER

At Wilmington, this 22nd day of June, 2011, for the reasons set forth in the Memorandum Opinion issued this same date,

IT IS HEREBY ORDERED THAT:

Intellectual Ventures I LLC's Motion to Disqualify Wilson Sonsini Goodrich & Rosati as Counsel for Check Point Software Technologies, Inc. and Check Point Software Technologies, LTD (D.I. 55) is GRANTED.



Hon. Leonard P. Stark
UNITED STATES DISTRICT JUDGE