Committee Opinion
December 19, 1988

LEGAL ETHICS OPINION 1172

ATTORNEY-CLIENT RELATIONSHIP – CONFIDENTIALITY – IN-HOUSE COUNSEL: USING INFORMATION GAINED DURING THE REGULAR COURSE OF BUSINESS FOR ATTORNEY'S BENEFIT.

You advise that you were employed in the Patent Legal Department of Corporation A between November 1, 1984, and June 8, 1988. Early in 1987, your employer asked you to investigate a possible Competitor who was engaged in a franchising effort and whose published F.T.C. Franchise Offering Circular referred to a pending patent application the existence of which concerned your employer. You contacted Competitor, represented yourself to be a patent attorney for an unidentified third party, and as a result obtained information regarding their patent information which you then reported to your employer.

You are no longer employed at Corporation A, and you were contacted by Competitor once the patent application had been issued to inquire whether your third party client had any interest in obtaining one of its franchises. You reported that your client was no longer interested but that you personally were interested.

You wish to know whether it would be ethically improper under Canon 4, DR:4-101(B)(3) to obtain a franchise of Competitor; or, would pursuing that course of action constitute using a confidence and/or secret of your former employer Corporation A to your advantage.

Disciplinary Rule 4-101(B)(3) provides that a lawyer shall not knowingly use a confidence or secret of his client for the advantage of himself or a third person, unless the client consents after full disclosure. Under Canon 4 of the Virginia Code of Professional Responsibility a "confidence" refers to information protected by the attorney/client privilege under applicable law, and "secret" is defined as information gained in the professional relationship that the client requested be held in confidence as disclosure would cause embarrassment or would likely be detrimental to the client. The Committee believes that at the time you obtained the information from Competitor regarding their patent application, you were acting under the direction of your employer and as such your obligation was to advise your employer of your investigation. It appears the relationship between attorney-client could not exist (See Part Six, subsection (A) of § 1 of the Virginia Code of Professional Responsibility); therefore, any information obtained in the course of your employment as agent for employer would not be protected under the definition of a "confidence" or "secret" as reflected in DR:4-101.

Under the limited facts of your inquiry, the Committee would opine that it would not be a violation of Canon 4, or DR:4-101(B)(3), for an attorney/employee, who in the course of his employment and acting on behalf of his regular employer gained information on which he will rely in part, to pursue obtaining a franchise of Competitor. The Committee further opines that since the attorney-client relationship had not been established, the

Committee Opinion
December 19, 1988

propriety of obtaining one's regular employer's consent to acquire a franchise would be irrelevant.

Committee Opinion
December 19, 1988

Clarification.

L E Op. No. 1172 found that it would not be improper for a patent attorney, previously employed in the legal department of a corporation, to secure a franchise for himself from a competitor of his former employer when he had originally obtained information regarding the franchise for use by his corporate employer. The basis for the Opinion's conclusion was the nature of the receipt of the information and not the relationship between the attorney and his corporate employer. Since the information was received from the corporate employer's competitor who was not the attorney's client, use of that information was not precluded by DR:4-101 since no attorney-client relationship existed between the patent attorney and the franchisor/competitor of patent attorney's former employer.

VSB Standing Committee on Legal Ethics
April 19, 1990