

# GEORGIA BAR Journal

APRIL 1999 • VOL. 4 NO. 5

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THE TECHNOLOGY ISSUE

PROPOSED MODEL RULES OF PROFESSIONAL CONDUCT

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# GEORGIA BAR Journal

APRIL 1999 • Vol. 4 No. 5

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**On the Cover:** The catchphrase of 1999, "Y2K," leads the Georgia Bar Journal's annual technology issue with a look at trends affecting the modern lawyer, including internet developments, software patents, online disclosure and more.

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# GEORGIA BAR Journal

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(Editor's Note: In order to meet publication deadlines it was necessary to substitute the following for the President's Page. The Editor assumes no responsibility for its content and denies even knowing the author.)

## STATE BAR OF GEORGIA

William E. Cannon, Jr.  
1998-99 President



Deer Jennifer,

Sense this is a technology issue of the Bar Journal eye thought eye wood use sum of the latest technological innovations to prepare my presence page. This is being dictated into a computer using voice recognition software to transcribe it. It is supposed to be grate! Weight. What's going on? Stop. No, I really mean stop. Quit writing. You stupid machine you are using the wrong words. Can't you understand me? Off. I said off! HELP!

HELP MODULE NOT LOADED. PRESS ENTER TO RETURN TO PROGRAM

I give up. What will make this end?

END COMMAND RECEIVED. END DICTATION

Okay. I'll forget the voice recognition and just type this myself. For some reason this does not look the same as the type in the Bar Journal. *Whoops! This doesn't look good.* ➔❗❗❗❗ **I just can't seem to get this right.**

There, now we're getting somewhere. This is starting to look very professional. Now to my President's Page. Please use the title "THINGS EVERY LAWYER SHOULD KNOW ABOUT COMPUTERS."

As we approach the new milleneum, many lawyers may be unaware of the many useful features contained in the technology available today. You may be amazed to find out that I effortlessly prepared this President's Page with no assistance by using a sophisticated word processing program and transmitted it to the State Bar by e-mail. In just a short period of time you can become as adept at the computer as I am and take advantage of the many features available.

Are your files taking up too much space? Then you should use a handy feature called "file compression." You can reduce the amount of hard disk space by simply enabling file compression on your computer.

I just saved a  
large amount of  
disk space and  
you can hardly  
tell any  
difference in the  
text.

A great deal of concern has been expressed about the so called Y2K problem. Take it from me, your Pentium© President, the State Bar has carefully checked all of its equipment and software and we anticipate no difficulty at the end of this year. Quite frankly the fears are overblown—most computers will function perfectly fine when you have to enter a date such as 01/01/00 ➔❗❗❗❗

THIS DATE DOES NOT COMPUTE PRESS RESET TO SAVE DATA

Jennifer, I'm afraid this is hopeless. Just reprint some article from a computer geek magazine and show me as the author. I'll bet no one ever knows the difference.

Sincerely,

*Bill*



# BAR RESOURCES COMPLEMENT TECHNOLOGICAL GIZMOS



By Cliff Brashier

*The Wheel — 3800 B.C.  
The Printing Press — 700  
The Computer — 1928*

Each year the State Bar recognizes members who have practiced law for 50 years. Those lawyers may remember the following “new technology” available in their first law offices and the high prices that kept it beyond the reach of most firms:

Remington Quiet-Riter Manual Typewriter	\$100.37
Old Town Carbon Paper	\$1.34/box
Revere Magnetic Reel to Reel Tape Recorder (35 lbs.)	\$169.50
Underwood 6 Column Adding Machine (32 lbs.)	\$122.60
Gold Crowned Webster Ladder Fed Fountain Pen	\$4.95
Tower Mimeograph Machine	\$59.50
Webster Dictionary with 600,000 words	\$1.95

Legal secretaries could spend a week on one 50-page legal document. The difficulty of correcting a typographical error taught them the hard way how to type virtually error-

free. Even so, revisions to a few paragraphs or changing one number in a spread sheet usually meant a second week on the same document.

Our newest members live in a far different world. Word processing, spell-checking, online legal research, the Internet, e-mail, faxes, cellular phones, voice mail, and document automation programs represent their “new technology.” If the 50-page legal document is already properly “automated,” the old two-week

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**Almost daily lawyers ask me, “What does the State Bar do for me?” One of many things is help with technology. I hope you will take**

secretarial task can now be completed in perhaps 30 minutes. Even if it is an original document, the task only takes about a day.

Voice recognition software that transcribes dictation and lets you change screens without touching a keyboard or a mouse is almost here. As Bill Cannon’s column (opposite page) shows, it can now be used with spell-checking software to produce letter perfect documents.

Well, maybe voice recognition programs are not perfect yet, but they, along with video conferencing, electronic court filing, briefs that are

interactive with video records, and many other new technologies are just around the corner.

With this change comes complexity and confusion for lawyers. How can we possibly keep up with our law practices, with all the new statutes and case law, with the time demands resulting from instant communication, with the high costs, unreliability, and short life spans of new computers, and finally with the shortage of well-trained help? One answer is to call the Law Practice Management service of the State Bar of Georgia. While we cannot solve every problem associated with today’s new technology, you will find that Terri Olson, Natalie Thornwell, and Veronica Hoffler can help your firms efficiently manage technology and make your practices more enjoyable. Their services are offered free or at very low costs. All you need to do is to call (800) 334-6865 or (404) 527-8773.

Also, you are invited to visit the Law Practice Management program and other resources available to you on the State Bar’s Web site. The address is [www.gabar.org](http://www.gabar.org).

Almost daily lawyers ask me, “What does the State Bar do for me?” One of many things is the help with technologies described above. I hope you will take advantage of it and let me know what you think.

Your comments regarding my column are welcome. If you have suggestions or information to share, please call me. Also, the State Bar of Georgia serves you and the public. Your ideas about how we can enhance that service are always appreciated. My telephone numbers are (800) 334-6865, (404) 527-8755 (direct dial), (404) 527-8717 (fax), and (770) 988-8080 (home). ☐

**By Lisa S. Keyes**

**W**hether you are a general practitioner in Cairo or an Atlanta technology lawyer, your clients will be affected by the Year 2000 and date-related computer issues. Clients' reactions to the Year 2000 issue range from "The sky is falling!" to "What's the big deal?" If you are counseling business, non-profit or governmental organizations, you can help to make sure their reaction falls somewhere between panic and complacency, and that they diligently work to identify and resolve their Year 2000 issues. This article provides a checklist of legal issues that most clients should address to ensure a smooth transition to the Year 2000.

## The Year 2000 Problem

Many devices that we use each day rely on software and microchips to operate properly—desktop computers, factory production lines, warehouse security systems, office voicemail systems, cash registers and countless other types of equipment. If the software or microchip is programmed to use dates, it probably records the year using two digits, *e.g.*, “99” to represent “1999.” The device simply assumes that “19” precedes “99.” This technique saved computer storage space, which was expensive during the early days of computers. The problem is that in the Year 2000, the device might presume “00” to be the Year 1900 instead of the Year 2000.





Thus, a cash register could read a credit card with an expiration date of April 2000 as April 1900, refusing to accept it in 1999 because it is “expired.” The variety and prevalence of devices containing software or microchips means that the Year 2000 is an issue your clients must address even if they insist they “don’t use computers.”

## **The Reaction to the Year 2000 Problem**

Perhaps the Year 2000 will come and go with little disruption—but many organizations have significant work to do before they can arrive at that conclusion with any certainty. A recent study by a leading economist, Edward Yardeni, revealed that many publicly-traded companies had spent only a small proportion of their Year 2000 budgets by the end of 1998. According to Mr. Yardeni, this is not evidence that those companies seriously over-budgeted for Year 2000 activities, but that they have substantial work to do in 1999.

Small businesses are not progressing any faster. A recent study by the National Federation of Independent Businesses found that one-half of the small businesses surveyed have taken no action to identify or resolve Year 2000 issues. Ron Dolinsky, the Executive Director of the Atlanta/Southeast Region Y2K Crisis Center, predicted that 10 to 15 percent of small businesses will fail due to Year 2000 issues. Any small business failures will have repercussions throughout the Georgia economy because of the interdependence of supplier and customer relationships.

We have had a glimpse of the future through Year 2000 disputes that have already made it to the courts. Over 50 Year 2000-related lawsuits have been filed in the United States since 1997. Many of the suits are class action suits against software manufacturers, usually stemming from software that allegedly is not Year 2000 ready. A handful of shareholder suits have also been brought, alleging that companies failed to disclose material Year 2000 information. Claims include fraud, breach of implied warranties, violation of consumer protection laws, negligence and breach of express warranties. Many of these cases are pending, but in the handful that have been decided, defendants typically end up providing free Year 2000 upgrades for the products or a cash settlement. Claims were dismissed in a few cases because the plaintiffs had not yet suffered any harm and the defendants were prepared to provide free Year 2000 upgrades.

## **A Lawyer’s Role in Identifying and Resolving Year 2000 Issues for Clients**

To help clients avoid unnecessary and unproductive Year 2000 litigation, it is crucial to recognize that the Year 2000 is not just a technical issue. It involves assessing risks, rights and duties—tasks for which lawyers are well-trained. The following checklist outlines legal issues that should be addressed as part of a successful Year 2000 program. Although this checklist is intended for lawyers who serve business clients, many of the topics are appropriate for non-profit and governmental organizations. The checklist is intended to provide a high-level overview of legal issues to be addressed, not to describe any issue in depth. For more detailed information, please refer to the suggested resources at the end of this article.

## **Year 2000 Program Structure**

Year 2000 programs are most successful when they have a clear structure with well-defined responsibilities to ensure that tasks do not fall through the cracks. In a July 1998 publication on Year 2000 disclosure requirements for publicly-traded companies, the Securities & Exchange Commission (SEC) identified five key areas to address in Year 2000 programs:

- ◆ **Systems:** Computer systems, including operating systems software, application software, interfaces, networks, WANs, LANs, Internet connections, firewalls, servers, information technology hardware, data and data feeds from others, and Year 2000 remediation tools.
- ◆ **Suppliers:** Suppliers of goods and services to the business.
- ◆ **Customers:** Customers of the business.
- ◆ **Products:** Products and services sold by the business.
- ◆ **Facilities:** Buildings, manufacturing equipment, elevators, security systems, pollution control equipment and other similar facilities.

All entities (publicly-traded or not) should address each of these areas as part of their Year 2000 efforts. The common legal issues that arise in each area are described below.

## **Suppliers**

Suppliers come in many types—sole-source suppliers of crucial components, vendors that make regular deliveries of consumable supplies, and one-shot suppliers of major capital equipment. Supplier legal issues revolve around assessing the legal risk of a Year 2000 failure of the goods or services supplied, and of the vendor’s

inability to meet its supply obligations due to a Year 2000 problem. Important legal tasks include:

- ♦ **Conducting an assessment of supplier Year 2000 readiness using tools developed with legal input.**

These tools, which include questionnaires, surveys and audits, have dual goals: to demonstrate the appropriate Year 2000 legal due diligence, and to yield practical information that helps a business to determine whether it can count on a particular supplier. In designing or reviewing a supplier

assessment tool, a lawyer should balance the desire to obtain legally-binding Year 2000 representations with the practical need for the information. The more the tool resembles a contract, the less likely suppliers are to complete it. A good rule of thumb: do not develop a supplier survey that you would not let a client complete.

- ♦ **Making sure new purchases are Year 2000 ready by requiring appropriate representations and warranties in contracts, purchase orders and other agreements.**

Year 2000 contract terms should include a technical definition of the Year 2000 standard the products or services must meet, because there is no commonly-accepted definition of "Year 2000 Compliant," "Year 2000 Ready," or similar terms. The agreement should also contain a Year 2000 warranty that requires the seller to address any Year 2000 problems that occur during the warranty period. In some cases, it may also be appropriate to test the purchased products or services to verify the Year 2000 status reported by the supplier.

- ♦ **Assessing options for resolving supplier Year 2000 problems.** For example, what if a crucial supplier has no Year 2000 program, and is at great risk for a major Year 2000 failure? Could your client find an alternative supplier, or is the contract an exclusive supply agreement? Can the customer force the supplier to take action or terminate the relationship? Answering these questions requires a review of any agreements that govern the supplier relationship.

## Products and Customers

Businesses also need to address legal issues associated with the potential Year 2000 failure of an entity's

products, services, or major customers. For example, could a Year 2000 product failure cause bodily injury? What if a large customer suffers a Year 2000 failure and becomes unable to purchase the same volume of products? To answer these questions, the following legal tasks are often performed:

- ♦ **Assess the legal exposure if a product does not function properly due to date-related problems.**

Would your client face warranty claims? Could a

product failure cause property damage or bodily injury? If so, the client should consider whether there is any duty to notify customers or third parties. Would the product failure result in a violation of regulatory or legal requirements? What is the risk of tort claims (*e.g.*, fraud, misrepresentation, etc.) arising out of a product failure?

- ♦ **Ascertain obligations to fix any non-compliant**

**products.** For example, assume a client sold software in 1996 under a 90-day limited warranty. In 1999, a customer learns that the software must be upgraded to operate in the Year 2000. The warranty is long expired. Does the client have any obligation to provide a free upgrade? This question has been one of the prime subjects of Year 2000 litigation, and many companies are determining that it is best to provide Year 2000 upgrades at little or no cost, even if a product is not under warranty. These upgrades buy customer good will and reduce the risk of litigation against the company.

- ♦ **Review obligations under service contracts issued by a client.** For example, if a client sold a non-Year 2000 ready product and it is under a maintenance agreement, does the client have an obligation to upgrade it under the maintenance contract? Answering this question requires a detailed review of the service contract, focusing especially on the description of services and the exclusions.

- ♦ **Assess the ramifications of customers being unable to pay for purchases, or discontinuing purchases, due to Year 2000 issues.** This is especially important for businesses that derive significant revenue from a key customer because that customer's Year 2000 problem could have a serious impact on the client. To complete this assessment, many businesses use a tool similar to the supplier questionnaire.

**To help clients avoid unnecessary and unproductive Year 2000 litigation, it is crucial to recognize that the Year 2000 is not just a technical issue. It involves assessing risks, rights and duties—tasks for which lawyers are well-trained.**

- ♦ **Determine whether an express Year 2000 warranty should be offered.** Business needs might dictate that new product or service sales agreements should include an express Year 2000 representation and warranty. If so, define the Year 2000 standard carefully, and provide clear warranty remedies for a defined warranty period.
- ♦ **Ensure that external communications regarding the Year 2000 status of products and services do not inadvertently create or modify contracts or warranties.** Information should be provided with reasonable disclaimers. For example, instead of saying that a product already owned by a customer “will be made Year 2000 compliant by June 1, 1999,” inform the customer that it is your client’s goal to complete the Year 2000 update by June 1, 1999, but that it is possible that the upgrade will be delayed. In addition, any external communication (electronic or hard copy) should be labeled on the first page as a “Year 2000 Readiness Disclosure.” This label brings the communication under the protection of the federal Year 2000 Information and Readiness Disclosure Act (Pub. L. No. 105-271, 112 Stat. 2386), signed into law by President Clinton in October 1998. Among other things, this Act limits the use of a Year 2000 Readiness Disclosure against the party who issued it, even if the information turns out to be inaccurate. The Act also provides some protection for clients who share Year 2000 information about another company, *e.g.*, a supplier, providing the communication identifies the entity that prepared the information or specifies that the client has not independently verified it.
- ♦ **Help clients develop a dispute identification and resolution process.** For example, a business might decide to charge for Year 2000 software upgrades. This decision probably increases the risk of litigation. To reduce the risk, the business should have a mechanism for escalating any customer complaints to a decision-maker who could settle the matter if appropriate.

## External communication should be labeled as a “Year 2000 Readiness Disclosure” to bring the communication under the protection of the federal Year 2000 Information and Readiness Disclosure Act.

## Systems and Facilities

The Systems and Facilities areas address similar legal issues. For example, if a crucial internal computer network fails or a production line stops working, a client might not be able to fulfill contractual obligations. To understand this and other legal risks related to Systems and Facilities, clients should:

- ♦ **Assess their legal exposure if systems or facilities fail to operate properly.** For example, will a contract be breached because a client is not able to process orders and ship goods? Is there any risk that a system or facility failure could cause property damage or bodily injury? Based on the identified risks, clients can prioritize their Year 2000 actions.
  - ♦ **Review Year 2000 remediation contracts.** If the client is using third parties to correct Year 2000 problems with its systems or facilities, design a contract that sets appropriate Year 2000 standards, deadlines and reporting requirements, and provides fair warranties that do not expire before the Year 2000.
- ♦ **Prepare Year 2000 terms for purchase contracts.** When a client is purchasing, licensing or leasing new systems or facilities, ensure that they will be Year 2000 compatible by including appropriate contractual specifications and warranties. For example, will an office building’s elevators and security systems function after Jan. 1, 2000? The lease for that facility should require it to do so.
- ♦ **Allocate financial responsibility for Year 2000 problems.** Determine who is responsible for remediating any Year 2000 problems—is it your client’s financial responsibility, the supplier’s responsibility, the landlord’s responsibility, or someone else’s responsibility? Answering this question often requires an assessment of the relevant contracts, whether they are leases, purchase agreements, or purchase orders.

## Other Year 2000 Issues

Clients should also address Year 2000 issues that do not fit neatly into the Suppliers, Products/Customers, Systems, or Facilities areas. Those issues include:

- ♦ **Applicability of Regulations.** Some clients, especially



those in regulated industries such as banking or health care, might be required to comply with Year 2000-related regulations at the local, state, or federal level. A lawyer can help a client identify relevant requirements or guidance.

- ♦ **Availability of Insurance Coverage for Year 2000 Problems.** In addition to reviewing current insurance policies for potential Year 2000 coverage, lawyers should also counsel clients to watch for insurers' attempts to impose new Year 2000 exclusions (approved by insurance commissioners in almost every state). In some cases, policy holders have sufficient leverage to resist Year 2000 exclusions.
- ♦ **Tax treatment of Year 2000 costs.** Tax attorneys and accountants can help determine the most favorable tax treatment of Year 2000 costs, *e.g.*, maximize the current year deductibility and minimize any amortization period.
- ♦ **Minimizing Corporate Liability.** In addition to following the SEC's guidelines for publicly-traded companies, businesses should insure that their boards receive regular reports on the progress of Year 2000 programs. Corporate boards especially need to be aware of any problem areas so they can require appropriate action. If corporate directors and officers are ill-informed, they risk being sued by shareholders.
- ♦ **Handling Year 2000 Issues in a Merger or Acquisition.** To avoid acquiring a company with serious Year 2000 problems, clients should assess the Year 2000 status of the target company, and include Year 2000-related representations and warranties in the merger or acquisition agreement. Post-transaction, the target's Year 2000 program should be integrated into the acquiring company's plan.
- ♦ **Document Retention.** Ensure that a business creates and retains documents that appropriately record its Year 2000 efforts, as well as commitments made by and to the client. It is usually best to retain Year 2000 documents according to an already-established document retention program. If a particular client lacks such a program, a procedure for retaining Year 2000 documents should be established.
- ♦ **Avoid Antitrust Liability.** Under a limited antitrust exemption in the Year 2000 Information and Readiness Disclosure Act, a business may share Year 2000 information with potential competitors with minimal risk of violating antitrust laws. The information may only be shared for the purposes of correcting or avoiding a Year 2000 failure, and may not be used to boycott a business, allocate a market, or fix prices or output (Year 2000 Information and Readiness Disclosure Act, Pub. L. 105-271, Section 5).

## Conclusion

This checklist of Year 2000 legal tasks is half the battle. The next task is implementation. There are a number of resources available to help lawyers provide these services to their clients, including print resources and Web sites. The resources listed below are especially useful.

If attorneys work through Year 2000 legal issues with their clients with the help of this checklist, we should be able to ring in the Year 2000 with maximum celebration and minimum panic. ☒



*Lisa S. Keyes practices on King & Spalding's contracting team in Atlanta., concentrating on Year 2000 and other technology issues. She is an honors graduate of the University of Wisconsin Law School, and a member of the State Bars of Georgia and Wisconsin.*

## Web Site Resources

### Year 2000 News

- ♦ [http://headlines.yahoo.com/Full\\_Coverage/Tech/Year\\_2000\\_Problem](http://headlines.yahoo.com/Full_Coverage/Tech/Year_2000_Problem)
- ♦ <http://www.year2000.com/y2karticles.html>

### Year 2000 Litigation

- ♦ <http://www.2000law.com/html/lawsuits.html>

### General Information

- ♦ From President's Council on Year 2000 Conversion, <http://www.y2k.gov/java/abouty2k.html>
- ♦ For small businesses, <http://www.sba.gov/y2k/>
- ♦ From the Federal Financial Institutions Examination Council, <http://www.ffiec.gov/y2k/>
- ♦ From the State of Georgia, <http://www.year2000.state.ga.us/>
- ♦ For information on and for publicly-traded companies, <http://www.sec.gov/news/home2000.htm>

## Print Resources

- ♦ *The Year 2000 Challenge: Legal Problems and Solutions*, published by National Legal Center for the Public Interest, Telephone (202) 296-1683; [www.nlcpi.org](http://www.nlcpi.org).
- ♦ *Year 2000 Law Deskbook*, published by Practising Law Institute, Telephone (800) 260-4754; [www.pli.edu](http://www.pli.edu).

# What's In a Web Site?

by Jonathan Wilson

**M**ost companies now have Web pages that contain information about their history, ownership, products and business goals. Many are beginning to sell their goods and services over the Web. As companies have begun to use the Web more extensively for advertising, communications and sales, however, the legal issues presented have grown by leaps and bounds.

## What is the Web?

The Internet is an international network that links numerous networks and computer systems. Its backbone is an infrastructure of high-speed physical hardware. The most popular and visible feature of the Internet is the World Wide Web.

The term "Web site" refers to a collection of documents and related files that are owned or organized by a particular individual or organization. HTML, the programming language used in most documents on the Web, allows for the creation of hypertext links and the inclusion of graphics.

Documents and files collected at a Web site are presented through one or more "Web pages," each of which is a single HTML document that can be displayed in a browser. The "home page" refers to the entry page for

a Web site or a default page that appears upon start-up of the site. Sometimes HTML documents are displayed in multiple on-screen windows or through other means of partitioning, referred to as "frames." For example, an HTML document might present two frames, one of which is an ordinary Web page while the other frame provides commentary, advertising, or additional links intended to accompany the first.

Every home page on the Web has a unique address known as a Uniform Resource Locator (URL). For example, "http://www.kslaw.com" is the URL of the Web site for the King & Spalding law firm. The first part of the URL refers to the access protocol (in this case, "http"), and the second part is the "domain name" of the firm's site. The "domain name" (e.g., www.kslaw.com) specifically designates the site. Each domain name corresponds with a lengthy number (or "IP address") that distinguishes that domain from all others. Because it is possible to change the underlying IP address without affecting the domain name, Web sites can be moved from computer to computer without any change in domain name.

The computer system that carries a Web site is referred to as the site's "host." Host systems are often owned and operated by computer companies that offer host services to Web site owners.

The key to the Web's unique nature is the hypertext link or "link," a place on the Web page that, when



“clicked,” sends the user to another Web page or site. The point-and-click mechanism employed by the Web thus eliminates the need to enter complicated Internet addresses through a keyboard or input device.

## What Legal Issues Are in a Web Site?

Doing business by using the Web presents many issues that deserve the attention of company counsel — employee issues, securities issues, tax issues, jurisdictional issues and intellectual property issues.

**1. Intellectual Property.** A review of a company's Web site should consider

(a) trademarks, (b) copyright, (c) software and trade secrets and (d) rights of publicity and confidentiality.

**A. Trade-marks.** Three ways that trade-marks often arise at a Web site are: (1) visibly, when the marks are apparent to a viewer of screens or audiovisual works displayed by the site, (2) invisibly, when the marks are hidden in “metatag” files or otherwise, and (3) nominally, when a mark is included as part of the site's URL (or “Uniform Resource Locator” as described above).

The “visible” use of trademarks at a Web site is similar to the use of trademarks in other public or promotional material. The Web site owner should take steps to identify and protect its own trademarks, preferably in accordance with well-established internal policies and procedures.

Linking is an important function of a Web site, and it is often difficult to tell whether links to other individuals or organizations (or their products or services) are merely

informational, or instead serve promotional purposes, or potentially could be construed to imply an association between the owner of the Web site and the linked site. As with other displays of third party trademarks, the site owner should give care when and how the trademarks are displayed and, if appropriate, obtain written permission for the display of such trademarks.

A “metatag file” is a file created as part of a Web site to identify and describe the contents of the Web site in a

manner likely to be found by a search engine. The metatag file for most sites includes terms associated with the site owner and its products or services. For example, the metatag file for a Web page devoted to the book, *Computer Software Licensing: Forms and Commentary*, might include, as tag words, “computer law software forms agreements license legal intellectual property contracts Internet.” The way search engines often

operate, the use of a metatag file that contains many of the terms included in a search makes it more likely that the search will find the applicable site and, just as important, list the site early in the search results. To maximize the likelihood that a site will be found and listed to best advantage in search results, Web site designers may list corporate names and product or service brands in the metatag file—sometimes including the names or brands of competitors.<sup>1</sup>

Another provocative use of trademarks at a Web site is to print the word in text having the same color as its background. In such a circumstance, the word is apparent to a search engine but is generally invisible to viewers of the site.



Trademark disputes also may arise with regard to words or phrases contained in URLs or domain names. In the early days of the Web, Web-savvy entrepreneurs reserved URLs associated with popular names and marks in the hopes of profiting from the sale or license of those URLs. This has sometimes been called “cybersquatting.” For example, one of the earliest cybersquatting precedents involved the domain name “mcdonalds.com,” which was initially reserved by Joshua Quittner, a journalist. The McDonalds Corporation sued on the grounds of trademark infringement and the parties settled under terms that allowed the McDonalds Corporation to control the “mcdonalds.com” domain name.<sup>2</sup>

These cases, however, probably teach more about the business pressures encountered in trademark litigation in general than they do about trademarks in cyberspace in particular. The courts have not fully or adequately addressed the conflict between U.S. trademark law, which limits a party’s rights based on geography and field of use, and the Internet domain name system in which a top-level-domain can be used only once, without regard to geography or field of use. A company’s lawyers should consider protection of a company’s domain name under trademark law, including through domestic and foreign registration. Then, the company’s name and brand names of products and services should be compared with the Internet usage of other companies, including the same or similar domain names. These precautions should extend to spellings or phonetically similar words or phrases that are similar enough to present a risk of confusion.<sup>3</sup>

**B. Copyright.** Copyright disputes can arise in connection with Web sites in several ways. One type of dispute can occur when text or other material appearing on the site is derived or extracted from elsewhere. A second type of dispute concerns the use of hypertext links, as addressed below.

The author of any “original work[s] of authorship fixed in any tangible medium of expression”<sup>4</sup> has an exclusive copyright to the work. The copyright arises upon creation of the work, regardless of whether the copyright is registered under the Copyright Act. If a Web site owner displays text in a Web page that is copied from the work of another author without that author’s permission, the copying of that work may be an infringement of the author’s copyright.

The key issue for Web site owners is to review and maintain accurate records pertaining to the creation, maintenance and contents of their Web site. Companies should create, implement and enforce guidelines for personnel with respect to the design and maintenance of a Web page. Web-related contracts, as well as business initiatives in general involving the use of the Web site,

should be reviewed by counsel.

**C. Software and Trade Secrets.** A Web site owner should be satisfied that it owns or is licensed to use all the software, database files, and other material operating on or contained in its Web site.

Most Web sites are created in either HTML or Java. If the Web site owner employs or engages a Web site designer to build the Web site, the Web site owner should make sure that the designer properly conveyed or licensed the HTML or Java code to the Web site owner.

Many service organizations offer “free” Web site design services as part of long term Web site hosting contracts. The contracts that control these “free” services are sometimes in the legal disclaimers on the service organization’s Web site. The Web site owner should be on guard that the service organization may retain rights in its programming or may retain a security interest in that programming. Also, while it should be obvious that materials posted on a Web site are not confidential, this fact cannot be over-emphasized. Corporate organizations should ensure that trade secrets and other confidential information are not accessible in publicly-available portions of the Web site.

**D. Confidentiality and Publicity.** In addition to ensuring that they have appropriate copyright and trademark rights to the contents of their Web sites, Web site owners should obtain releases from persons appearing in photographs or images displayed on their sites. Although some of the most noteworthy cases have involved celebrities,<sup>5</sup> any person may potentially assert a cause of action against someone who misappropriates and displays their personal likeness.<sup>6</sup>

In a similar vein, Web site operators should be wary of using software devices (often called “cookies”) to collect the electronic identities of viewers of their Web sites. Some Web sites collect such data for the purpose of compiling e-mail mailing lists that can be used for bulk electronic mail advertising (“spam”). While there is no definitive law on point, such practices are disfavored and may be the subject of legislative or regulatory restriction in the near future.<sup>7</sup>

**2. Internet-Specific Issues.** A particularly useful aspect of the Web as a means of organizing information is the ability to link Web pages through the use of “hypertext links” (or simply, “links”). A link, which usually appears on a Web page as highlighted text, or in the shape of an icon, can transport the viewer’s computer from the source page to the linked page.

With an ordinary link, the viewer’s computer views the linked page as a full page that occupies a full screen—in other words, the source page is no longer visible. On the other hand, if the link is “framed,” the linked page may

appear inside a box or "frame" that continues to display some or all of the source page or otherwise identifies the owner of the source page in some way. Sometimes, with a framed link, the linked pages will appear in an obscured fashion. For example, the margins of the linked page might not be visible. In the early years of the Web, Web designers used links and frames freely in the belief they were helpful way of tying together related pieces of information. Since then, however, a number of cases have arisen in which the owner of a linked or framed page has challenged the right of the party creating the link.<sup>8</sup>

Many commentators view linking as a ubiquitous feature of the Web, which should not be restricted in the absence of independent claims of unfair competition, consumer fraud, or improper trade practices. Framed links, on the other hand, present a more troublesome issue because of the possibility that portions of the linked document may be altered or obscured, and because the framing creates an explicit or implicit association between the source document and the linked document that may be inappropriate or misleading. To the extent that a framed link obscures advertising or other commercial features that would otherwise be displayed on the linked page by the owner of the applicable site, framed links may have a significant impact on the value of advertisements on the link page.

A possible solution is for the Web site owner to engage in linking or framing only with the consent of the owner of the site containing the linked or framed pages. Such consent is recommended particularly if there is a commercial or promotional connection accomplished by the linking or framing.

**3. Employment Issues.** The use of a firm's Web site and the use of e-mail by employees can create legal concerns for employers. This issue in itself has been the subject of numerous articles.<sup>9</sup> Among other problems, employees may damage or lose corporate trade secret assets by distributing company confidential information via e-mail or through inappropriate disclosures on a company Web site. Employees may also create liability for their employers through the use of e-mail and sexually explicit or offensive materials over the Internet in employee harassment situations.<sup>10</sup> Moreover, if employers try to monitor the usage of e-mail and the Web by their employees, employers may find themselves liable for a violation of the Electronic Communications Privacy Act ("ECPA"), which limits the ability of employers to monitor the electronic communications of their employees.<sup>11</sup> Finally, in addition to these concerns, employee use of e-mail can create a trail of evidence that may be susceptible to discovery in litigation.

These diverse and complex concerns are best ad-

dressed, from the employer point of view, by the adoption of a corporate policy concerning the use of e-mail and the Web.<sup>12</sup> Such a policy should be combined with a program of education throughout the corporate structure to educate employees on the appropriate use of e-mail and the Web.

**4. Jurisdictional Issues.** Much has been written on the subject of how use of the Web can affect jurisdiction.<sup>13</sup> By doing business on the Web, the Web site owner should realize that foreign jurisdictions from which the owner's Web site may be accessible may claim jurisdiction with regard to litigation, may impose taxes or fees for business considered to be done in that jurisdiction, or may enforce laws and regulations aimed at the content of the owner's site.

With regard to the question of whether a plaintiff in a foreign jurisdiction is more likely to be able to sue a Web site owner in the plaintiff's home forum as a result of the fact that the Web site operates in that foreign jurisdiction, it is clear that the operation of the Web site will be found to increase the amount of contact between the Web site owner and the foreign jurisdiction. In many cases, particularly if the Web site or its use or content is germane to the merits of the lawsuit, such contact may be considered sufficient to establish personal jurisdiction. On the other hand, if the Web site merely provides information, especially in a non-interactive manner, it is less likely to serve as a sole and sufficient minimum contact for purposes of establishing personal jurisdiction.

A Web site may also subject its owner to regulation based on the laws of jurisdictions where the site is accessible. For example, the *Wall Street Journal* recently reported that the Walt Disney Company received legal process from the government of Denmark based upon the contents of the Disney Web page. The Danish government, according to the report, claimed that the Disney Web page directed its commercial appeal at children viewers, in violation of a Danish law that prohibits "sales promotions addressed to, or likely to influence children [and] . . . take advantage of their natural credulity or lack of experience."<sup>14</sup>

The potential for inconsistent treatment is tremendous. From a practical standpoint, Web site owners simply cannot be required to review and to comply with all the laws of the world. Many Middle Eastern countries prohibit the appearance of women in advertisements. Some Scandinavian countries permit commercial use of the human form in a way that would be treated as illegal obscenity in the United States. Many U.S. states prohibit, or somehow regulate, commercial contests and giveaways, while such activities may not be prohibited, or regulated, in other countries.

The best course of action for counsel in such situa-



tions is to assess carefully the types of activities being planned for the company Web page. Generally, if the company Web page is informational in nature, does not permit the online purchase and sale of goods, and does not promote potential controversial goods or services,<sup>15</sup> there is relatively little risk of a claim by a foreign jurisdiction that the Web page violates its law. Web pages that do any of these higher risk functions may merit further consideration and the development of risk-avoidance strategies.

**5. Securities Issues.** With the growth of Web commerce, some companies have begun to sell their own securities on the Web and have begun to use the Web in combination with, or even in place of, “road shows” as part of an initial public offering of securities. Web-based securities offerings are relatively new and require a review of issues too lengthy to mention here.<sup>16</sup>

Securities law also affects the role of the Web site as a disseminator of news and information regarding publicly traded companies. In-house counsel should be alert to the fact that information on a company Web page should not precede the company’s issuance of a press

release where the information is sufficiently material to warrant a press release.<sup>17</sup>

**6. Tax Issues.** Until last fall, some were afraid that a proliferation of state sales tax laws, aimed at taxing online purchases, might slow the growth of Web commerce. On Oct. 21, 1998, however, the Internet Tax Freedom Act was enacted to prohibit the states from subjecting Web sales to sales taxes.<sup>18</sup> Nevertheless, this prohibition will expire on Oct. 21, 2001.<sup>19</sup> There is no definitive rule on the taxation of sales outside the U.S., so companies with a significant volume of international sales through their Web sites should address this issue separately.

## Conclusion

Company Web sites are swiftly becoming complex and legally challenging facets of a company’s business. This growth in importance and complexity underscores the need for lawyers to be able to spot the key issues that may arise. ☒

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Jonathan Wilson is counsel to King & Spalding and the chair of the Internet Industry Committee of the ABA Public Utility Section. This article is adapted, with permission, from materials provided by the author to Computer Software Agreements: Forms and Commentary, by Peter Quittmeyer, John Matuszeski, and Clancy Ridley (4<sup>th</sup> ed., pending). The author acknowledges the suggestions of Mr. Quittmeyer of Nelson, Mullins, Riley & Scarborough in preparing this article.

## Endnotes

1. In *Playboy Enterprises, v. Calvin Designer Label*, 985 F. Supp. 1218 (N.D. Cal. 1997), the court granted a temporary restraining order preventing an adult entertainment Web site from using the words "playboy" and "playmate," where those words were registered trademarks of the plaintiff. In *Playboy Enterprises v. Welles*, 46 U.S.P.Q.2d (BNA) 1801 (C.D. Cal.), *aff'd*, 162 F.3d 1169 (9th Cir. 1998), the court declined to enjoin the use of "playboy" and "playmate" in the metatag file of an adult entertainment site of Terri Welles. Ms. Welles argued that she was a former "playmate" of Playboy Enterprises, so her use of the indicated trademarks in her metatag file should be a "fair use" under the circumstances. The court seemed to agree. In *Instituform Technologies, Inc. v. National EnviroTech Group, L.L.C.*, No. 972064 (E.D. La. 1997), the defendant agreed in a consent order to remove the offending trademark from the metatag file.
2. See also Michael Leventhal, *Who Can Stake a Claim in Cyberspace*, (1995) <<http://www.islandnet.bc.ca/1~times/times-dir/times2/manylix/domain.htm>>. Similarly, when Adam Curry, a personality featured on the MTV cable television channel, registered the domain name "mtv.com," his employer sued on grounds of trademark infringement. *MTV Networks v. Curry*, 867 F. Supp. 202 (S.D.N.Y. 1994). Again, the parties settled with the network retaining control of the domain name. Likewise, when Princeton Review, the test preparation training company, reserved the domain name, "kaplan.com," its competitor, Stanley Kaplan sued on the grounds that this use of the domain name infringed its trademark. *Stanley Kaplan, Inc. v. Princeton Rev.*, No. 94-1604 (S.D.N.Y. 1994). Again, the parties settled, with the result that Stanley Kaplan now owns the domain name at issue.
3. For example, Chrysler Corp., which claims the trademark "Dodge" for automobiles, has sued the proprietor of an adult entertainment site using the URL <http://www.4adodge.com>, which is a close analog to Chrysler Corp.'s Web site at <http://www.foradodge.com>. See *Chrysler Corp. v. Net Inc.*, No. 98-74186 (E.D. Mich. 1998). (By the end of April, 1999, both sites had been removed from the Web).
4. 17 U.S.C. § 102(a) (1994).
5. Movie stars Brad Pitt and Leonardo DiCaprio have both sued and obtained favorable settlements in connection with the unauthorized use of pictures of them on the Web. *DiCaprio Settles Suit with Playgirl Magazine*, (June 30, 1998) <<http://www.hollywood.com/news/topstories/06-30-98/html/1-2.html>>.
6. See, e.g., RESTATEMENT (SECOND) OF TORTS § 652C (1977). That provision has been modified slightly in the new Restatement. See RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 46 (1998); see also *NY Woman Sues Over Naked Internet Photos* (Jan. 28, 1999) <<http://legalnews.findlaw.com/scrip...9990129/n29264367.html&frame=right>>.
7. See, e.g., United States Federal Trade Comm'n, *Public Workshop on Consumer Privacy or the Global Information Infrastructure* (Dec. 1996) <<http://www.ftc.gov/reports/privacy/privacy1.htm>>.
8. The first reported case involving Web page links took place in *Great Britain in Shetland Times Ltd. v. Wills*, [1997] F.S.R. 604, 1997 S.L.T. 669, 1 ELECTRONIC INFO. POLICY & L.REP. (BNA) ¶ 723 (Sess., Oct. 24, 1996) (Scot.) resulting in a temporary injunction, followed by a settlement that included eliminating the offending practice.
9. See, e.g., Burton Kainen & Shel D. Meyers, *Turning Off the Power on Employees: Using Employees' Surreptitious Tape-Recordings and E-Mail Intrusions in Pursuit of Employer Rights*, 27 STETSON L. REV. 91 (1997); Jarrod J. White, *Employer Monitoring of Employee E-Mail*, 48 ALA. L. REV. 1079 (1997); John Araneo, *Pandora's (Email) Box: E-Mail Monitoring in the Workplace*, 14 HOFSTRA LAB. L. J. 338, 345 (1996); Paul E. Hash & Christina M. Ibrahim, *E-Mail, Electronic Monitoring and Employee Privacy*, 37 S. TEX. L. REV. 893 (1996); Laura B. Pincus & Clayton Trotter, *The Disparity Between Public and Private Sector Employee Privacy Protections: A Call for Legitimate Privacy Rights for Private Sector Workers*, 33 AM. BUS. L. J. 51 (1995); Laurie T. Lee, *Watch Your E-Mail! Employee E-Mail Monitoring and Privacy Law in the Age of the "Electronic Sweatshop"*, 28 J. MARSHALL L. REV. 139 (1994); Note, *E-Mail and Voice Mail: Employee Privacy and the Federal Wiretap Statute*, 44 AM. U. L. REV. 219 (1994); Julia T. Baumhart, *The Employer's Right to Read Employee E-Mail: Protecting Property or Personal Prying?*, 8 LAB. LAW. 923 (1992).
10. Jonathan Wilson, Anne-Marie Gauthier & Christopher Deehy, *Franchising and the Use of Cyberspace in the Workplace*, ABA FRANCHISE L. J., Fall, 1998, at 61.
11. Electronic Communications Privacy Act of 1986, Pub. L. No. 99-508, 100 Stat. 1848 (codified as amended in scattered sections of 18 U.S.C.) ("ECPA").
12. See *supra* note 9 and accompanying text.
13. *If There's Something Rotten in Denmark, Mickey Denies All Guilt*, WALL ST. J., Jan. 12, 1999, at A.1.
14. *Id.*
15. Although there is no exhaustive list of "controversial goods and services" it would be fair to include the following: alcohol, tobacco, graphic sexual pictures, movies and the like, "phone sex" services, drugs of any type, drug paraphernalia, gambling, weapons, information concerning weapons and "bomb-making" information.
16. Some securities offerings and IPO "road shows" are already being conducted on the Web. Richard Raysman & Peter Brown, *Securities Offerings Over the Internet*, N.Y.L.J. (June 10, 1997) <<http://www.ljx.com/practice/securities/0610irsec.html>>. In addition to the concerns that would arise in a Web-based offering, companies engaged in traditional securities offerings should avoid making statements in their Web pages that would undercut or contradict the prospectus and other relevant "paper" documents. Blake Bell, *Corporate Web Sites and Securities Offerings*, N.Y.L.J. (May 21, 1998) <<http://www.ljx.com/practice/securities/0521corpWeb/html>>.
17. See Lisa Klein Wagner, *Safe Harbors in Cyberspace*, N.Y.L.J. (Aug. 20, 1998) <<http://www.ljx.com/practice/securities/0820cybersafe.html>>.
18. Internet Tax Freedom Act, Pub. L. No. 105-277, 112 Stat. 2681 (1998).
19. Background information is available on a Web page sponsored by one of the bill's authors, Representative Chris Cox at <<http://www.house.gov/chriscox/nettax>>.

ADAPTING THE LEGAL SYSTEM IN THE 21ST CENTURY

# Why Justice Matters

by Roberta R. Katz

**M**y interest in civil justice reform was sparked by my training in anthropology. For about three years I have been genuinely worried about the state of our profession and of our legal system, of which we are the guardians.

Understanding the context in which the current legal system exists is essential to comprehending the system's central dilemmas. We live in extraordinary times, in the midst of fundamental technological and social change



unlike any we have ever seen. History has taught us about the hardships of the Industrial Revolution. Extended families were wrenched apart as people had to leave the farms and move to cities that were overcrowded, unhealthy, grimy

and unpleasant. When I read about this, I remember thinking, "I'm glad I don't live in a time like that."

Unfortunately, we don't realize the difficulty of the times we do face because we are caught up in it. In fact, what we're experiencing right now is more difficult than



what the people experienced during the Industrial Revolution, because the pace of progress is so rapid. Twenty years from now, we'll be astounded by our ability to transcend the obstacles of this transformation.

Not so long ago, business was fairly uniform in this country. A 9-to-5 workday oriented around bureaucratic management structure characterized a factory-based economy. Groups of workers on the line responded in concert to a manager giving the direction to all.

Business management styles have changed considerably since the time when the bureaucratic boss came out of his office, walked around and listened to the workers. Reengineering, which followed, taught us that it's okay to do things in a different way, freeing ourselves from a strictly bureaucratic structure. The importance of information to this new style of management encouraged the incorporation of computers into what we do. Likewise, the social structure had to accommodate the technological change to fully realize the technological advances. In hindsight, it seems pretty straightforward.

New education techniques reflect this fundamental change. Whereas a teacher used to tell a group what they would learn (in other words, using a factory-based model), he or she now trains workers of the future by readying them for individualized learning, team-based problem solving and computer use. Educators are putting computers in the classrooms and providing access to the Internet so that students can get information from many sources and be productive in the twenty-first century.

We see the effects of the information explosion all around us. With the evolution of the Internet and growth of cyberspace, even the local neighborhoods don't play the role they used to. Today many people find their acquaintances and friends online. It's a new, nonlocation-specific way to think about how we live.

Recently I was on a panel with one of the scientists who cloned the sheep, and I realized that we're even rethinking basic concepts about birth and death. Our businesses, schools, and medicine are changing. What's not changing? The legal system.

## Lawyers and Change

We haven't come to grips with the fact that we need to recast the legal system, in part because we think of it as sacrosanct. It is important to think of the legal system as inviolable because it underpins our other institutions. Without a solid legal system, the rest of the cultural structure would fall apart.

Laws and the legal system, however, are not sacrosanct. In fact, laws represent nothing more than a societal handshake. When people come together in societies, they

have to establish rules on how to live together. As individuals, they agree to give up freedom in defined areas to live together peacefully and productively. Laws are a cultural agreement on how to coexist.

The same concept is true of the legal system. It is a constructed social system just like political and economic systems. As members of a society, we've devised it to help us live together productively, peacefully and happily. Because there has been a social transformation which stems from technological evolution, it is therefore logical that the legal system must change accordingly.

Lawyers find this concept frightening because they are trained to preserve the status quo. Nevertheless, our system is no different from any other social system in that it must evolve over time. Although the need to reform the legal system may intimidate some members of the bar, legal reform is something to welcome. As Thomas Jefferson wrote in the Declaration of Independence, "[f]orms of government can be destructive of the ends for which they were established, and if that happens they must be altered or abolished." I argue that our civil justice system is becoming a threat to itself. We don't want to abolish it, nor can we, but we must reform it. Our court system must meet the needs of the citizens. The key is to understand the new context in which our courts operate. Once we understand the context we can make the necessary alterations. And who is better situated to help midwife the change in the legal system than lawyers? This for us is an essential job.

## A Revolution in the Making

I researched *Justice Matters: Rescuing the Legal System for the Twenty-first Century* originally as an assessment for tort reform. As I started looking at tort reform, however, I felt I wasn't getting to the heart of the problem. As I dug deeper, I got to one of those "ah-ha" moments where I understood the need for legal reform, a discovery that led to the book.

## The Historical Context

Until the 1990s, most people in the United States considered the courts places where justice was generally served. Popular media of the time reflected this belief. The lawyer-hero of the day, for example, was Perry Mason, an upright, good guy who always asked the right incisive questions. By the end of each episode, the bad guy had been punished, the good guy rewarded and justice served. People understood that mistakes were sometimes made, but by and large, our cultural perspective was that courts produced justice.

In contrast, today a growing number of people believe the courts are unreliable or, at an extreme, a total farce. Although some of that perception has been fostered by events like the O.J. Simpson trial, such exceptional events are not solely responsible for this view. The lack of trust that promotes the assumption that people cannot get reliable, predictable justice in our courts is a serious drawback to our profession.

When I was starting to think about legal reform, I found this quotation from Georgia lawyer R. William Ide III, a past president of the American Bar Association:

Legal institutions created many years ago weren't designed to handle the complex issues and burdensome caseloads we routinely see in our courtrooms.

...

What is needed today is nothing short of a revolution in the administration of justice. We must remember that it is the existence of and public confidence in the legal system that has kept our nation at peace with itself. Should the public confidence be lost in the government, to be fair and equitable through our justice system, we will only be sowing and nurturing the seeds of a real revolution that no one wants.<sup>1</sup>

Basically, Mr. Ide points out that if the justice system falls apart, everything else follows. In the six years that have passed since he wrote this, we've not addressed the need for revolutionary change. We've failed because we don't understand the real nature of the problem. Moreover, the perplexity does not have to do with the fact that we have greedy lawyers, too many lawyers or overcrowded courts, but with our failure to adapt the adversary system processes to the Information Age.

When my research on tort reform failed to answer my quest for overall legal reform, I began studying histories of the legal system. I learned that the adversary system as we know it today resulted from an English legal reform movement that accompanied the Industrial Revolution.

When I realized that the adversary system was a reform movement, I was struck that it corresponded to a time of profound technological and social change. By analyzing the elements of the adversary system, I found that the abundance and very specialized nature of the information coming into the system today is causing the system to function poorly.

Three distinct elements have characterized the adversary system since its institution. First, it gives the parties the right to talk to the decision makers directly, permitting both parties to testify while also subjecting

them to cross-examination. The system also allows for neutral and passive decision makers who are neither ignorant nor inquisitorial. Finally, the adversary system creates uniform rules of procedures and ethics by which everybody can play.

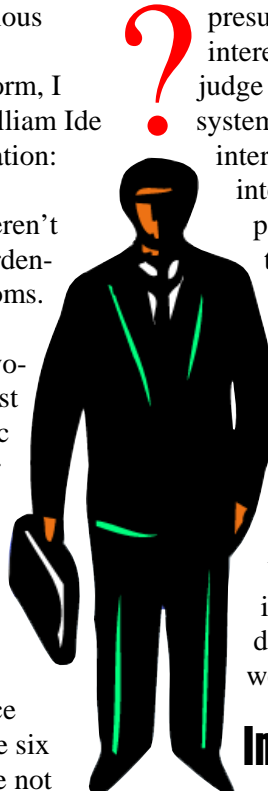
The system is valuable for several reasons. It presumes rationality and assumes society has an interest in its representatives—in the form of the judge and jury—to resolve certain disputes. The justice system, remember, is about society's involvement in interpersonal disputes. It assumes a community of interest where decision makers understand what the parties are talking about, because it comes from a time when we had smaller, more cohesive communities with a shared knowledge base—very different from what we have today.

We're still using the same procedures, but in reality we're following the form and not the substance of those procedures. In our current system, process is starting to trump substance, and this reversal of order is not due to malfeasance or corrupt motives. Rather we've been blindly applying the processes without recognizing that what we're applying them to is very different from what we started with. In so doing, we are creating a serious problem.

## Information Overload

Examining the adversary system's tools reveals that information is at its heart. Information is the goal of depositions, subpoenas and testimony. Today, however, an excess of information overloads the system. Moreover, this information reflects the specialized world in which we live and is often too refined for the average decision maker to understand without further training. The replacement of typewriters and carbon paper with word processors and photocopies does not and should not necessitate drafting a 100-page document or bringing millions of pages into a lawsuit. Excessive information damages justice as easily as too little. In sum, we've clogged the system.

The growing specialization of information has created a dependency on expert witnesses, specialists who are brought into a case because the evidence is deemed too confusing for the decision makers to understand. But we bring two experts, one for each side, and they argue about this detailed information, confusing the judge and jury even more. If you were in the jury box and asked to decide whether DNA evidence was valid after you'd heard two experts with solid scientific credentials refute each other's comments, could you decide? The majority



of evidence that comes to juries and judges today is very different from that of the 1950s. If you were in a jury box then and someone talked about what happened in the factory, you could understand that. That scenario is increasingly unlikely today.

Consequently, we find well-meaning juries who, because they can't fully understand the information presented, vote on the basis of their prejudices or uninformed emotional reactions. This component of the system has always existed, but is so influential today that we have geared the system to it. Jury consultants, for example, are brought in to capitalize on jury prejudice and ignorance. As a result, juries reach outrageous decisions because they lack the basis for a common sense judgment. Justice in the sense of reliable, predictable outcomes and consistent applications of the law, has disappeared.

Furthermore, parties feel pressured to avoid the courtroom altogether because of these erratic results and increasingly turn to ADR. We stay out of court or file cases and then are handed forced settlements before we get to approach the decision makers. Ironically, the bar prides itself on the fact that 95 percent of all filed cases are settled before trial. In effect we're using procedures geared to bringing information to decision makers in cases never intended to get to them. We waste a lot of process because we're using the wrong processes, ones that assume a neutral and passive decision maker to resolve disputes that don't need the decision maker's input. In part, excessive costs result from our using the wrong tools for the problem.

In the United States we have two sources of law—statutory and common law. Yet, at a time when we need to maneuver an evolution in the common law to deal with this transition from the industrial era to the information-based era, we're not seeing the appropriate cases in the courtrooms. Many of the key issues we need to have the courts rule on to keep common law vibrant are not going through the courts today, with the result that we're soon going to have a gap in the common law. Immediate treatment of the problems facing the courts today is imperative.

## A Proposal: CORE Courts

I propose the creation of more subject-matter oriented courts. I call these CORE courts—CO for commonality of interest and RE for resolution. We should aim to resolve disputes whenever possible and in a way that stirs a community of interest and understanding between the parties and decision makers. We also need to bring more specialized training into the courtrooms so judges and

juries can better understand the parties' meanings.

When communities were small, cohesive and shared a knowledge base, the adversary system worked well. We have to discover a way to recreate a community of knowledge for the disputants and the decision makers against the backdrop of a diverse, highly specialized twenty-first century society. Judges and juries may once again understand what the parties are saying to them, but it will necessitate modification of the system.

My proposed solution also involves training lawyers to be problem solvers rather than problem enhancers. In our diverse world, a purely adversarial mind-set is a liability. Nevertheless, we continue to train lawyers to be adversaries. Young lawyers should be taught to facilitate communication rather than conceptualize human affairs as win/lose. In the Information Age, we need to have business thinkers and problem solvers.

## Conclusion

We need to take personal responsibility for reforming the civil justice system because we are its stewards. We must stop condoning the use of the system for manipulation and abuse. As lawyers, we have the ability to do more than we have done to curtail the current level of excess and abuse.

Legal reform is not an exercise to resist, but a goal to attain. Given the legal system's foundational role in our culture, we have to keep it healthy and thriving. The future of our profession, and I would argue of our country, depends on it. Let's work together to make the change as painless as possible. ☒

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## Endnote

1. R. William Ide III, *Rebuilding the Public's Trust: Working Towards an Improved Justice System and Renewed Respect for Lawyers*, 79 ABA J. 8, 8 (1993).

# Strategies to Manage Information Overload

*As the world produces more information daily than we can hope to digest, it has become increasingly important to manage and use that information to our benefit. Here are some strategies to help.*

By Art Saffran

**M**ost anyone in today's workplace would wearily agree that they suffer from information overload. Information keeps flowing in at a furious pace from e-mail, faxes, letters, in office phone calls, cell phones and pagers, voice mail, meetings, interruptions, magazines, brochures, newsletters, and more. In fact, some people feel so overloaded that experts have identified a stress-induced illness called Information Fatigue Syndrome.

More information comes your way daily than ever before, and you have to find the relevant and often critical information from this deluge. Tracking, filing, and finding information quickly and easily is crucial in the legal field. Here are some strategies to help you manage your information overload and turn information from an enemy into an ally.

## Time Management

**Determine what's important.** Lawyers are busier than ever, and their to-do lists grow longer with urgent, deadline-driven tasks. But are these tasks your only important work? When the task list is long, it often is easy to focus on projects that are on a deadline and put off other equally important jobs. Creating a firm marketing plan, working on a new staff recruiting strategy, devising a technology plan, reviewing professional journals, and completing other similar tasks may be critical to the success of your law practice. Yet, they often are lost in the daily crush of work.

List your important goals, then schedule time each week to work on a few of them, tracking your progress. Spending some time on these goals may free up time to take advantage of all the information that comes your way.





**Schedule time for projects.** How often is your intention to work on projects derailed by interruptions and unscheduled events? Treat your work tasks as you would a client meeting. Block time on your calendar, close the door, turn off the phone, and focus on just the task at hand. As you reduce your to-do list and regain control over your time, you may be more able to deal with the uncontrollable events in your work life.

**Schedule time to respond to e-mail, faxes, and phone calls.** E-mail seems to demand your immediate attention because messages come directly to your computer screen, bypassing all standard office barriers. Whether the e-mail comes from your staff, colleagues, clients, or others, each message creates the expectation that you will drop everything and respond immediately.

Treat your e-mail time in the same way you might manage faxes, phone calls, and letters. Plan daily times to

respond to these sources of information overload. Each morning, review your planned tasks for the day. Then, listen to voice mail, and read your letters, faxes, and e-mail. Decide when you need to respond to each communication and schedule time just for these tasks. Above all, don't let each e-mail, phone call, or fax throw you off your planned day. This strategy will give you more time to respond to the incoming messages that are true emergencies.

## E-mail Management

**Control your e-mail lists.** Lawyers who use e-mail lists on the Internet may become inundated with messages. Subscribers to e-mail lists can communicate with all other same-list subscribers by sending a single message to the list e-mail address. Thousands of people with

similar interests can subscribe to a list. Lists exist on thousands of topics and can be a source of valuable information from substantive legal issues to personal hobbies.

E-mail lists also generate a high volume of incoming e-mail messages. Finding the important messages can be time consuming and stressful. Subscribe to several e-mail lists and you may never see daylight.

Subscribe only to those e-mail lists that offer high value to your law practice and personal interests. Try a list for a few days or weeks. If the volume of messages is too high or the quality of discussion is not helpful or relevant, simply unsubscribe. Subscribing and unsubscribing is as simple as sending an e-mail message to the list manager. When you are out of town for business or vacation, consider unsubscribing from any busy e-mail lists or you may be faced with several hours of e-mail reading when you return.

**Use the e-mail list digest.** Digests are a little-known feature of all e-mail lists. A digest will deliver a daily or weekly compilation of all a list's messages in a single message. Each e-mail list may have a different method of subscribing to the list digest; send a message to the list administrator to find out how to subscribe or change to a digest version of the list.

**Use e-mail folders.** Your e-mail program probably deposits all your messages into one central in-box. Look at the options of your e-mail program and you may find it allows you to create folders to organize your messages. Move your messages to the proper folders, and it will be easier to find important e-mail.

**Use e-mail rules.** The "rules" feature of many e-mail programs can help you organize incoming messages automatically. For example, you might create a rule that moves all mail from an e-mail list to a folder for that list. Once the rule is active, all incoming messages from that list will be stored automatically in the proper folder, making review and retrieval that much easier.

**Learn to use your tools.** Most lawyers do not know how to use more than a few features of each technology tool at their fingertips, from word processing and legal research databases to Internet access. Effectively using the features available in the software you use every day will help you efficiently manage a high volume of information.

Buy books that explain the useful features of your computer software. Look for computer classes in your community. For legal research strategies, ask a law librarian for a lesson in electronic legal research.

## Paper Management

**Clear the clutter.** Stacks of paper and other paraphernalia on your desk make it difficult to focus on the tasks at hand. These stacks distract you from your work and create stress that interferes with clear thought.

Margaret Spencer, an expert in managing clutter, suggests trying the following approach to clear your desk: 1) set aside two to three uninterrupted hours for the task; 2) clear all the knickknacks and office supplies from your desktop. Put personal items on a shelf or credenza and the office supplies in your desk drawers; 3) sort the magazines, newsletters, bro-

chures, and books on your desk. Create a "to read" shelf for those materials you will read, toss those you know you won't read; and 4) create project files — and use them. The first three items are self-explanatory. But for anyone trying to burrow out from under a severely paper-burdened desk, the following explains how to begin.

**Create project files.** Write "Projects" on a legal pad. Pick up one paper at a time from your desk and determine what project it is for. List each project, assign each a number, and include a short description of each project. Affix a Post-It® brand note with the project number on it to each piece of paper. Sort the paper by project number into piles on the floor. Repeat this process with each piece of paper and file folder on your desk until the top of your desk is clear. Finally, use your legal pad list to create file folders for all the projects — the project numbers and descriptions are the titles for your folder labels. File all the folders numerically and use your legal pad as an index for quickly locating all project-related files. Now that your desk is clear, keep only your current work file on it.

**Use a personal scanner to reduce the amount of paper.** Much of the information you need to review, store, and retrieve comes to you on paper in the form of articles, letters, newsletters, and notes. Managing this paper and finding the information when you need it can be daunting — a personal scanner can help.

Costing around \$150, a personal scanner fits on the

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**A weekday edition of *The New York Times* contains more information than the average person was likely to come across in a lifetime in seventeenth-century England.**  
— *Information Anxiety*, R.S. Wurman



desk between your keyboard and computer. To scan information you just insert the paper and an electronic picture is created on your computer screen. This picture can be labeled for easy future retrieval, the text can be converted to a word processing file, and the image can be sent over the phone lines as a fax. When converting text to a word processing file, type in key words to make searching easy. One of the most popular personal scanners is the PaperPort from Visioneer (1-800-358-3298).

**Use a personal information manager.** Personal information manager (PIM) software lets you record, sort, and retrieve much of the miscellaneous information that comes your way. Some PIMs track notes, much like electronic Post-It notes. Others are more full-featured, offering calendars, phone call tracking, and address databases. A full-featured PIM, such as GoldMine from GoldMine Software (1-800-654-3526), lets you keep track of all your phone calls, miscellaneous information, and appointments. The Microsoft Office suite contains a PIM called Outlook included at no additional cost. Learning to use a PIM requires time, but the reward in

time and energy saved in finding critical information can be enormous.

**Create an intranet.** An intranet is a Web site that is internal to your office. An intranet gives your office the same capabilities as a Web site on the Internet. Your intranet might include links to client profiles, form and brief banks, staff directories, personnel policy manuals, and links to Internet-based legal research Web sites. Intranets require networked computers, and getting one started may require some assistance. Once the intranet is in place, everyone in the office will have fast access to any information you choose to make available.

While these strategies might seem to create work for those suffering from information overload, trying one or two strategies just might be the first step in dealing with the growing challenge of managing information. ☐



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*Art Saffran is director of computer services for the State Bar of Wisconsin and a frequent speaker on technology use and issues. This article is reprinted with permission from the Wisconsin Lawyer.*

# Morningstar Technologies new BW



# Software Patents

By James L. Ewing IV and Geoff L. Sutcliffe

## Introduction

**M**any companies that develop software initially do not consider seeking patent protection. Companies in the software industry traditionally never sought patents but instead attempted to safeguard their software from unscrupulous competitors by relying on the protection afforded through the laws of copyrights and trade secrets. Some of these companies were, and still are, under the mistaken belief that patent protection on software is simply not possible and instinctively do not pursue patents.

This traditional view toward patenting software lingers in small pockets of the software industry but has almost evaporated. The software industry as a whole has

recognized the value in obtaining patents and has quickly changed its attitude from opposing patents to pursuing them aggressively. One value in holding a patent is that it gives the patent owner certain specified exclusive rights in the invention, such as in functions that are performed through use of the software. A copyright, in contrast, protects the expressive content of the software and, as a practical matter, offers little protection against a competitor from independently developing software that performs the same functions.

The law has also been a factor on why many companies are pursuing software patents. Policies within the United States Patent & Trademark Office (PTO) and court decisions have removed out-dated barriers toward software patents and have expanded the types of software-

related inventions that may be patented. The law has become much more receptive to the granting and enforcement of software patents.

As an example, the Supreme Court denied review in *State Street Bank & Trust Co. v. Signature Financial Group*<sup>1</sup> and therefore let stand the decision of the Court of Appeals for the Federal Circuit. The patent in suit was directed to a hub and spoke investment structure in which various mutual funds ("Spokes") are organized into partnerships or "funds of funds" ("Hubs"). The Federal Circuit found that the hub and spoke investment structure was a "practical application of a mathematical algorithm, formula or calculation"<sup>2</sup> and was thus the proper subject matter of a patent.

In its ruling, the Federal Circuit also removed a business method exception to the statutory subject matter of a patent. The business method exception had been invoked by the PTO and courts to find that inventions directed to a method of doing business were not the proper subject matter of a patent. Because this exception has been eliminated, patent protection may be possible on computer-implemented systems or methods for conducting business.

## How Are Software Patents Obtained in the United States?

To obtain a patent in the United States, an application for patent must be prepared and filed in the PTO and a patent examiner, after examining the application, must determine, *inter alia*, that the invention is useful,<sup>3</sup> novel,<sup>4</sup> and non-obvious.<sup>5</sup> The patent application includes a written description of the invention that must meet certain disclosure standards<sup>6</sup> and contain at least one claim. Drawings that illustrate the invention are required in many cases.

### A. PREPARATION OF AN APPLICATION

#### 1. The Claims

An application must contain at least one claim defining the invention. In fact, the application usually contains a number of claims defining various aspects of the invention. The claims define the scope of protected technology in the same way that a description of metes and bounds in a real property deed determines a piece of real estate. It is the claims that the Patent and Trademark Office considers when determining whether to issue a patent and the courts consider to determine whether it is infringed. Perhaps oversimplified, a patent claim is a list of elements or process steps that must be found in an accused system or process for infringement to occur. If one or more elements or steps (or sometimes their equiva-

lent) is absent, then as a general rule there is no infringement. The claims are perhaps the most challenging aspect of an application and must be drafted so as to distinctly claim the invention's subject matter.<sup>7</sup> The claims should also be as broad as possible to sweep in a broad range of infringing activity yet be narrow enough to define a novel and non-obvious invention. The precise syntax and terminology in the claims is also influenced by other factors, such as the legal significance attached to certain words or phrases and the desire to maximize damages caused by infringement.

In preparing an application for a software-related invention, the application should preferably contain claims directed to each of a system or apparatus, a method or process, and a computer-readable medium. By presenting claims in each of these three categories, a patentee broadens the activity that may be considered to be infringement and thus the protection afforded by the patent.

The remainder of the patent application, as discussed below, can be considered to support the claims.

#### 2. The Description of the Invention

A patent is often characterized as a contract between an inventor and the government, whereby the government exchanges certain rights defined in the claims for a complete disclosure of an invention. The written description of the invention thus is a crucial component of the application and must comply with certain statutory requirements.<sup>8</sup> One such requirement is that the application must describe the invention in such detail that one skilled in the applicable art would be able to make or use the invention. When the application contains an "enabling disclosure," those skilled in the art would be capable of practicing the invention upon reading the application without undue experimentation. The courts have not provided a superabundance of guidance as to what constitutes undue experimentation, but have indicated that one to two-person years of writing code would be undue,<sup>9</sup> while four-person hours of writing code would not be undue.<sup>10</sup> When in doubt, it is usually best to err on the side of a more than detailed disclosure because an inadequate disclosure can prevent the issuance of a patent and can be used to invalidate an issued patent.

The description must also set forth the best mode of practicing the invention. An applicant cannot obtain a patent while concealing the best embodiment or the best manner of practicing the invention. The question of whether an applicant concealed or failed to disclose the best mode is more likely to arise in litigation than before the PTO since the application for patent would likely not contain any evidence of concealment or failure to disclose.

A third requirement for the description is that it contain an adequate written description of the invention. This requirement ensures that the applicant was in possession of the invention at the time of the application.

The drawings are not required in all applications but only when necessary for the understanding of the inventive subject matter. As a practical matter, however, virtually all software patent applications are filed with a set of drawings that illustrate each feature of the claimed invention. Just as a picture is worth a thousand words, an illustration of the invention is invaluable in providing a complete and understandable description of the invention.

In the context of an application directed to a software-related invention, the written description requirements are often satisfied, at least in part, with functional block diagrams and a description of the functions associated with each block. To ensure that the block diagrams and associated description are sufficient, at a minimum, one skilled in the art must be capable of producing the subject matter of each block without undue experimentation. If a block represents a complex assembly, some additional description may be necessary to describe the individual components within that block or how the individual components cooperate to result in an operative assembly. Moreover, although a block may be known to those skilled in the art, the interconnection to, or cooperation between the other blocks within the diagram may not be apparent and will likely need to be described in further detail. In this regard, a process flow disclosure and often a state diagram depicting the sequence and/or temporal relationships between key events may be necessary for a complete description.

The written description of a software-related invention almost invariably contains at least flow charts depicting processes carried out according to the invention. As with block diagrams, the flow charts must be sufficiently detailed so that one skilled in the art can produce the invention without undue experimentation. If a step in the flow chart is actually a multi-step process, then the step may need to be broken down into its individual steps and represented in another flow chart to ensure that the process or method is adequately described.

The written description of a software-related invention is also critical in ensuring that the invention falls within the proper subject matter permitted to be patented. A patent may not, for instance, be obtained on simply any

type of idea but must be directed to a “new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.”<sup>11</sup> These four classifications define the statutory subject matter of a patent and were intended by Congress to include “anything under the sun that is made by man.”<sup>12</sup> Although Congress intended statutory subject matter to be broadly interpreted, the subject matter of a patent has consistently been interpreted to exclude such subject matter as abstract ideas, laws of nature, natural phenomena, mental processes, and the mere manipulation of numbers.

Because of the ubiquitous nature of software, software-related inventions can often be expressed as the mere manipulation of numbers, can be confused with mental processes, can define methods of doing business, and can express laws of nature. As a result, the PTO and the courts, in dealing with claims to software-related inventions, have faced difficulty in drawing a bright line between the statutory subject matter of a patent and technology that must be excluded from patent protection.

To be classified as statutory subject matter, the written description of a software-related invention consequently cannot be limited simply to laws of nature, natural phenomena, mental processes, or the mere manipulation of numbers but instead must disclose, for instance, a computer system or machine, a computer-implemented methodology, or a computer-readable medium. By directing the written description, as well as the claims, to a machine, process, or manufacture, the PTO and the courts are more likely to find that the invention is directed to statutory subject matter. Software patent claims, however, receive special scrutiny in the PTO, as well as in the courts, so that not all claims to a system, method, or manufacture are entitled to patent protection.

#### *a. Computer-readable medium*

For claims to a computer-readable medium, this special scrutiny focuses on whether the computer-readable medium is encoded with “functional descriptive material” or “non-functional descriptive material.” Simply put, functional descriptive material is information or data that performs a function. Examples of functional descriptive material are computer programs, which instruct a computer to perform desired actions, and those data structures that perform functions. Although data structures are commonly thought of as only containing information, data structures can also have a structural and

## **A software patent provides valuable property rights that a company can use to gain a competitive advantage in the marketplace.**

functional relationship with the medium upon which they are encoded. For instance, a data structure that organizes data objects (which contain the data) on a medium in both hierarchical and non-hierarchical relationships is considered to be functional descriptive material when the structure enables more efficient data processing operations.<sup>13</sup> On the other hand, non-functional descriptive material does not impart any functionality. Non-functional descriptive material includes music, literature, art, photographs, and databases, all of which are simply carried by the medium and have no physical interrelationship with the medium. In view of this scrutiny, the written description of a software-related invention must adequately describe the functional characteristics of any encoded material in order for claims on a computer-readable medium to be directed to statutory subject matter.

#### **b. Computer-implemented methods**

For computer-implemented methods to be considered statutory subject matter, the written descriptions must generally set forth steps resulting in a physical transformation outside of a computer or include a practical application for the method. An independent physical act is one that occurs outside a computer. It may, for instance, be the manipulation of a tangible physical object causing the object to have a different structure or attribute or it may be the physical transformation of a signal. A practical application is one that is not directed to the mere manipulation of ideas or to a mathematical algorithm but instead is one that has a more "real world" application, such as digitally filtering noise, controlling parallel processors, or controlling the transfer, storage, and retrieval of data between cache and hard disk storage devices. The written description should therefore disclose all physical transformations and practical applications of a method to ensure that the invention is directed to statutory subject matter.

#### **c. Machines or systems**

For software-related inventions claimed as a machine or system, the special scrutiny at the PTO and in the courts involves an identification of the specific structure comprising the machine or system. To direct the invention to statutory subject matter, the description should disclose a specific type of machine, as opposed to a general purpose computer, by specifying the physical structure or the combination of physical structure that renders that machine or system unique. To this goal, the written description can specify not only the "pure hardware" components but can also set forth the components that are actually a combination of hardware and software. As an example, with an invention directed to object oriented programming, the written description can disclose a

unique machine or system by describing the objects and their associated functionality. With many software-related inventions, however, the machine or system is a general purpose computer programmed with software. The special scrutiny in these circumstances will be diverted to whether the process or method performed is statutory subject matter. The written description for a machine or system in these circumstances should therefore be certain to describe a method that is directed to statutory subject matter.

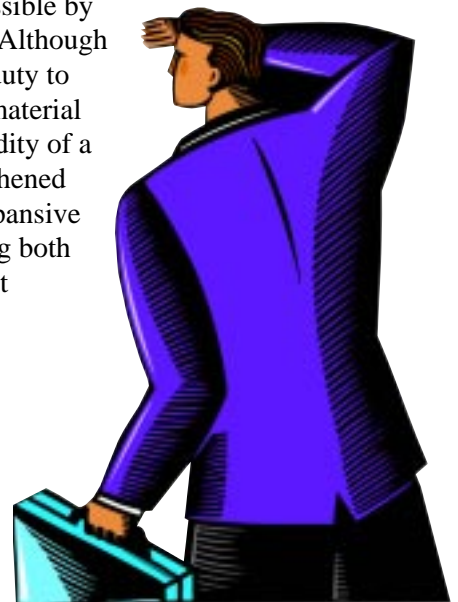
### **B. SUBMISSION OF PRIOR ART**

Applicants for a patent (and all others associated with prosecution of the application) have a duty to disclose to the PTO all information they are aware of which is material to the examination of the application.<sup>14</sup> Typically, an "Information Disclosure Statement" that proffers such material to the PTO is submitted within three months after the application has been filed. Subsequent Information Disclosure Statements are filed when applicant or applicant's representative learns of additional material during the prosecution of the application. Failure to comply with this duty is a serious matter that can result in invalidation of the patent, sanctions against the applicant, the patent attorney and others associated with pursuing the patent, and other sanctions.

This duty to disclose has special ramifications to software-related inventions. Patent examiners charged with examining software-related inventions are disadvantaged since, until fairly recently, U.S. software patents have been relatively few. As a result, information that can be most material to the examination of a software-related invention is likely to be found in a software manual, journal, article, or in another publication not accessible by the patent examiner. Although an applicant has no duty to search for the most material information, the validity of a patent can be strengthened by conducting an expansive search and submitting both patent and non-patent prior art.

### **C. EXAMINATION OF A PATENT APPLICATION**

Examination of a patent application follows a predictable trajectory. The



application is reviewed by an examiner, who reads the claims and then searches for the most relevant prior art. The examiner compares the prior art to the invention claimed, and then sets forth his or her conclusions and analysis in an Office Action. In response to the Office Action, the applicant may amend the claims, present new claims, cancel claims, present argument and otherwise seek reconsideration. The examiner may then allow all claims and pass the application to issue so that it may mature into a patent or, alternatively, may issue another Office Action rejecting some or all of the claims. The applicant, if dissatisfied with the examiner's analysis, may appeal to an administrative board or federal court. Although the overall examination process is generally the same for each application, it may differ markedly from application to application, often depending on such intangibles as who the examiner may be. The process is governed by an arcane set of statutes, rules, and procedures whose application varies from case to case.

## 1. Review Of Application

When the examiner first reviews an application, she or he reads (at least in theory if not invariably in praxis) the application to gauge the disclosure and claims, among other things. The examiner will review specific embodiments of the invention disclosed by the applicant and will identify any specific utilities asserted for the invention. For software-related inventions, the examiner will further note any "real world" practical applications of the invention and should determine the functions executed by the programmed computer, how the computer is configured to provide that functionality, and the relationship of the programmed computer to subject matter outside the computer.

The examiner will also review the claims to determine what applicant is seeking to patent and will compare the claims to the disclosed invention. The claims should be given their broadest possible interpretation and terms in the claims should be given their ordinary meaning to those skilled in the art. With software-related inventions, the examiner should identify and evaluate the physical structures disclosed for each element or step in the claims.

## 2. Search

Based on what applicant is seeking to claim and also based upon the disclosure of the invention, the examiner will search PTO records for the most relevant prior art to the invention. This search may or may not reveal relevant U.S. patents and may also reveal relevant foreign patent documents, statutory invention registrations, journal articles, or other publications that are available to the

examiner. Such prior art discovered by the examiner must be directed to the same field of invention as that being claimed or be reasonably pertinent to the problems being solved by the invention. For software-related inventions, the prior art may include information in the software field and information directed to the field in which software is applied. For instance, if the invention is directed to a computer-controlled automotive transmission, the scope of the prior art may include both automotive transmissions and the relevant software field.

## 3. The Office Action

Before a patent is granted, an examiner must find, *inter alia*, that the invention is useful, novel, and non-obvious, as well as that the disclosure adequately describes the invention, sets forth the best mode for its practice, and enables one to make and use the invention.<sup>15</sup> The claims, moreover, must particularly point out and distinctly claim the invention's subject matter.<sup>16</sup> To assist examiners in reviewing software-related inventions for compliance with these requirements, the PTO issued "Examination Guidelines for Computer-Related Inventions" (the "Examination Guidelines") in March of 1996.<sup>17</sup>

### a. Statutory subject matter

In assessing whether the claims of an application are directed to statutory subject matter, patent examiners are encouraged to follow the Examination Guidelines. The Examination Guidelines do not have the force and effect of law and any failure by the examiner to follow the Examination Guidelines is neither appealable or petitionable. Nonetheless, the Examination Guidelines are intended to be consistent with the law and most examiners are expected to follow the Guidelines.

The Examination Guidelines are designed to direct examiners through a series of questions that lead to a conclusion of whether an invention is directed to statutory subject matter. In general, the examiner is first asked to determine whether a claim is directed to functional descriptive material *per se*, non-functional descriptive material *per se*, non-functional descriptive material encoded on a computer-readable medium, or to a natural phenomenon. If the claim is directed to any of these categories, then the claim should be rejected as being directed to non-statutory subject matter.

Next, the examiner must answer the question of whether the claim is directed to a series of steps to be performed on a computer. If not, the examiner must further analyze whether the claim is directed to a specific machine. If the claim is directed to a specific machine, then the claim is directed to a statutory product. When the claim, on the other hand, is not directed to a specific



machine but rather can be any general purpose computer or is directed to a series of steps to be performed on a computer, then the examiner assesses whether the process performs independent physical acts or is limited to a practical application. The examiner should distinguish between steps incidental to mathematical operations, such as collecting, selecting, or displaying data, and steps that truly result in a physical transformation outside of the computer. With regard to the practical application of a process, the examiner should evaluate the claim as a whole and reject the claim as not being directed to statutory subject matter only if the claim is completely devoid of any practical application. When the process does perform an independent physical act or is limited to a practical application, then the claim is directed to statutory subject matter.

Before the Examination Guidelines were issued, patent examiners applied the so-called *Freeman-Walter-Abele*<sup>18</sup> test to assess whether an invention is directed to statutory subject matter. The *Freeman-Walter-Abele* test is a two-step test developed by the Court of Customs and Patent Appeals, the predecessor to the Court of Appeals for the Federal Circuit, in response to a trilogy of Supreme Court cases on the realm of statutory subject matter.<sup>19</sup> In its simplest terms, the *Freeman-Walter-Abele* test requires the patent examiner to determine first whether the claim directly or indirectly recites a mathematical algorithm and, if it does, then to determine whether the algorithm would be preempted by the claim. The claim would not preempt the algorithm if the claimed invention is applied to or limited by physical elements or process steps. The *Freeman-Walter-Abele* test was heavily criticized by the Federal Circuit in *State Street* as having little or no applicability to determining the statutory subject matter of a patent.<sup>20</sup> Despite this criticism, the test may still be employed by patent examiners in addition to, or instead of, the Examination Guidelines.

#### **b. Definiteness of claims**

The issue of definiteness is largely case-specific since the focus is on meaning of the particular term or phrase in a claim in light of the written description. The claims in software-related inventions, however, are commonly drafted to recite a “means or step plus function,” rather than referring to the precise steps, structure, or circuitry. When interpreting claims containing this type of language, the examiner should read the “means or step” as

covering the structure, material, or acts described in the specification and equivalents of it. In software-related inventions, the examiner should determine whether the structure is represented by hardware or a combination of hardware and software. A significant consequence to the interpretation of “means or step plus function” limitations is that the specification must set forth structure, material, or acts to support these limitations. Without such support, the examiner should reject the claims as failing to particu-

larly point out and distinctly claim the subject matter of the invention.

Software-related inventions often lend themselves to claims that contain portions of the computer program code. A patent examiner should determine

whether the inclusion of such code in a claim renders the claim indefinite. The claims will be indefinite if the code, by itself, is insufficient to apprise one skilled in the art as to what functions are being performed and how these functions are being executed. When the code presents high-level language and descriptive identifiers to render the language universally understood by those skilled in the art, use of code within the claim should be entirely appropriate.

#### **c. Complete disclosure**

As mentioned above, a patent application on a software-related invention is no different than other types of inventions in that the application must (1) provide an adequate written description of the invention, (2) describe the invention in such terms so that one skilled in the art can make and use the invention, and (3) set forth the best mode of practicing the invention.<sup>21</sup> In evaluating the disclosure of a software-related invention, the examiner must consider the person of “ordinary skill in the art” as actually consisting of a person of ordinary skill in the art of computer programming and also one of ordinary skill in the art of a certain technology incorporating the software. When an examiner determines that the description of an invention fails any one of these three requirements, the examiner will object to the specification and reject any claims effected by the inadequate disclosure.

#### **d. Novelty and non-obviousness**

In addition to determining whether an application contains a complete disclosure and whether the claims are definite, the patent examiner must judge the novelty and non-obviousness of an invention. An invention is deemed to be anticipated by a prior art reference, and thus to fail

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**The examination process may differ markedly from application to application, often depending on such intangibles as who the examiner may be.**

for lack of novelty, when each element of the invention is found within the single prior art reference. When differences exist between the invention and the prior art reference, the examiner may nonetheless find that the invention would have been obvious to one of ordinary skill in the art. To reject an applicant's claim for a patent on the grounds that it would have been obvious, the examiner must (1) determine the scope and content of the pertinent prior art; (2) determine the differences between the invention and the pertinent prior art; (3) determine the ordinary level of skill in the art; and (4) evaluate any secondary considerations bearing on obviousness, such as commercial success, affidavits asserting non-obviousness, the fulfillment of a long-felt need by the invention, or the acquiescence in the industry to licensing of the invention.<sup>22</sup>

#### D. NEGOTIATION WITH THE PTO

In drafting claims to any sort of invention, the initial set of claims is preferably drafted to be as broad as possible while avoiding the prior art known to the applicant. With broad claims, not only is the applicant attempting to maximize the amount of protection afforded by a patent, but the applicant also obtains the benefit that the examiner performs the most expansive search of the prior art. Typically, in part because of the broad claims and in part due to the structure of the patenting system, the claims in an application will likely be rejected upon one or more grounds, such as lack of novelty, obviousness, or due to some inadequacy in the disclosure. With software-related inventions, an applicant may also receive a rejection on the grounds that the claims are not directed to statutory subject matter.

The first office action should not be considered dispositive on the question of whether applicant is entitled to a patent. After this office action, the applicant can respond by amending the claims, canceling claims, adding claims, and by noting why the rejection is improper. Depending upon the particular rejection, the response may outline how applicant's invention supports the invention claimed or explain why a certain prior art reference fails to disclose or render obvious a feature of the invention. Applicant also has at least one opportunity after this first action to amend the claims to distinguish the prior art. The process is clearly one of negotiation, in which the applicant and the examiner agree on the proper scope of an invention.

#### E. APPEAL

An applicant having at least one claim that has been rejected twice can appeal to the Board of Patent Appeals and Interferences (the "Board"). The Board consists of

Administrative Law Judges that, typically in panels of three members, ascertain whether an applicant is entitled to a patent based upon an appeal brief filed by the applicant and an answer filed by the examiner. The applicant further has the option of presenting remarks in an oral hearing. The Board may affirm the rejection in whole or in part, enter a new rejection, remand the case back to the examiner for certain findings, or reverse the examiner. The applicant also has the option of appealing the decision from the Board to either the Court of Appeals for the Federal Circuit<sup>23</sup> or the U.S. District Court for the District of Columbia.<sup>24</sup>

### Conclusion

A software patent provides valuable property rights that a company can use to gain a competitive advantage in the marketplace. A software patent can be a significant source of revenue through licensing or it can provide a competitive edge by preventing others from practicing the invention. Software patents, perhaps more often than generating revenue, will be a valuable defense and can mitigate the effect of infringement claims by providing the ammunition necessary for counterclaims or a cross-license. Software patents may be valuable not only to traditional software companies but also, given the ubiquitous nature of software, to virtually any company affected by software. ☒



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### Endnotes

1. 927 F. Supp. 502 (D. Mass. 1996), 149 F.3d 1368 (Fed. Cir. 1998), *cert denied*, 119 S. Ct. 851 (1999).
2. State Street Bank & Trust Co. v. Signature Financial Group 149 F.3d 1368, 1373 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851(1999).

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# Patent Protection for E-Commerce Business Models

By W. Scott Petty and Michael S. Pavento

## Introduction

Until recent years, the Internet had been little more than a glorified playground for the technically inclined. Commercialization of this vast global communications resource was inevitable; easy access to millions of would-be consumers was a powerful lure that enticed capitalists into the realm of e-commerce.<sup>1</sup> The Internet is now redefining the way business is conducted in virtually every industry. Advertisers, retailers, wholesalers, and service providers are scrambling to secure a niche in the Internet marketplace. The scramble to conduct business in this global online environment is fueled by the goal of gaining a slice of Internet-driven revenues. Although the economic impact of e-commerce vary, one estimate placed 1998 Internet-driven revenues at \$74 billion.<sup>2</sup>

E-commerce revenues of \$1.4 to \$3 trillion are predicted by the year 2003, which represents approximately three percent of the world gross product.<sup>3</sup>

A consumer today is likely to discover numerous competitive Internet Web sites offering the same or similar information, products or services. In 1998, 414,000 active commercial Web sites began operation, which was double the number of new commercial Web sites in the prior year.<sup>4</sup> To succeed in this competitive e-commerce market, a business must attract as many consumers as possible to its Web site, while building and retaining consumer loyalty. A Web site is sometimes more attractive to consumers because it is built with cutting edge technology that provides advanced audio/visual user interfaces, services and security measures. E-commerce proprietors have recognized that a competitive advantage may be gained by securing patent protec-



tion for such technological innovations. Other times, the appeal of a Web site does not lie in cutting edge technology, but rather is due to an innovative business model. E-commerce proprietors may be surprised to learn that patent protection also may be available to protect innovative business models embodied in computer software.

In the early 1990s, the United States Patent and Trademark Office (PTO) officially recognized that computer software inventions represent patentable subject matter.<sup>5</sup> This recognition has not only been acknowledged by the judicial system, but it has also been taken a step further by the federal courts. Although pure business models have traditionally been considered to be non-patentable, the United States Court of Appeals for the Federal Circuit recently ruled in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*<sup>6</sup> that software inventions embodying business models, such as a mutual fund management model, should not be excluded from the scope of statutory patentable subject matter. The Deputy Commissioner for the PTO, Q. Todd Dickinson, has confirmed that State Street Bank has produced a boom in business model-related patent application filings with the Patent and Trademark Office.<sup>7</sup> Although non-high tech companies are not yet accustomed to dealing with patents, Mr. Dickinson expects the PTO to grant over 300 patents for business models by the year 2000.<sup>8</sup>

The economic reality of the Internet marketplace is that patent protection may provide a competitive advantage that increases the likelihood of success for an e-business. In Georgia, financial institutions, telecommunication service providers, Internet service providers, etc. are all entering the Internet marketplace to extend their traditional business or to enter a new business field. Attorneys should be aware that patent rights may now be available to protect their client's models for doing business on the Internet and related innovative software technologies.

## Overview of Patent Rights

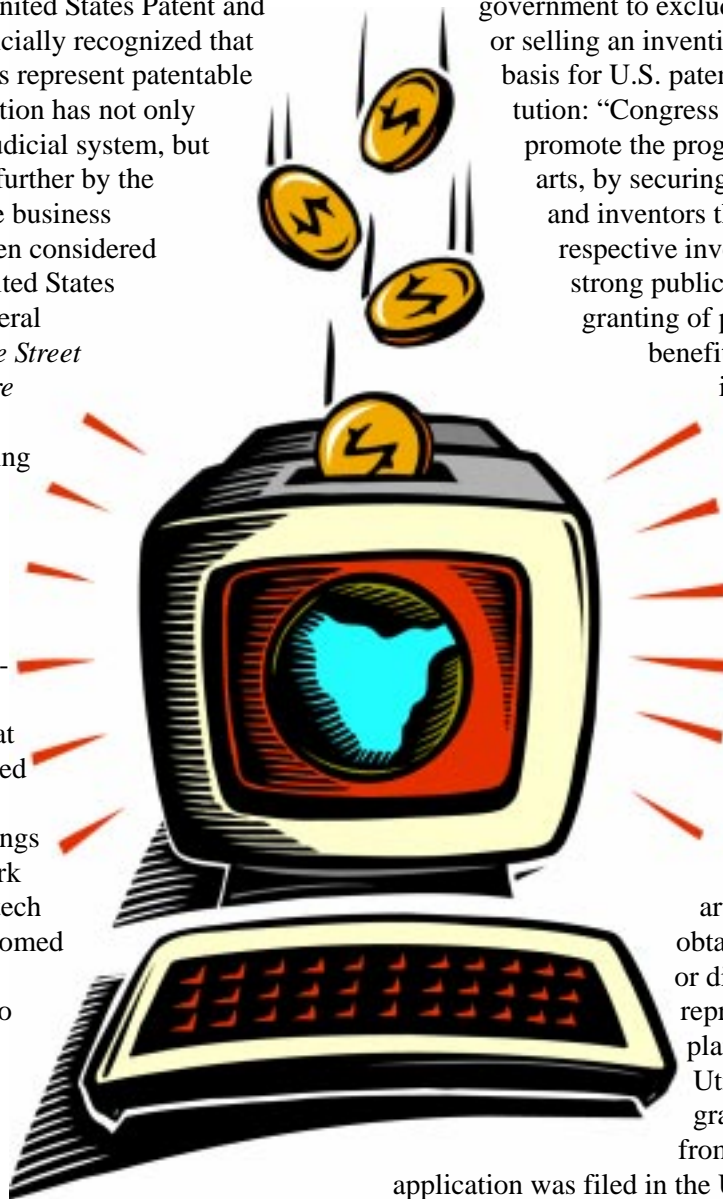
Before examining the advantages of patent protection for an e-business, it is useful to first review our patent system and the basic procedures for seeking a patent. A patent is a grant of rights to an inventor by the U.S. government to exclude others from making, using or selling an invention for a limited time.<sup>9</sup> The basis for U.S. patent law is found in the Constitution: "Congress shall have the power . . . to promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective inventions and discoveries."<sup>10</sup> A strong public policy also underlies the granting of patents because patents

benefit society by stimulating innovation and by promoting the prompt disclosure of new inventions to the public.

There are three types of patents, including utility patents, design patents and plant patents.<sup>11</sup> Utility patents protect utilitarian structure, function, method or composition.<sup>12</sup> Design patents protect only the ornamental appearance of an article and not the structure or function of the article.<sup>13</sup> Plant patents may be obtained by anyone who develops or discovers and asexually reproduces a new variety of plant, *i.e.*, tree, flower, etc.<sup>14</sup> Utility and plant patents are granted for a term of 20 years from the date on which an

application was filed in the United States.<sup>15</sup> A design patent expires 14 years from the date the patent is issued.<sup>16</sup>

To obtain a patent, an inventor must demonstrate that an invention is directed to patentable subject matter and is useful, novel and non-obvious over the prior art.<sup>17</sup> An invention must fall into one of four classes of patentable subject matter: machines, articles of manufacture, compositions of matter, and processes.<sup>18</sup> For example, a computer software invention can be viewed as a machine when combined with a computer, an article of manufacture when distributed on a diskette or a CD-ROM, or a



computer-implemented process. An improvement to an invention included in these classes may also be patentable.<sup>19</sup> Examples of “unpatentable” subject matter include a mere idea, printed matter, an inoperable device, *e.g.*, a perpetual motion machine, and an obvious improvement of an old device. Typically, any arguable use for an invention will suffice to meet the usefulness requirement.

To qualify for patent protection, an invention must be novel when compared to prior solutions to the problem solved by that invention, *i.e.*, the prior art.<sup>20</sup> Two broad categories of prior art that may destroy novelty include (1) events that occur prior to the date of invention and (2) events that occur more than one year prior to the filing date of a patent application directed to the invention. If an event satisfies either requirement, it is considered prior art.<sup>21</sup>

In addition to the novelty requirement, a patentable invention must be non-obvious in view of the prior art.<sup>22</sup> An invention is not patentable if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious, at the time the invention was made, to a person having ordinary skill in the art to which this subject matter pertains.<sup>23</sup> Events that constitute prior art for the purposes of determining novelty also constitute prior art for the purposes of determining obviousness.<sup>24</sup>

In the United States, patent applications may only be filed in the name of the inventor(s) of the patentable subject matter.<sup>25</sup> A patent application describes the invention in detail and specifically states what the inventor believes is new and patentable.<sup>26</sup> Each patent application is examined by the PTO and, if the invention is determined to represent statutory subject matter and to be useful, novel and non-obvious, a patent is granted for the invention.<sup>27</sup> A patent application includes a specification of the invention and, where necessary for understanding the subject matter of the invention, one or more drawings.<sup>28</sup> Although a patent specification may describe a number of aspects of the invention, the only protection given under U.S. patent law is to the subject matter defined in the patent claims.<sup>29</sup> Patent claims, which are the numbered paragraphs found at the end of a patent publication, define the scope of the invention in a manner similar to a property deed defining the boundaries of a property.

A patent specification must also describe the “best mode” contemplated by the inventors for carrying out the invention at the time of filing the patent application.<sup>30</sup> Thus, the inventor must weigh his or her interests in obtaining a patent against his or her interests in maintaining a trade secret. Also, the patent specification must be enabling, that is, one skilled in the art must be able to

make and use the invention without undue experimentation based on the teachings of the patent.<sup>31</sup>

## Competitive Advantages Created by Patents

Why should an e-business seek patent protection for its software technologies or software-implemented business models? Simply answered, patents provide a competitive advantage in a marketplace where unprotected technical innovation and marketing no longer guarantee success. A patent provides a powerful legal right to exclude others from making, using, or selling a patented feature of a computer program. The number of patents for computer software programs has skyrocketed in recent years. The PTO granted over 20,000 patents for software-related inventions in 1998, which represents a 40 percent increase over the prior year.<sup>32</sup> The growth of Internet-related patents has matched the explosive expansion of the Internet, with almost 1,600 patents issued in 1998, up from only nine patents granted in 1991.<sup>33</sup>

Strong intellectual property protection is required in the software industry because software remains at a much greater risk of being copied or reverse-engineered than other types of electronic technology. Many in the computer industry now prefer patent protection over trade secret and copyright protection because a patent offers a stronger protection mechanism that covers the underlying functionality of a software program. Efforts by software manufacturers to extend copyright protection beyond the literal elements of computer software to cover its functionality have failed.<sup>34</sup> Indeed, software patent litigation has increased over the past 10 years as copyright and trade secret protection has fallen out of favor as mechanisms for enforcing rights in technological innovations.<sup>35</sup>

Patents offer at least four critical advantages to businesses engaged in e-commerce:

(1) A patent may serve as an offensive weapon for battling competitors and protecting market share;

(2) A patent may serve as a defensive shield for protecting research and development, business, and marketing investments;

(3) A patent may create corporate value, resulting in the attraction of capital investment; and

(4) A patent may create licensing opportunities.

On the offense, a patent owner is able to sue an infringer and seek both monetary damages and an injunction to stop the infringer from making, using or selling the infringing product.<sup>36</sup> For example, an established company can use its patent to attack a start-up competitor marketing an infringing product.<sup>37</sup> Because start-ups often lack the financial resources to battle a patent

infringement lawsuit, the possibility of patent litigation may deter a start-up from entering a patent owner's market niche.<sup>38</sup>

From a defensive position, the patent owner can use a patent portfolio to discourage a competitor from asserting a patent lawsuit based on the potential for a counterclaim by the patent owner.<sup>39</sup> For example, a company holding a patent portfolio may assert its own patents, where possible, in response to a patent infringement suit. This counterclaim strategy may force a settlement more quickly than otherwise may occur in the absence of a defensive patent portfolio.<sup>40</sup> Because both parties to the litigation hold patent portfolios, this settlement is often structured as a cross-license in which the parties license each other's patented technology.

A patent can contribute to corporate value by preserving investment in research and development and generating revenues from patent license opportunities. A patent also offers an assurance to venture capitalists that others may be reluctant to enter a technical field and dilute the financier's return on investment due to the artificial barrier erected by patent protection for a key innovation. A patent portfolio also may result in an increased valuation of a company by a financier based on potential patent license revenues.<sup>41</sup>

## **State Street Bank Paves the Way for E-Commerce Patents**

Under Title 35 of the United States Code, statutory patentable subject matter is defined as encompassing "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."<sup>42</sup> Such expansive language in this statutory definition led the Supreme Court to declare that only "laws of nature, natural phenomena, and abstract ideas" are excepted from the definitional scope of patentable subject matter.<sup>43</sup> Early court decisions holding methods of doing business to be unpatentable were correctly based on the rationale that the claimed business methods were nothing more than abstract ideas. For example, these courts found that procedures for book-keeping and other business methods did not produce a useful, concrete and tangible result.<sup>44</sup>

The PTO's recent acknowledgment that computer software falls within the scope of patentable subject matter has had a significant impact on the Supreme Court's exception to patentable subject matter. Still, due to repeated judicial deference paid to the "business method" exception, a debate has continued to rage as to whether computer software employing a method of doing business is inherently unpatentable subject matter.

Nevertheless, in *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, the Federal Circuit finally put an end to the debates surrounding what the court referred to as the "ill-conceived [business method] exception."<sup>45</sup>

In *State Street Bank*, the Federal Circuit traced the roots of the "business method" exception and ultimately determined that the exception was not created with the intent to exclude all methods of doing business from the statutory patentable subject matter.<sup>46</sup> The court reasoned that the case most often cited as establishing the business method exception, *Hotel Security Checking Co. v. Lorraine Co.*, did not rely on the exception to invalidate the patent in issue.<sup>47</sup> Instead, the Federal Circuit confirmed that *Hotel Security Checking* had invalidated the patent for lack of novelty and "invention" because "the fundamental principle of the [patented] system [was] as old as the art of bookkeeping, *i.e.*, charging the goods of the employer to the agent who takes them."<sup>48</sup>

The disputed patent in *State Street Bank* involves claims to a data processing system for implementing an investment scheme, whereby mutual funds pool their assets in an investment portfolio organized as a partnership.<sup>49</sup> The Federal Circuit held that the claimed data processing system constituted a practical application of a mathematical algorithm, formula or calculation, because it produced a useful, concrete and tangible result, *i.e.*, a final share price momentarily fixed for recording and reporting purposes.<sup>50</sup> The Federal Circuit further held that since the claimed data processing system produced a useful, concrete, and tangible result, it necessarily involved statutory patentable subject matter, even though the useful result was expressed in numbers, such as price, profit, percentage, cost or loss.<sup>51</sup> Therefore, the Federal Circuit has once and for all declared that patent protection is available for software-related inventions that implement methods of doing business. As a result of denying review of *State Street Bank*, the Supreme Court has effectively endorsed this expansive view of patent protection for computer software-implemented inventions.<sup>52</sup>

## **Impact of State Street Bank on Electronic Commerce**

The number of patents directed to e-commerce continues to increase as savvy companies take an expansive view of the scope of patent protection available for software-implemented business models. Because e-commerce is still in its infancy, a company seeking a patent for its technological innovation or new business model may be rewarded with broad patent protection. For example, a pioneering Internet business has the opportu-

nity to obtain a dominant patent that can block others from practicing the patented business model. A review of Patent and Trademark Office records confirms that a flurry of patents have issued for e-commerce applications, as evidenced by the patent awards discussed below.

For example, the PTO awarded CyberGold Inc. a patent directed to a system for providing immediate payment to computer users in exchange for viewing an online advertisement.<sup>53</sup> The patent covers an “attention brokerage” scheme, which is an online business model based on selling and buying the attention of Internet users. CyberGold operates an online business that allows members to earn incentives for viewing advertisements, visiting Web sites or making online purchases.<sup>54</sup> A member’s account is credited with an incentive payment in response to completing a designated activity; the account can be used to pay a credit card bill, transferred to a bank account or donated to a non-profit organization.<sup>55</sup> Nat Goldhaber, CyberGold’s chief executive officer, asserts that “[t]his new way of brokering the attention of people—offering their attention to other people who want their attention—is pretty much covered [by the patent].”<sup>56</sup>

As another example, Netcentives Inc. recently received a patent for an online frequent-buyer program, referred to as the “ClickReward Scheme,” which is the Internet parallel to familiar frequent-flyer programs.<sup>57</sup> Online shoppers can earn “frequent-buyer” points by making purchases from merchants affiliated with the Netcentive’s award program. West Shell III, chief executive officer, has distinguished the Netcentive’s business model from CyberGold’s business.<sup>58</sup> “[Netcentive’s] Web site rewards consumers with frequent-flyer miles and other incentives for purchasing online, rather than simply looking at advertising.”<sup>59</sup>

Priceline.com, which operates an online “reverse” auction system, has been awarded a patent<sup>60</sup> that “covers both the broad concepts and the key functionality of buyer-driven commerce.”<sup>61</sup> Priceline’s business model is founded on the concept of allowing consumers to name the price that they are willing to pay for a product.<sup>62</sup> In turn, a consumer’s “bid” is submitted to participating merchants, who have the opportunity to accept or decline the offer. The first merchant to accept a bid is awarded the sale by the patented system.<sup>63</sup> Priceline.com launched its online auction system by offering airline tickets, allowing an airline to offer otherwise empty airline seats to consumers without underselling standard airline fares.<sup>64</sup> The company has reportedly expressed an interest in licensing the patent to other e-commerce vendors.<sup>65</sup>

Open Market Inc. owns patents that cover technology for conducting business over the Internet, including online

marketing, purchasing and payment.<sup>66</sup> U.S. Patent No. 5,708,780 covers a process for analyzing how users browse through content on a Web site. U.S. Patent No. 5,715,314 covers the use of “electronic shopping carts,” which online customers can use to collect items for purchase during an online shopping trip. U.S. Patent No. 5,724,424 covers secure, real-time payments completed by the use of credit or debit cards for Internet transactions. Open Market’s CEO, Gary Eichhorn, has advised the electronic commerce community that the company “intends to make [the] patents widely available” for licensing.<sup>67</sup>

CyberGold, Netcentives, Priceline.com, and Open Market are not yet household names. Nevertheless, these young businesses, founded during the commercial infancy of the Internet, have already staked a significant claim to the online marketplace by obtaining patent protection for models of conducting business on the Internet. Several companies, notably Priceline.com and Open Market, have placed the electronic commerce community on notice that their patents are available for licensing to those that are only now seeking to conduct business on the Internet. Although neither patent licenses nor infringement lawsuits have been widely reported by the trade press following electronic business trends, it is likely that both events will arise in the near future as business model patent owners attempt to protect their market niche by exploiting patent portfolios.

## Conclusion

*State Street Bank* has opened the floodgates for e-commerce companies to seek patent protection for their innovative models of conducting business via the Internet. Given the rapid growth of e-commerce opportunities, savvy companies have recognized that patents can serve as offensive and defensive tools for warding off competitors. In the online environment, patents enable a new company to establish a foothold in a marketplace, opening the door for licensing opportunities and the attraction of capital investments. Indeed, the competitive advantages provided by patents may be vital to the success of any company trying to enter the Internet marketplace. Accordingly, attorneys representing businesses throughout Georgia should be aware that patent rights are available for computer-implemented business models as well as innovative software technologies. Given the rapidly growing number of pending patent applications and issued patents relating to e-commerce, businesses conducting business on the Internet are wise to seek patent protection sooner rather than later. Otherwise, a more aggressive competitor may win the race to secure an online market niche based on a patented business model. ☒



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## Endnotes

1. E-commerce refers to electronic commerce, which is also commonly described as e-business or electronic business. For the purpose of this article, e-commerce and e-business are used interchangeably and refer to conducting business in an online environment, such as the global Internet.
2. *Success at the Crest-The E-Business Tidal Wave*, TECHNOLOGY TIMES, Winter 1999, at 4.
3. *American Civil Liberties Union v. Janet Reno*, 4 E.L.P.R. (BNA) 113, 1119 (E.D. Pa. Feb. 1, 1999); see also *Success at the Crest*, *supra* note 2, at 4.
4. *Success at the Crest*, *supra* note 2, at 4.
5. See *Examination Guidelines for Computer-Related Inventions*, 61 Fed. Reg. 7478 (1996).
6. 149 F.3d 1368 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851(1999).
7. 3 E.L.P.R. (BNA) 1393 (Dec. 16, 1998).
8. *Id.*
9. 35 U.S.C. § 154 (1994).
10. U.S. CONST. art. I, § 8, cl. 8.
11. 35 U.S.C §§ 101, 161 & 171 (1994).
12. *Id.* § 101.
13. *Id.* § 171.
14. *Id.* § 161.
15. *Id.* § 154.
16. *Id.* § 173.
17. 35 U.S.C. §§ 101-103 (1994 & Supp. III 1997).
18. 35 U.S.C. § 101 (1994).
19. *Id.*
20. *Id.* § 102.
21. *Id.*
22. 35 U.S.C. § 103(a) (1994 & Supp. III 1997).
23. *Id.*
24. *Id.*; see also *Graham v. John Deere Co.*, 383 U.S. 1 (1966).
25. 35 U.S.C. § 111 (1994).
26. *Id.* §§ 111-112.
27. 35 U.S.C. §§ 101-103 (1994 & Supp. III 1997).
28. 35 U.S.C. § 111 (1994).
29. *Id.* § 112.
30. *Id.*
31. *Id.*
32. Brenda Sandburg, *Speed Over Substance*, LAW NEWS NETWORK, Feb. 2, 1999 <<http://www.lawnewsnetwork.com/stories/feb/e020299f.html>>.
33. *Id.*
34. See *Lotus Dev. Corp. v. Borland Int'l*, 49 F.3d 807 (1st Cir. 1995), *aff'd by an equally divided court*, 516 U.S. 233 (1996); *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435 (9th Cir. 1994), *cert. denied*, 513 U.S. 1184 (1995).
35. See, e.g., Sandburg, *supra* note 32.
36. 35 U.S.C. §§ 281 & 283-84 (1994).
37. G. Choi, *Patents Offer Real Value to Businesses in Cyberspace*, CYBERSPACE LAWYER, Oct. 1998, at 7.
38. *Id.*
39. *Id.*
40. *Id.*
41. *Id.*
42. 35 U.S.C § 101 (1994) (emphasis added).
43. *Diamond v. Diehr*, 450 U.S. 175, 182 (1981).
44. *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908).
45. 149 F.3d 1368, 1375 (Fed. Cir. 1998).
46. *State Street Bank & Trust Co. v. Signature Financial Group*, 149 F.3d 1368, 1375-77 (Fed. Cir. 1998), *cert. denied*, 119 S. Ct. 851 (1999).
47. 149 F.3d at 1376 (citing *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467 (2d Cir. 1908)).
48. *Id.* (quoting *Hotel Sec. Checking Co. v. Lorraine Co.*, 160 F. 467, 469 (2d Cir. 1908)).
49. 149 F.3d at 1370.
50. *Id.* at 1375.
51. *Id.*
52. See 119 S. Ct. 851 (1999).
53. U.S. Patent No. 5,794,210 entitled "ATTENTION BROKERAGE."
54. David Bank, *CyberGold Claims the Patent Rights to Surveys on Web-Users' Attention*, WALL STREET J., Aug. 25, 1998, at B6, col. 5.
55. *Id.* at col. 6.
56. *Id.* at col. 5.
57. U.S. Patent No. 5,774,870 entitled "ON-LINE INTERACTIVE FREQUENCY AND AWARD REDEMPTION PROGRAM."
58. Bank, *supra* note 54, at B6, col. 5.
59. *Id.*
60. U.S. Patent No. 5,794,207 entitled "METHOD AND APPARATUS FOR A CRYPTOGRAPHICALLY ASSISTED COMMERCIAL NETWORK SYSTEM DESIGNED TO FACILITATE BUYER-DRIVEN CONDITIONAL PURCHASE OFFERS."
61. Beth Lipton, *Start-up Wins E-commerce Patent*, CNET NEWS.COM, Aug. 10, 1998 <<http://www.news.com/News/Item/0,4,25111,00.html>>.
62. *Id.*
63. *Id.*
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# Inventorship Can Determine Ownership

By Joseph Mitchell

## Introduction

**P**rior to entering into an employment or consulting services agreement, pursuant to which the employee or consultant will be creating a new device or invention, it is important to have a written agreement as to ownership of the new device or invention. The reason for this is that if there is not an agreement as to ownership, the inventor of the device or invention most likely will own it.<sup>1</sup> The purpose of this article is to define inventorship, to explain how to determine the true inventor(s), and to explain the importance of entering into a written agreement concerning ownership prior to hiring a person to invent a new and/or improved product or process.

## Definition of Inventorship

Patent law defines an inventor as one who invents or discovers a process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof, which falls within the scope of one or more claims of a patent.<sup>2</sup> An inventor must be a person; the inventor cannot be a corporation, partnership, or other

legally-created business entity.<sup>3</sup> An inventor named in a United States patent can be of any age, can be insane, can be dead, or can be from a foreign country.<sup>4</sup> Further, unlike federal copyright law, which does not require the actual author to be named in either the application for copyright or in the copyrighted work, the patent and patent application must identify the true inventor(s).<sup>5</sup> If the true inventor or inventors are not properly identified in the patent, then the patent can be held to be unenforceable.<sup>6</sup> Thus, it is imperative to determine the correct inventor or inventors.

Another requirement of patent law is that the inventor who claims the invention must be the original and authentic inventor.<sup>7</sup> Such person cannot obtain the idea from another and then, try to obtain a patent on the embodiment of the idea. Further, the inventor cannot be assigned the right to pursue the invention in his own name. If the inventor wishes to give or assign his invention to his employer or another, the inventor must first obtain the patent in his own name, and then assign it or at least, assign the right to obtain the patent in the inventor's name.

In addition, the inventor cannot be a person who finds a device developed by another and pursues a patent for the device in his own name, even if the true owner has no

objection. To obtain a patent, the patent application must be pursued by the true inventor or pursued in the name of the true inventor.<sup>8</sup>

## Determining the Inventor

The United States Constitution affords Congress the power to grant to the inventor, for a limited time, the exclusive right to his or her invention.<sup>9</sup> The patent laws provide this exclusive right to inventors as an incentive for their inventive and research efforts; thus, the desire is that such efforts will result in new products and processes of manufacture that better the lives of others.<sup>10</sup>

The patent laws provide that two or more persons can be named in a patent as inventors although they did not physically work together or at the same time, or each did not make the same type or amount of contribution, or each did not make a contribution to the subject matter of every claim of the patent. Therefore, in many circumstances there can be more than one inventor of a device.<sup>11</sup>

The inventive process involves three steps: (1) the conception of the invention, (2) the activity directed toward reducing the invention to practice and (3) the reduction to practice of the device. The inventor or inventors must actually contribute to the conception of the invention; in fact, anyone, under the direction of the inventor or inventors, can perform steps (2) and (3).<sup>12</sup> The conception that is required is the forming of a complete and operative invention in the inventors' mind, which is the invention that the inventor will put into practice.<sup>13</sup> If the inventor is able to make a disclosure that enables a person of ordinary skill in the art to construct the invention without extensive research or experimentation, then the inventor has made a complete and operative invention.<sup>14</sup> Once the conception is complete, the fact that the inventor uses the skills, services, and aid of others to construct the device does not defeat the inventor's claim as the true inventor.

So, an inventor is the person who conceived the idea of the specific invention claimed. The inventor can formulate his ideas from other sources, and may arrange for others to assemble his invention, all without losing his right to inventorship, but the claimed invention must originate with the inventor.<sup>15</sup>

For example, in *Hess v. Advanced Cardiovascular Systems Inc.*,<sup>16</sup> Drs. Simpson and Robert were named in a

patent as the inventors of a balloon angioplasty catheter.<sup>17</sup> Both Drs. Simpson and Robert performed extensive research and development work that produced the invention. Another individual, Hess, provided materials and suggestions to the doctors, but Hess was held not to be a co-inventor because the principles that he supplied were well known and could be found in textbooks.<sup>18</sup> Thus, Hess did not provide the inventive concept that led to the invention of the device, and could not be named as a co-inventor of the device.

To be an inventor of a product requires more than merely suggesting a desired result. The true inventor needs to also be able to disclose, to one skilled in the applicable art, how to build or make the product. For example, in *International Carrier-Call and Television*

*Corp. v. Radio Corp. of America*,<sup>19</sup> Levy, the named inventor in the patent, instructed an engineer to build an intercom or device that would perform better than the already existing devices. After an initial failure, the engineer and two others built the device without Levy's assistance.<sup>20</sup> The court held that Levy was not a true inventor of the device. The court found that Levy's contribution was like suggesting to the Wright Brothers the desirability of an airplane and then Levy claiming inventorship.<sup>21</sup> So, suggesting merely a desired result, without the necessary disclosure to attain the result, is not enough to make one an inventor. To be an inventor, the suggested improvements to the device need to be explained in sufficient detail to enable a person having skill



in that area to make the device embodying the invention.<sup>22</sup> As a consequence of the incorrect inventorship, the patent was held invalid.

## Ownership

Only the inventor or one who derives his title from an inventor can own a patent or patent application.<sup>23</sup> Under basic patent law principles, ownership follows inventorship unless there is an agreement otherwise. Thus, the inventor takes title to his new device when he invents it, but his title to the invention is subject to vesting in another if there is an agreement in place to assign such invention to another.<sup>24</sup> Ownership of the new device, then, can be purchased, but inventorship of the device cannot. Further, although an inventor of a device must be a natural person(s), an owner can be a natural person(s), corporation, partnership or legal business entity.<sup>25</sup>

By far the most common circumstance where an inventor is under an obligation to assign his invention(s) to another is the employer/employee situation. It is very important for the employer of the employee or consultant to have, in writing, prior to the employee or consultant beginning the job or task, an express agreement that the employer acquires title to the invention(s) and that the employee agrees to assign all such invention(s) to the employer. Although the employment contract, containing an assignment of invention clause, is not an assignment of the patent application to the employer, a court will require the employed inventor to make such an assignment.<sup>26</sup>

The importance of obtaining a prior written agreement as to ownership of an invention cannot be overemphasized. As an example, in *United States v. Dubilier Condenser Corp.*,<sup>27</sup> two inventors were employed in the radio laboratory for their employer. They considered a problem of applying alternating current to broadcast sets; this problem was not one that their employer assigned to them, nor was it suggested to them by their employer. After discovery of their work by their employer, however, their supervisor permitted them to pursue their work in the laboratory and perfect their invention. There was not an agreement in place that required the inventors to assign the invention to their employer. Once the patent issued to the inventors, and after the inventors began to license the patent to others, the inventors' employer sued to require the inventors to assign the patent and all the profits received from such patent to it.<sup>28</sup>

The United States Supreme Court held in *Dubilier* that unless there is an express agreement to assign the invention made by the inventors to the employer, then the employer is not entitled to a conveyance of the patent except if the inventors were specifically hired to make such invention.<sup>29</sup>

Because the inventive process is so unique and is based on discovering how the laws of nature can be utilized or applied for a beneficial purpose by means of a process, or machine, or device, an assignment agreement on behalf of the employee could not be inferred or implied under the circumstances presented by the case.<sup>30</sup> The Court held that employment to design a method of manufacture or improvement to articles of manufacture, as opposed to the employment to invent a specific device, is not so broadly construed so as to require an assignment of the patent.<sup>31</sup> Nevertheless, if the employer, as in *Dubilier*, provides its materials or tools and allows the employee the right to work on the invention during the hours of employment, then the employer is entitled to "shop rights" or a non-exclusive right to use the invention. But the non-exclusive right to use the invention does not allow the employer to license or assign the invention to another; in other words, if the employer owned the invention, then it could possibly make a substantial sum of money from it, but without ownership, the employer will not reap any financial profit from the invention.

In *Ushakoff v. United States*,<sup>32</sup> the inventor, Alexis Ushakoff, began experimenting during World War II with different methods to use solar distillation of sea water to provide drinking water.<sup>33</sup> Soon thereafter, Ushakoff began working for Higgins Industries as the director of research; however, during the negotiating process of his employment contract, Ushakoff disclosed that he was working on the solar still device and that one of his conditions of employment was that he would receive some share of the profits from such invention. The employment agreement was never reduced to a written contract.<sup>34</sup> During Ushakoff's employment with Higgins Industries, Ushakoff continued to develop and to experiment with the solar still device; he utilized the personnel and equipment of Higgins Industries in helping him with the invention. In addition, he also performed his regular duties at Higgins Industries. Once the solar still device was perfected, Higgins Industries claimed it was entitled to ownership.<sup>35</sup> The court, however, found that Ushakoff was not employed for the purpose of inventing the solar still device. Thus, because Ushakoff was not employed to make that invention or to accomplish that specific task, and because there was not a written agreement to assign inventions made by him to Higgins Industries, Higgins Industries was not entitled to ownership of the device.<sup>36</sup>

As a final example, in *Wommack v. Durham Pecan Co.*,<sup>37</sup> the inventor, Wommack, invented a process to remove worms from pecans. There was not a written agreement as to ownership regarding any inventions that Wommack might produce; also, Wommack was not employed specifically to develop inventions for the Durham Pecan Company.<sup>38</sup> After Wommack disclosed the

invention to Durham Pecan, Durham Pecan utilized the new invention in its manufacturing process, and the invention proved to be very successful. Nevertheless, because there was not an agreement as to ownership of the invention, Wommack, not Durham Pecan, was entitled to own the invention, so Wommack received all the profits, including royalties, from his invention.<sup>39</sup>

## Conclusion

It is imperative that an employer, prior to an employee or consultant creating an invention, have a written agreement in place addressing ownership of the invention. If there is not a written agreement between the employer and employee addressing the ownership issue, the employer risks not owning the invention. Without such ownership, the employer loses the right to sell or to license the invention, and thus, the employer could lose a substantial sum of money and/or competitive advantage in the marketplace. ☒

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## Endnotes

1. 35 U.S.C. § 261 (1994).
2. *Id.* §§ 101 & 112.
3. *Karrer v. United States*, 152 F. Supp. 66, 69 (Ct. Cl. 1957).
4. 35 U.S.C. § 117.
5. *Id.* §§ 116 & 120; *see also* Koehring

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MESSAGE BOARDS, WEB PAGES & OTHER ELECTRONIC MEDIA

# Disclosures in Cyberspace

By J. David Dantzler Jr. and Sharon M. Glenn

**T**he number of active Internet users is difficult to determine. As of 1997, there were 30 to 60 million Internet users worldwide,<sup>1</sup> with thousands of new users subscribing each day.

The dissemination of information over the Internet takes many forms, ranging from e-mail correspondence and discussions posted on bulletin boards and message boards to a wide range of Web sites sponsored by a great variety of individuals, corporations, governmental agencies and other organizations. In particular, the Internet is fast becoming a common method of disseminating corporate information to customers, shareholders and employees, whether through company sponsored Web sites or message boards and chat rooms sponsored by others. However, the benefits of speedy and efficient communication do not come without their attendant pitfalls. As companies, and the investing public as a whole, become increasingly reliant upon electronic forms

of communication, new areas of “cyberlaw” are developing to address the disclosure and compliance issues that arise from conducting business on the information superhighway.

With the advent of common Internet usage, the average American now has access to information about publicly-traded companies that was previously available only to market analysts and other securities professionals. Not only has the Securities Exchange Commission (SEC) made securities filings available to the general public through the EDGAR database, but many Internet Service Providers (ISP) have established sites solely devoted to discussions concerning individual companies by investors and other interested participants. Some of the more popular of these investment sites include The Motley Fool’s [www.fool.com](http://www.fool.com) and Yahoo! Inc.’s [www.quote.yahoo.com](http://www.quote.yahoo.com).<sup>2</sup>

While these investment sites provide an opportunity





for the average investor to garner information about various companies, they also present a challenge for those corporate officers and professionals charged with compliance responsibilities. The anonymity that cloaks Internet users easily allows for deceit. Untrue or misleading statements can be posted, and corporate officers and employees can be defamed, without revealing the identity of the “speaker” or “publisher.” Unscrupulous competitors and disaffected current and former employees have a world-wide forum for the dissemination of damaging information. Perhaps even more troubling is the prospect of intentional stock manipulation or unauthorized release of non-public information. According to an informal NASD study of several stocks that had experienced noticeable increases in price and trading volume, there is a “close correlation between [those increases] and Internet postings.”<sup>3</sup>

The possibility of stock manipulation through

postings on Internet message boards and chat rooms has not escaped the notice of the SEC. Reacting to the changing marketplace, the SEC has established an informal surveillance program under which many of its employees are encouraged to surf the Internet, including investor discussion groups, looking for misleading statements and attempted stock manipulation.<sup>4</sup> Additionally, the SEC has set up a complaint center on its Web page through which investors can alert the SEC to potential securities violations. Currently, the SEC receives approximately 40 complaints a day concerning potential Internet scams, and it has already initiated several enforcement actions against Internet defrauders.<sup>5</sup>

As a result of the effect that Internet rumors can have on a company’s stock price, and the potential enforcement problems that can arise through premature release of insider information, many companies have begun to monitor Internet discussion groups concerning their stock.

An estimated 75 percent of large corporations now actively monitor Internet bulletin boards, and 44 percent routinely monitor Web sites.<sup>6</sup> The difficulty is that once a company discovers the release of misinformation, or even the release of accurate insider information, it is then faced with a variety of issues as it formulates and implements an appropriate course of action. This article examines several issues that public companies confront in “cyberspace” and endeavors to provide a few recommendations for dealing with these problems.

## The Protections Afforded Internet Service Providers by the Communications Decency Act

The vast majority of individuals gain access to the Internet through an ISP. In addition, the most active message boards have been created and maintained by ISPs, resulting in a very public forum for the dissemination of information. As a result, aggrieved parties have attempted to hold ISPs responsible for republishing rumors and defamatory statements.

The first reported opinion to discuss the liability of an ISP for injurious statements posted by an anonymous user was the 1991 decision in *Cubby Inc. v. CompuServe Inc.*<sup>7</sup> In *Cubby*, the plaintiff corporation brought suit against CompuServe Inc. for libel, business disparagement and unfair competition based on statements contained in Rumorville USA, a publication available on CompuServe’s Journalism Forum.<sup>8</sup> The basis of Cubby’s claims was that CompuServe was a publisher of Rumorville USA and, therefore, was liable for any false statements contained therein. In response, CompuServe argued that it was a distributor, rather than a publisher, of the information, and that it had no knowledge or reason to know about the false statements.<sup>9</sup>

Agreeing with CompuServe’s position, the United States District Court for the Southern District of New York held that CompuServe is “in essence an electronic, for-profit library that carries a vast number of publications and collects usage and membership fees from its subscribers in return for access to the publications.”<sup>10</sup> Additionally, the court found that “CompuServe has no more editorial control over such a publication than does a public library, book store, or newsstand, and it would be no more feasible for CompuServe to examine every publication it carries for potentially defamatory statements than it would be for any other distributor to do so.”<sup>11</sup> CompuServe’s motion to dismiss Cubby’s complaint, therefore, was granted.

Four years after *Cubby*, the Supreme Court of New

York issued the landmark decision of *Stratton Oakmont Inc. v. Prodigy Services Co.*,<sup>12</sup> a case that struck a strong chord with ISPs throughout the United States. As in *Cubby*, the plaintiff in *Stratton Oakmont* sued an ISP (in this case Prodigy) for libel after false rumors were reported on Prodigy’s “Money Talk” bulletin board by an anonymous user.<sup>13</sup> Relying on *Cubby*, Prodigy argued that it was not a “publisher” of the defamatory statements.<sup>14</sup> In support of its claim that Prodigy was in fact a “publisher,” Stratton Oakmont referenced (a) early ads wherein Prodigy attempted to distinguish itself from its competitors on the basis that it exercised editorial control over the content of messages posted, (b) “content guidelines” noting that insulting and harassing messages were not permitted, (c) Prodigy’s software screening program that automatically prescreened for offensive language, (d) use of Board Leaders whose job it was to enforce the guidelines and (e) availability to Board Leaders of a tool that would delete a message and send a pre-prepared explanation to the sender.<sup>15</sup>

Agreeing with Stratton Oakmont, the New York Supreme Court held that Prodigy could be considered a “publisher” of the defamatory statements. Relying on the factual circumstances indicating that Prodigy had exercised editorial control over the message board, the court distinguished Prodigy from CompuServe, noting that: “[c]omputer bulletin boards should generally be regarded in the same context as bookstores, libraries and network affiliates. It is Prodigy’s own policies, technology and staffing decisions that have altered the scenario and mandated the finding that it is a publisher.”<sup>16</sup> The court, therefore, ruled that Prodigy could be held liable on Stratton Oakmont’s claims for defamation.

In direct response to the *Stratton Oakmont* opinion, Congress in 1996 passed the Communications Decency Act (CDA).<sup>17</sup> The CDA provides in relevant part as follows:

### (a) Findings

The congress finds the following:

(1) The rapidly developing array of Internet and other interactive computer services available to individual Americans represent an extraordinary advance in the availability of educational and informational resources to our citizens.

(2) These services offer users a great degree of control over the information that they receive, as well as the potential for even greater control in the future as technology develops.

(3) Internet and other interactive computer services offer a forum for a true diversity of political discourse, unique opportunities for cultural development, and myriad avenues for intellectual activity.

(4) The Internet and other interactive computer services have flourished, to the benefit of all Americans, with a minimum of government regulation.

(5) Increasingly Americans are relying on interactive media for a variety of political, educational, cultural, and entertainment services.

### **(b) Policy**

It is the policy of the United States —

(1) to promote the continued development of the Internet and other interactive computer services and other interactive media;

(2) to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation;

(3) to encourage the development of technologies which maximize user control over what information is received by individuals, families, and schools who use the Internet and other interactive computer services;

(4) to remove disincentives for the development and utilization of blocking and filtering technologies that empower parents to restrict their children's access to objectionable or inappropriate online material; and

(5) to ensure vigorous enforcement of Federal criminal laws to deter and punish trafficking in obscenity, stalking, and harassment by means of computer.

### **(c) Protection for “Good Samaritan” blocking and screening of offensive material**

(1) Treatment of publisher or speaker

*No provider or user of an interactive computer service shall be treated as the publisher or speaker of any information provided by another information content provider.*

(2) Civil liability

No provider or user of an interactive computer service shall be held liable on account of —

(A) any action voluntarily taken in good faith to restrict access to or availability of material that the provider or user considers to

be obscene, lewd, lascivious, filthy, excessively violent, harassing, or otherwise objectionable, whether or not such material is constitutionally protected; or

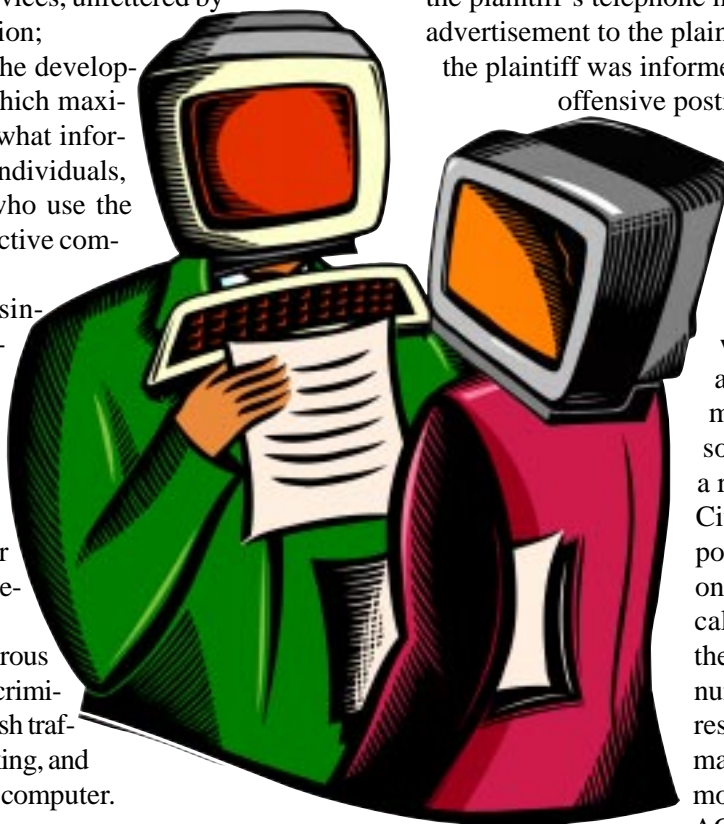
(B) any action taken to enable or make available to information content providers or others the technical means to restrict access to material described in paragraph (1).<sup>18</sup>

In 1997, the Fourth Circuit issued the first post-CDA reported decision in *Zeran v. America Online Inc.*<sup>19</sup> In *Zeran*, an anonymous user had posted an advertisement for a tasteless t-shirt related to the Oklahoma City bombing on an America Online (AOL) bulletin board, listing the plaintiff's telephone number and attributing the advertisement to the plaintiff.<sup>20</sup> Upon contacting AOL, the plaintiff was informed that AOL would remove the

offensive posting, but that it would not print a retraction as a matter of policy. Over the next five days, several more postings were made concerning the offensive t-shirt. The plaintiff telephoned AOL repeatedly, and was told that the individual account from which the offensive messages were posted would soon be closed.<sup>21</sup> Soon thereafter, a radio announcer in Oklahoma City received a copy of the AOL postings and related the contents on the air, encouraging readers to call the number listed. Eventually, the hoax was exposed and the number of calls to the plaintiff's residence subsided to approximately 15 calls per day.<sup>22</sup> Several months later, the plaintiff sued AOL for negligence. AOL defended on the basis that the CDA

protected it from liability.<sup>23</sup>

Agreeing with AOL, the Fourth Circuit granted judgment in favor of AOL.<sup>24</sup> Examining the language of the CDA, the court held that it prohibited an interactive computer service from being treated as a “publisher” of third-party information.<sup>25</sup> Thus, “lawsuits seeking to hold a service provider liable for its exercise of a publisher's traditional editorial functions — such as deciding whether to publish, withdraw, postpone, or alter content — are barred.”<sup>26</sup> The court, therefore, held that AOL could not be held liable for any efforts it chose to make in exercising control over the message board because the CDA was



passed with the purpose of removing the disincentive to self-regulation mandated by *Stratton Oakmont*.<sup>27</sup>

In the year following *Zeran*, the United States District Court for the District of Columbia also dismissed an action against AOL under the CDA in *Blumenthal v. Drudge*.<sup>28</sup> In *Blumenthal*, the plaintiff, an assistant to President Clinton, brought a defamation action against AOL based on statements concerning his alleged spousal abuse that were made in the Drudge Report, a publication available to AOL subscribers.<sup>29</sup> In support of his libel claim against AOL, Blumenthal highlighted the fact that the originator of the story was not an anonymous user, AOL paid Drudge \$3,000 per month to publish the Drudge Report, AOL promoted its relationship with Drudge, and AOL's licensing agreement with Drudge permitted AOL to censor content.<sup>30</sup> In response, AOL argued that the CDA protected it from liability, regardless of whether the third-party posting defamatory statements was anonymous or was identified in the postings, because it did not have any role in creating the defamatory statements.<sup>31</sup> Agreeing with AOL, the court dismissed Blumenthal's complaint.

Although the non-liability of an ISP for messages posted by third-parties, whether or not they are posted anonymously, appears clear under the provisions of the CDA, an interesting issue arises with regard to the availability of injunctive relief. In July 1998, Universal Foods Corp. filed an action against Yahoo! Inc. and an anonymous user, "Jane Doe," for injunctive relief and monetary damages arising from a series of messages posted on Yahoo!'s message board by the user.<sup>32</sup> The messages included the following statements: (1) Universal Foods' "divisions are shutting down, middle management is leaving, lawsuits for wrongful dismissal & sexual discrimination are being filed," (2) Universal Foods has "poor management, poor morale, poor ethics and poor treatment of employees," and (3) "top brass" "have jumped ship for competitors" within the last 12 to 18 months and "they're still resigning with great frequency."<sup>33</sup> Although Yahoo! agreed to remove the first and third messages, it would not agree to remove the second message on the basis that it was a statement of opinion, rather than fact. Additionally, Yahoo! refused to monitor or withhold further defamatory postings, even though their rules do not allow subscribers to post "any message or text that is harmful, abusive, tortious or defamatory."<sup>34</sup>

Although *Zeran* and *Blumenthal* suggest that the CDA will protect Yahoo! from Universal Foods' claim for monetary damages, it is unclear whether Yahoo! is likewise immune from Universal Foods' claim for injunctive relief. The CDA speaks in terms of immunity from

liability, with no mention of injunctive relief. On the other hand, the policy behind the CDA, "to promote the continued development of the Internet," weighs against the likelihood that ISPs will be subject to actions for injunctive relief. If the courts were to impose responsibility on ISPs for monitoring postings by specified users, the ability of the ISP to function effectively will be diminished. Given the strong policy behind the CDA, it is unlikely that claims such as those brought by Universal Foods will be encouraged.

When dealing with ISPs on behalf of aggrieved parties, it should be remembered that most, if not all, have published guidelines and policies regarding access and usage. Internet users "agree" to these terms when they subscribe to the service or log on to a message board. If a posting clearly violates an ISP's policies, it may agree to remove the posting on that basis. Unfortunately, however, by the time the removal occurs, the damage has been done.

## Locating the Anonymous Publisher of Information

Financial or investment message boards have become increasingly popular as the number of Internet users and online traders has increased. It is difficult, if not impossible, to make a precise determination of either the names or the number of *readers* of these boards. What begins as an innocuous discussion group for small investors can soon degenerate into a forum for outrageous rumors and speculation, often attributed to anonymous current or former "insiders" and "competitors." The problem of anonymity is compounded when the user prevents the traceability of a posting through the use of an anonymous "remailer," or when the user engages in "spoofing" so that it appears the author of the messages is a different person than the user.<sup>35</sup>

Because the CDA protects ISPs from liability arising from these messages, companies that are victimized by false and malicious rumors or confronted by the disclosure of non-public information are often left with no option but to pursue action against the users themselves. In an effort to combat Internet abuses, the Georgia legislature passed O.C.G.A. § 16-9-93.1, which became effective in July 1996. O.C.G.A. § 16-9-93.1, which made it unlawful for any person falsely to identify himself online, provided as follows:

It shall be unlawful for any person, any organization, or any representative of any organization knowingly to transmit any data through a computer network or over the transmission facilities or through the net-



work facilities of a local telephone network for the purpose of setting up, maintaining, operating, or exchanging data with an electronic mailbox, home page, or any other electronic information storage bank or point of access to electronic information if such data uses any individual name, trade name, registered trademark, logo, legal or official seal, or copyrighted symbol to falsely state or imply that such person, organization, or representative has permission or is legally authorized to use such trade name, registered trademark, logo, legal or official seal or copyrighted symbol for such purpose when such permission or authorization has not been obtained; provided, however, that no telecommunications company or Internet access provider shall violate this Code section solely as a result of carrying or transmitting such data for its customers.

The following year, in *ACLU v. Miller*,<sup>36</sup> the United States District Court for the Northern District of Georgia enjoined the State of Georgia from enforcing O.C.G.A. § 16-9-93.1. Although the purpose of the statute was to prevent fraud, the court found that the statute was not narrowly tailored to fit the compelling state interests involved in preventing fraud because there are circumstances under which a false identity is not used to defraud the public.<sup>37</sup> Defamed companies are therefore left to devise innovative means through which to discover the identity of anonymous posters of fraudulent information.

For a variety of reasons, ISPs are generally unwilling to provide information regarding users. Although the CDA protects ISPs from liability, it does not appear to prevent the issuance of a subpoena requesting the identity of anonymous users. One method through which many companies have sought such information is by filing an action against multiple "John Does," thereby invoking the power of the courts to issue subpoenas to the ISPs for any identifying information about specified users. For example, IteX Corp. recently filed a lawsuit against 100 "John Does" who allegedly posted defamatory statements on the Yahoo! finance board.<sup>38</sup> The statements about IteX, which runs a bartering service, ranged from claims that IteX's Trade Dollars were supported by worthless limited edition art to allegations that IteX employees were guilty of rape.<sup>39</sup> Allegedly in response to the messages, IteX's stock dropped from \$6.25 in July 1998 to a 52-week low of \$1.4375 in September.<sup>40</sup> Other companies that have brought "John Doe" suits as a means to identify anonymous posters include COHR Inc., which has recently

announced that its former chief operating officer may be the source of disparaging statements;<sup>41</sup> American Eco Corp., which won a judgment in the amount of \$575,000 against an anonymous user;<sup>42</sup> and Presstek Inc., which has sued three anonymous users believed to be short sellers who posted allegations that the company was under a grand jury investigation in an effort to drive down

the price of Presstek Inc.'s stock.<sup>43</sup>

Of course, many states, including Georgia, do not permit a corporation to seek damages for defamation, thereby eliminating one of the main causes of action brought in these "John Doe" complaints.

Another method of obtaining information from an ISP regarding

the identity of anonymous users that is available in the State of Georgia is to bring a complaint for pre-litigation discovery. Pursuant to O.C.G.A. § 9-11-27, a pre-litigation action can be brought for the perpetuation of testimony. By filing an action pursuant to O.C.G.A. § 9-11-27, a company may be able to obtain a subpoena to the ISP for any information that would identify the anonymous user(s), without having to first initiate an action against the unidentified defendants. Rule 27 of the Federal Rules of Civil Procedure, as well as the procedural rules in many other states, provides for a similar device. Nevertheless, each such rule has its own requirements that must be met to issue a pre-litigation subpoena.

Despite the ability to issue a subpoena to an ISP for information, companies nevertheless may still find themselves in a position of not being able to identify the anonymous user. Typically, subscriber information, such as the user's name, is only provided voluntarily. Additionally, there is no guarantee that other information, such as gender, occupation, and address, are accurate. Often, the only usable data provided by the ISP is the user's e-mail address (which also could be fictitious), and the ISP address. The ISP address is a unique numerical address that will provide the name of the user's Internet service.

With cooperation from the ISP, it is theoretically possible to match the date and time that the message was posted with the individual user. Of course, if the ISP to whom the subpoena is issued (typically, the ISP on whose message board the statements are posted) is a different ISP from the user's Internet service provider, the proliferation of multiple subpoenas may be needed. For example, Company ABC may notice defamatory statements published on the message board sponsored by ISP No. 1. After issuing a subpoena to ISP No. 1, Company ABC may receive only an ISP address, date, and time of the defamatory messages. Upon investigation, if Company

## Rumors in cyberspace can drive a stock price up or down with blinding speed.



ABC discovers that the ISP address identifies ISP No. 2 as the user's Internet service provider, Company ABC will need to issue yet another subpoena to ISP No. 2 to discover which of ISP No. 2's thousands of users posted a message to the message board at a specific date and time.

It is important to note that ISPs are hesitant to provide information concerning their subscribers without a subpoena or court order. Many ISPs base their reluctance on First Amendment grounds. Additionally, many ISPs believe that they are prevented from revealing the identities of their users under the Electronic Communications Privacy Act (ECPA).<sup>44</sup> Under the ECPA, "a person or entity providing an electronic communication service to the public shall not knowingly divulge to any person or entity the contents of a communication while in electronic storage by that service. . . ." <sup>45</sup>

In a surprising opinion issued in July 1998, however, the United States District Court for the Eastern District of Michigan ruled that no violation of the ECPA had occurred when AOL revealed the identity of an anonymous user in response to a subpoena.<sup>46</sup> Rather than stating that ISPs are excluded from liability under the ECPA when their actions are the result of a court order or subpoena, the court held that the issue did not fall within the ECPA at all. Examining the language of 18 U.S.C. § 2702, the court held that the name and other identifying information of an anonymous user is not "content" that must be protected pursuant to the ECPA. Furthermore, in examining 18 U.S.C. § 2703(c), which states that "a provider of electronic communication service or remote computing service may disclose a record or other information pertaining to a subscriber or customer of such service . . . to any person other than a governmental entity," the court held that AOL was not prevented from disclosing the user's identifying information because the person issuing the subpoena was not a governmental entity.<sup>47</sup>

Although this opinion would seem to indicate that ISPs may reveal subscriber information without the need for a subpoena, it is unlikely that ISPs would be willing to do so. In addition to First Amendment concerns, many ISPs include in their written policies an assurance to subscribers that they will take reasonable measures to not disclose private information unless required to do so by law.<sup>48</sup>

## Third Party Postings

### A. Duty to Correct or Deny Statements of Fact Posted Anonymously

Rumors in the marketplace have long been a thorn in the side of securities practitioners and their clients. Rumors in cyberspace provide an even greater challenge because they can drive a stock price up or down with

blinding speed. The roller coaster ride experienced by investors in Comparator Systems Corporation ("Comparator") illustrates this phenomenon.<sup>49</sup>

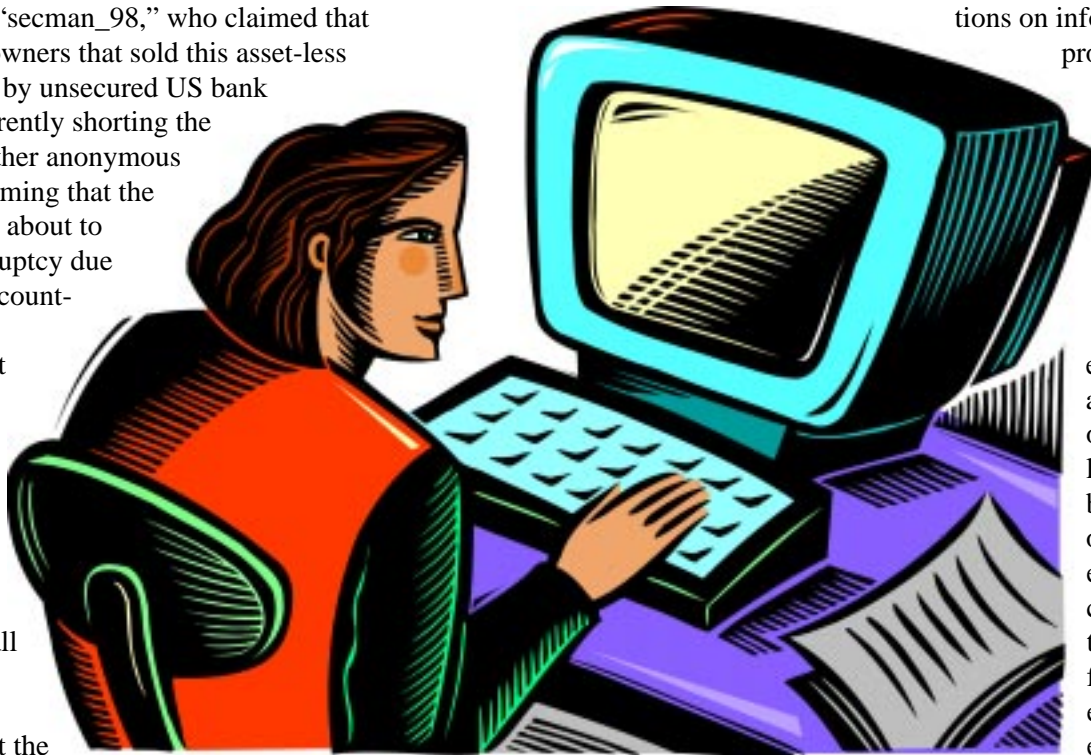
In May 1996, rumors began circulating on The Motley Fool message boards and in America OnLine chat rooms that Comparator had developed a fingerprinting technology that would soon be adopted by MasterCard.<sup>50</sup> Comparator's stock price jumped from \$.03 to \$1.75 per share, with more than 178 million shares traded on NASDAQ on a single day in May 1996, the largest single-day record for both NASDAQ and the NYSE.<sup>51</sup> Ultimately, it was revealed that Comparator's technology was stolen and that there was no basis for rumors of a contract with MasterCard, at which point the stock dropped and the company went into bankruptcy.<sup>52</sup>

An Investor Alert issued in 1994 by the North American Securities Administrators Association sheds light on "pump and dump" schemes such as that experienced by Comparator:

Acting alone or with accomplices, one company insider, broker, public relations executive or even just a large shareholder can leave numerous messages calculated to spark interest in an obscure stock. . . . Through a combination of puffery, speculation, and breathless claims of supposedly inside information about pending announcements, product innovations, and new contracts, the schemers seek to run up the price of the stock, which starts rising as unwary investors read of the "great opportunity" and buy shares. In response, the insiders take their shares (bought at low, "pre-hype" prices) and sell them into the rising market. As interest builds, dozens of messages may be posted about the stock. When the hype-fueled stock price falters, the promoters may blame unnamed short sellers. Sometimes, losses suffered by the unsuspecting are made even worse by ruthless promoters who urge victims to "dollar average" and keep buying shares, even at the falling prices. Talk of the stock then disappears from the board. Investors who are left holding the bag can do little more than post plaintive messages: "Whatever happened to Company X?"<sup>53</sup>

Negative rumors also can artificially affect a stock, much to the delight of investors who have taken short positions in the stock. In fact, at least one publicly-traded company, AgriBioTech, has blamed a spate of Internet rumors on short sellers who are seeking to profit by a dip in AgriBioTech's stock price. On Aug. 28, 1998, AgriBioTech's stock price closed at \$9.25 per share, compared with a 52-week high of \$29.50, after a flurry of

negative messages were posted about the company on Yahoo!'s finance board.<sup>54</sup> Included in the negative messages were postings by a user identified as "aahOOOgah," who wrote that "JT and [director and co-founder John] Francis will be indicted in two days," messages by "secman\_98," who claimed that "[c]ompany owners that sold this asset-less issue, backed by unsecured US bank loans, are currently shorting the stock," and other anonymous messages claiming that the company was about to declare bankruptcy due to massive accounting fraud.<sup>55</sup> Blaming short sellers for the unfounded rumors, AgriBioTech was eventually forced to instigate a conference call to reassure investors and analysts about the company.<sup>56</sup> In



another instance of price decline, IOMEGA saw its stock drop fifteen percent in one day in 1994 due to unfounded and false chatroom rumors that the company's earnings would be less than expected.<sup>57</sup>

The New York Stock Exchange and NASDAQ place a broad duty on their members to respond to rumors. "For example, Section 202.03 of the New York Stock Exchange Listed Company Manual requires a company to 'promptly den[y] or clarif[y]' rumors, even if not attributable to it, if they are false or inaccurate and causing unusual market activity."<sup>58</sup> Despite these requirements, under the current securities laws, "[a] company has no duty to correct or verify rumors in the marketplace *unless* those rumors can be attributed to the company."<sup>59</sup> Nevertheless, a company must correct an inaccurate rumor if it has in some way adopted the rumor or become "entangled" with the rumor to such an extent that it would be fair to attribute the rumor to the company.<sup>60</sup>

For instance, recognizing the influence that analysts have on the market, at least 60 percent of all public companies routinely comment on analysts reports, both as a professional courtesy and "to ensure that the reports accurately describe the company."<sup>61</sup> A company must be careful, however, not to "place[] its imprimatur, expressly

or impliedly, on analysts' projections."<sup>62</sup> In *Gross v. Medaphis Corp.*,<sup>63</sup> for example, the United States District Court for the Northern District of Georgia held that the plaintiffs had properly pled entanglement by asserting that analysts had based earnings projections on information

provided by the corporation, and that the corporation "without any reasonable basis, endorsed and adopted each of the analysts' reports by, among other things, expressing comfort with the third and fourth quarter earnings estimates contained in

one of the reports."<sup>64</sup>

Cyberspace increases the risk of entanglement with, or adoption of, analysts' reports. Many companies provide hyperlinks to analysts' Web sites for the convenience of the investor visiting the company's Web site. By providing these links, the company might inadvertently give the impression that it has reviewed and approved the analysts' reports. Similarly, companies often either provide message boards on their Web page or provide hyperlinks to message boards on services such as Yahoo! or The Motley Fool. An investor easily might mistake a rumor left on the board as a statement from the company itself. Even if the investor knows that the message is from a third party, the fact that the message has remained on the board for a prolonged period might be seen as a tacit affirmation of the rumor.

Another risk of entanglement arises when the proponent of the rumor purports to be an employee of the subject company. Rule 10b-5 provides, in part, that it shall be unlawful for any person "(a) To employ any device, scheme, or artifice to defraud, [or] . . . (c) To engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the purchase or sale of any

security.”<sup>65</sup> If the proponent of the rumor is, in fact, an employee, the statement could be treated as a disclosure by the company, and any inaccuracies in the “disclosure” could lead to liability for misrepresentation under Rule 10b-5. Even if the proponent is not an employee, the company could be seen as tacitly affirming the statement under the circumstances described above.

A third risk emerges when a company undertakes to reduce its exposure to the above-mentioned risks. Services such as eWorks! Inc. will scour newsgroups and message boards for a fee — but the risk of such monitoring might outweigh the benefit. Once a company becomes aware of rumors, it may have an obligation to determine whether the rumors are affecting its stock price and, if so, to correct or affirm the rumors, which obligation it otherwise might not have had.<sup>66</sup>

Of course, companies must use caution when responding to rumors and statements finding their way to the Internet. All statements made by the company must be accurate and clear to avoid 10b-5 liability. Furthermore, companies must avoid the temptation of only responding to negative rumors that hurt the stock’s price, as selective disclosure could be seen as a tacit approval of positive rumors, even though the positive rumors may be equally unfounded.

## B. Postings by Insiders

The Supreme Court laid out the classical theory of insider trading in *Chiarella v. United States*,<sup>67</sup> holding that a corporate insider breaches a relationship of trust and confidence with a stockholder/seller or prospective stockholder/buyer when the insider trades on the basis of material, non-public information without disclosure.<sup>68</sup> In *Dirks v. SEC*,<sup>69</sup> the Court extended the rule in *Chiarella* to include third parties such as analysts, brokers, etc.<sup>70</sup> The defendant in *Dirks*, a securities analyst, received a tip from a former employee of Equity Funding that the company had “cooked the books” by manufacturing the resale of nonexistent insurance policies to reinsurers. *Dirks* selectively disclosed this tip to his institutional clients, who dumped their Equity Funding holdings. The Court held that the duty imposed by *Chiarella* onto the former employee/insider properly was imputed onto *Dirks* as a tippee. Thus, the Court held that insiders, whether first-hand or by virtue of a tip, as in *Dirks*, not only cannot trade for their own benefit on material, non-public information, they also cannot tip such information to a third party to trade on if, by so tipping, the insider will benefit, directly or indirectly, from his disclosure.<sup>71</sup>

Acknowledging the philosophical dishonesty of imposing fiduciary duties in an open market system, and struggling to find a more satisfactory rationale for the

insider trading prohibitions, the Court in *United States v. O’Hagan* adopted the “misappropriation theory.”<sup>72</sup>

O’Hagan, an attorney, learned through others in his law firm that one of the firm’s clients would be bidding in what became a highly publicized takeover attempt. Using this information, O’Hagan purchased options to acquire shares of the takeover target. When the tender offer was announced, O’Hagan sold the options and walked away with a quick \$4 million profit. Shifting the focus from the relationship between insiders and unwary investors to the proprietary interest that a company has in non-public information, the Court held that when someone who acquires inside information for which they owe a fiduciary duty of confidentiality, such as O’Hagan, misappropriates non-public information and trades on that information, he “defrauds the principal of the exclusive use of” the information.<sup>73</sup> The same rationale applies, of course, to the tippee who misappropriates non-public information through a tipper.

In addition to these judicial pronouncements, the Insider Trading and Securities Fraud Enforcement Act of 1988<sup>74</sup> imposes liability on public corporations and other “controlling persons” for the insider activities of controlled persons where “the controlling person . . . knew or recklessly disregarded the fact that such controlled person was likely to engage in the act or acts constituting the violation and failed to take appropriate steps to prevent such act or acts before they occurred.”<sup>75</sup> Aside from liability for damages incurred by duped stockholders, controlling persons face penalties under Exchange Act section 21A(a)(3) not to exceed three times the amount of profit gained, or loss avoided (by the controlled person or a tippee), as a result of the controlled person’s violation, or \$1 million, whichever is greater.<sup>76</sup> Thus, companies and controlling persons have a vested interest in eliminating insider trading and tipping by corporate insiders.

How does the Internet increase a corporation’s exposure to insider trading liability? As discussed above, the Internet provides an easy medium for market manipulation and tipping through anonymous message board postings and chat room discussions. An insider seeking to move the price of a stock need only provide a few “tips” to whip investors into a frenzy. In addition to this more patent violation, one commentator estimates that the most likely scenario for insider trading liability comes in the area of selective disclosure, as illustrated by the following example.<sup>77</sup> A manager or investor relations employee fields an e-mail inquiry from an analyst requesting information that has not yet been made public. Carelessly, and perhaps due to the seeming anonymity of e-mail, the question is answered in more detail than similar inquiries received in writing and on the telephone. Having dis-

closed, but not properly disseminated, the non-public information, the analyst and the corporation could be exposed to tipping liability.

Even the SEC has recognized the possibility of tipping and selective disclosure in cyberspace. On June 13, 1996, an anonymous Internet user named "Duke121" posted information on The Motley Fool's electronic bulletin board that Diana Corp. would be taking a \$850,000 writedown in its fourth quarter.<sup>78</sup> In response, Diana Corp.'s stock price fell 8.75, to close the day at 77.25.<sup>79</sup> Twelve days later, Diana Corp. announced that it was, in fact, taking a \$850,000 writedown. By June 26, the stock price had fallen to 39.25. In response, the SEC announced that it would be looking into possible manipulation of Diana Corp.'s stock price, and the NYSE declared that it would investigate trading of the stock on the insider information.<sup>80</sup>

### C. Solicitation of Shareholder Proxies

The Internet provides an easy tool for both intentional and inadvertent proxy solicitations. A clear example was the scenario faced by the Emerging Germany Fund in 1998. Early in the year, the fund scheduled its annual meeting for April 27, 1998.<sup>81</sup> On March 27, Phillip Goldstein, a well-known closed-end fundbuster, notified the fund management that he intended to nominate himself and three others as directors of the fund, and that he would submit several proposals which would require open-ending the fund and firing the fund's investment advisors.<sup>82</sup> Soon thereafter, the fund's management discovered that Goldstein was an active participant on the ICEFI Closed-End Funds Discussion Forum.<sup>83</sup>

Initially, Goldstein posted the following message on the discussion forum: "I don't want to be Gary Cooper facing the bad guys alone while everyone else runs for cover. . . . I need to know that enough large holders will vote their shares IN THE INTEREST OF THEIR CLIENTS!"<sup>84</sup> Subsequent messages by other users speculated about methods by which they could get unsolicited proxies to Goldstein to avoid SEC filing requirements. In response, Goldstein stated that he was not soliciting proxies from more than ten shareholders. Goldstein, however, continued to state how, hypothetically, he could obtain a proxy that he favored but which was not distributed to all shareholders by contacting his broker. Later, Goldstein posted a message, titled "How to Give Someone a Proxy," which detailed the steps for authorizing a person to vote at the annual meeting as a proxy for another shareholder. Afterward, an anonymous user by the name of "Kafka" wrote a message describing how to send a proxy to Goldstein, what such a proxy should say, and the address for sending the proxy.<sup>85</sup>

On April 8, 1998, the fund postponed its shareholder meeting.<sup>86</sup> Additionally, the fund filed suit against Goldstein and his firm, alleging that Goldstein had solicited proxies over the Internet in violation of SEC regulations, and seeking an injunction preventing Goldstein from composing any proxy materials, voting on any shares or proxies, and further soliciting proxies unless appropriate SEC disclosures were made.<sup>87</sup> Pointing to Goldstein's statement regarding the fact that he was not soliciting proxies from more than 10 shareholders, the fund argued that Goldstein was clearly aware the earlier postings violated SEC proxy solicitation rules.<sup>88</sup> In response, Goldstein argued that his postings did not rise to the level of proxy solicitation, but were merely the equivalent of "meetings among shareholders who are of all the same mind."<sup>89</sup>

Instances such as the Emerging Germany Fund's battle with Goldstein are likely to occur with increasing frequency due to the number of investors seeking information through the Internet. With the proliferation of company-specific message boards and chat rooms, it is now easier than ever for small investors to find one another. Unfortunately, it is also now easier for unscrupulous investors to take advantage of the relatively unregulated world of cyberspace by slyly soliciting proxies through seemingly innocuous chat room conversation. As a result, companies and regulatory entities must be careful when monitoring bulletin board postings so as to strike a fine balance between protecting the company against unlawful securities violations while encouraging the flow of information to investors.

## Company-Owned Web Sites

In June 1993, there were approximately 130 Web sites. By 1997, the number of Web sites had ballooned to over 650,000, many of which are corporate home pages.<sup>90</sup> Over 95 percent of companies with over \$1.5 billion in market capitalization, and over 75 percent of companies with under \$1.5 billion in market capitalization, either have or soon plan to establish a Web site.<sup>91</sup> Over three-fourths of these corporate Web sites post financial information concerning the company, usually in the form of quarterly press releases, annual reports, 10-Ks and 10-Qs, either by directly posting the financial statements or by providing a link to the EDGAR database.<sup>92</sup>

Although the SEC has not regulated corporate Web sites *per se*, either through requiring notification of the Web site creation or filing of Web site content, the SEC has made it clear that Web site content will not be treated differently than content provided in other media for purposes of anti-fraud regulation.<sup>93</sup> Generally speaking, a

company has a duty to correct prior statements if the statements would be misleading if republished today. Naturally, this duty to correct can be problematic for companies that fail to update their Web sites with current information, or remove information that has become stale.

By maintaining non-current information on its Web site, even such items as old press releases, a company may be implicitly telling its investors that it continues to stand by the information as accurate.<sup>94</sup> This issue can become additionally thorny when the company provides hyperlinks to third-party articles and analysts reports. Having, in essence, adopted those articles or reports, the company may be held responsible if new developments arise and, yet, those articles or reports are not updated.<sup>95</sup> Furthermore, as described above, providing links to analysts reports can give rise to a claim by shareholders that the company has become so “entangled” with the analysts’ reports that it can be held liable for misleading statements contained in the reports.<sup>96</sup>

## Suggestions for Avoiding Some of the Dangers in Cyberspace

Because it is a relatively new forum and there is very little, if any, specific statutory or regulatory guidance, securities practitioners and their clients are left to their own devices in coping with the disclosure and compliance issues in cyberspace. The rules generally applicable to other disclosures in the marketplace will apply with equal force in this environment. However, as with most technology, the challenge is in analyzing and applying the “old” rules in these days of constant advancement and rapid change in telecommunications and the Internet. During the next few years, numbers of circumstances will present “questions of first impression.” The unfortunate result is that there is very little guidance that can be given with the confidence that it has withstood judicial and regulatory scrutiny.

Despite the uncertainty surrounding many of these issues, there are a variety of steps that might be taken to reduce the possibility of an inadvertent violation and reduce exposure to liability or sanction if such a violation occurs. Any or all of the following might be helpful:

1. Review written employee policies regarding confidential information, insider trading, tipping, communications regarding corporate affairs and similar matters.
  - a. In most instances, these should specifically address the Internet and other forms of electronic communication, including internal information bulletin boards and hard copies thereof.
  - b. It should be clear that these policies apply to all

communications, not just those engaged in while at work.

2. Adopt an Internet access policy for employees that is specifically focused on communications over the Internet, including message boards, chat rooms and similar forms of electronic communication.
  - a. Prohibit any posting of information regarding the company, its operations, business plans, customers, vendors or suppliers.
  - b. Cross reference other policies related to confidential information and securities issues such as insider trading.  
Make clear that the policy applies whether or not the employee is at his or her workplace, home, etc.
3. Adopt an e-mail policy that sets forth the following:
  - a. e-mails are to be used solely for business purposes;
  - b. e-mail is the property of the company;
  - c. employees have no expectation that their e-mails are private;
  - d. the company has the right to monitor e-mails;
  - e. derogatory, obscene, defamatory and harassing content is banned;
  - f. improper copying and distribution of protected works is prohibited; and
  - g. transmission of trade secrets, confidential or proprietary information is prohibited.
4. Require each employee, regardless of his or her level within the organization, to sign a non-disclosure agreement that includes, either expressly or by reference, an acknowledgment of and agreement to comply with the company’s various policies regarding the Internet and electronic communication.
5. Review the company’s Web site as if it were an SEC filing or press release.
  - a. Is the information accurate?
  - b. Is the information current?
  - c. In the absence of continual monitoring and updating of the Web site, use express disclaimers that the contents may have grown stale and that the company does not undertake a duty to update.
  - d. Date all press releases posted on the Web site so that if an issue regarding failure to update arises, the company can argue that investors had knowledge the information was not current.
  - e. Make certain that safe harbor statements and other appropriate cautionary language contained in press releases should not be edited out when put onto the company’s Web site.



- f. Are there hyperlinks to analysts reports and similar information? Are these necessary? As a general rule, hyperlinks to analysts reports are unnecessary and may increase exposure for misleading or false statements contained in the reports. If, however, the company insists on adding hyperlinks to analysts reports, disclaim any responsibility for the content of such reports or information and any responsibility for correcting or clarifying any inaccurate or misleading information.
  - g. Keep Web sites informational regarding company's business and products. Do not post anything financial other than the 10-Qs, 10-Ks and 8-Ks and then only when or as they are filed with the SEC.
  - h. Is there a company sponsored message board on its Web site? Is it necessary? Are there clear policies regarding its use published on the Web site? Is the message board being monitored? If so, post a disclaimer that the messages posted by users are not endorsed by the company.
  - i. The company Web site and any included hyperlinks should be frequently reviewed by company personnel other than the personnel in the company's Information Systems Department.
6. Review public message boards regarding the company.
- a. Is there sufficient activity to warrant constant monitoring?
  - b. Is there any correlation between activity on the message board and movements in stock prices?
  - c. Remember that once a company begins monitoring message boards, it may be charged with knowledge of rumors and inaccurate information.
7. Highlight cyberspace issues with appropriate company personnel. ☒

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# Application of the “Inevitable Disclosure” Doctrine in Georgia

By Erika C. Birg

## Introduction

All of our clients are likely to be, in one form or another, employers or employees. Most employers, no matter what their respective industries, believe that they hold confidential and proprietary information, including technology, that is essential to their business and that cannot be had by a competitor. To the contrary, most employees, no matter what their position, believe that they have the right to use all of the information, technology and experience that they gained at a job in whatever manner they wish, including in a new and, it is to be hoped, better position with a



competitor. As a result of these competing interests, one of the most commonly faced problems for employers and employees, and in recent years one of the most written about topics for attorneys,<sup>1</sup> is protection of the employer's technology and information when an employee who developed or was exposed to the information at issue leaves the employer and, concomitantly, protection of the employee's right to work for another employer. This basic conflict between employers and employees has led to the definition of some identifiable legal standards by which their seemingly antagonistic interests can be reconciled.

Employers ordinarily are

concerned about two types of information that an employee may use to the employer's disadvantage. The first is general confidential business information.<sup>2</sup> The second is information that constitutes a trade secret under the Georgia Trade Secrets Act (the "Act").<sup>3</sup> To protect information of the first type from disclosure, the employer must have entered into an enforceable non-compete or non-disclosure provision with the employee.<sup>4</sup> An enforceable non-compete agreement will operate under Georgia law to prevent a former employee from absconding with and profiting from the employer's general confidential business information. To protect information of the second type, the employer must be able to prove the existence of a trade secret that has been or will be misappropriated by the employee in a new position.

In sustaining its burden of proof, one argument that an employer may want to make to a court is that the former employee's disclosure or misuse of the trade secret is "inevitable." In other words, that the employee necessarily and unquestionably will use the employer's trade secrets in his new employment. In recent years, the "inevitable disclosure" doctrine has become a new weapon in the arsenal of employers across the nation battling to restrain former employees from working in a competing business in a similar position.<sup>5</sup> To date, however, neither the Georgia Supreme Court nor the Georgia Court of Appeals has adopted specifically the doctrine of "inevitable disclosure" of trade secrets to restrain a former employee from disclosing trade secrets to his new employer. Nevertheless, a recent decision by the Supreme Court<sup>6</sup> leads to the conclusion that active application of the doctrine by Georgia courts may be just a case away. This article discusses briefly the Georgia Trade Secrets Act, the seminal inevitable disclosure doctrine case, *PepsiCo v. Redmond*,<sup>7</sup> and the Supreme Court's decision in *Essex Group v. Southwire Co.*<sup>8</sup> With these cases as the backdrop, this article further analyzes the potential application of the inevitable disclosure doctrine in Georgia.

## The Georgia Trade Secrets Act

Since its inception in July 1990, employers frequently have turned to the Act to protect confidential information that rises to the level of trade secrets. Specifically, employers who do not have enforceable restrictive covenants in place to protect valuable, proprietary information have resorted to and continue to turn to litigation under the Act to prevent loss of trade secrets. The Act allows the owner of a trade secret to seek injunctive relief to protect against the information's misappropriation or threatened misappropriation.<sup>9</sup>

To succeed ultimately on a trade secret misappropriation claim, the plaintiff must be able to "show that (1) it had a trade secret and (2) the opposing party misappropriated the trade secret."<sup>10</sup> Under the Act, a trade secret includes:

information, without regard to form, including, but not limited to, technical or nontechnical data, a formula, a pattern, a compilation, a program, a device, a method, a technique, a drawing, a process, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public and which information:

(A) Derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and

(B) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.<sup>11</sup>

Courts applying Georgia's Act have given trade secret protection to technological information such as computer software<sup>12</sup> and complex warehousing systems,<sup>13</sup> as well as to business information such as marketing and sales information<sup>14</sup> and tangible customer information.<sup>15</sup> Yet, despite the Act's broad definition of a trade secret, proof of the existence of a trade secret may be difficult. Defendants generally will challenge the existence of a trade secret on two primary grounds: (1) failure to take reasonable measures under the circumstances to maintain the information's secrecy and (2) lack of independent economic value. Employers should be prepared with testimony and evidence as to both elements. Expert testimony as to the value of the trade secret will be especially helpful in convincing a court of the need to enjoin preliminarily or permanently the former employee.<sup>16</sup>

Assuming that the trade secret has been or can be proven, then the next step is to prove the misappropriation. The Act defines "misappropriation" of trade secrets as:

(A) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or

(B) Disclosure or use of a trade secret of another without express or implied consent by a person who:

(i) Used improper means to acquire knowledge of a trade secret;

(ii) At the time of the disclosure or use, knew or had reason to know that knowledge of the trade secret was:

- (I) Derived from or through a person who had utilized improper means to acquire it;
  - (II) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or
  - (III) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or
- (iii) Before a material change of position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake.<sup>17</sup>

In employer-employee trade secret litigation, it is recognized that an employee who obtained a trade secret as part of his employment did so under circumstances giving rise to a duty to maintain its secrecy. Yet, in certain instances, for example, a rogue employee who steals a trade secret that he was not otherwise exposed to during his employment, the employer may find it necessary to contend that the employee acquired the trade secret through improper means. The Act defines “improper means” to include “theft, bribery, misrepresentation, breach or inducement of a breach of a confidential relationship or other duty to maintain secrecy or limit use, or espionage through electronic or other means. Reverse engineering of a trade secret not acquired by misappropriation or independent development shall not be considered improper means.”<sup>18</sup> The inevitable disclosure doctrine generally is used only in instances where the employee developed or was exposed to the trade secret as part of his employment.

Often times, a complaint may need to be filed and injunctive relief sought before tangible evidence of misappropriation is obtained. At the time of the first court hearing, the plaintiff will not have available admissible evidence that the trade secret has been misappropriated. If there is no admissible evidence that the employee has misappropriated the trade secret already, then filing a complaint accompanied by a motion for immediate equitable relief under a theory of “threatened misappropriation” would be appropriate. It is in this situation that the inevitable disclosure doctrine comes into play.

## ***PepsiCo v. Redmond***

The federal Seventh Circuit Court of Appeals’ decision in *PepsiCo v. Redmond*,<sup>19</sup> revived the potential use of the doctrine of “inevitable disclosure” in employment litigation.<sup>20</sup> The Seventh Circuit, applying the

Illinois Trade Secrets Act, which the Georgia Supreme Court has held to be congruous to the Georgia Act,<sup>21</sup> applied the inevitable disclosure doctrine in affirming injunctive relief preventing an employee from assuming his duties with a new employer for threatened misappropriation of the former employee’s trade secrets. This was the first time such a theory was used in recent years.<sup>22</sup>

PepsiCo brought the action against the defendant Redmond, who was PepsiCo’s former “General Manager of the business unit covering all of California, a unit having revenues of more than 500 million dollars and representing twenty percent of [PepsiCo’s] profit for all of the United States.”<sup>23</sup> Specifically, Redmond was a high-level employee in PepsiCo’s sports drink area for its North American division. PepsiCo manufactured the “All Sport” drink.<sup>24</sup> PepsiCo sued Redmond when he decided to leave PepsiCo and join Quaker Oats Company, the manufacturer of “Gatorade,” the market leader and thus PepsiCo’s principal competitor in the burgeoning sports drink market.<sup>25</sup>

The district court found that Redmond’s position at Quaker, chief operating officer of a combined Gatorade and Snapple operation, put him in a decision-making role that would directly compete with his former employer. In this new position, Redmond would have the opportunity to utilize, to his former employer’s disadvantage, sensitive, trade secret information that he not only learned but helped develop while employed by PepsiCo. Some of the trade secret information that Redmond helped develop included the company’s strategic plans, its operating plan, and attack plans — which were designed specifically to compete against Quaker. The Seventh Circuit concluded that Redmond knew exactly what PepsiCo was planning to do in the sports drink market and exactly how it would accomplish those plans. The court found PepsiCo’s argument that “Redmond cannot help but rely on [PepsiCo] trade secrets as he helps plot Gatorade and Snapple’s new course, and that the secrets will enable Quaker to achieve a substantial advantage by knowing exactly how [PepsiCo] will price, distribute, and market its sports drinks and new age drinks and being able to respond strategically” persuasive.<sup>26</sup> “In other words, PepsiCo finds itself in the position of a coach, one of whose players has left, playbook in hand, to join the opposing team before the big game.”<sup>27</sup>

Redmond and Quaker countered that “they have not and do not intend to use whatever confidential information Redmond has by virtue of his former employment.”<sup>28</sup> Quaker and Redmond went so far as to enter into a contract between themselves agreeing that Redmond would not use or provide to Quaker any PepsiCo confidential information.<sup>29</sup> The court affirmed the district court’s rejection of this

argument because Redmond, while still employed by PepsiCo, had misrepresented to PepsiCo his intentions with respect to employment at Quaker. The district court concluded that Redmond had exhibited a “lack of forthrightness on some occasions, and out and out lies on others.”<sup>30</sup> The appellate court reasoned that, based on the evidence presented, the district court correctly could find that Redmond’s lack of credibility could eviscerate his protestations of non-use of PepsiCo’s trade secrets.<sup>31</sup> Based on all of the evidence, the Seventh Circuit concluded that the district court properly decided that it was “inevitable” that unless restrained, Redmond would disclose PepsiCo’s trade secrets to Quaker to PepsiCo’s competitive disadvantage, and affirmed a six-month injunction against Redmond, preventing him from competing with his former employer.

In reaching this decision, the Seventh Circuit recognized that “[t]he question of threatened or inevitable misappropriation in this case lies at the heart of a basic tension in trade secrets law.”<sup>32</sup> While trade secret law serves to protect “commercial morality” and competition, it should not prevent employees from freely choosing employment.<sup>33</sup> The court emphasized that only in cases where there is a clear threat of misappropriation should the employee be enjoined.

## ***Essex Group v. Southwire Company***

Recently, in *Essex Group v. Southwire Co.*,<sup>34</sup> the Georgia Supreme Court affirmed a five-year injunction<sup>35</sup> against a former employee of Southwire Company, McMichael, who had helped to develop a “warehouse organizational system with components extending from architectural layout features to customized equipment and modified computer software” and which took over three years at a cost of \$2 million to create. Once used, the system saved Southwire an estimated \$12 million annually.<sup>36</sup> In defending against the injunctive relief sought, Essex argued, in part, that the information was not a trade secret because the logistics system represented “McMichael’s knowledge, skill and experience.”<sup>37</sup> The Court rejected this argument, concluding that this “particularized information learned solely through his position of trust at Southwire”<sup>38</sup> was a trade secret. In reaching this decision, most notably, the Supreme Court confirmed that, under Georgia law, information that may be independently discovered or ascertained by others may still be protectable as a trade secret until it actually has been acquired by others by proper means.<sup>39</sup> Thus the fact that some components of a system may be publicly available does not automatically remove the system itself from the reach of the Act’s protection. This decision is consistent with pre-Act case law.<sup>40</sup>

McMichael, like Redmond in *PepsiCo*, was a key employee of Southwire. McMichael worked in Southwire’s logistics department and headed the project team that developed the logistics system that Southwire sought to protect as a trade secret.<sup>41</sup> Also as in *PepsiCo*, McMichael’s former and new employers were “direct competitors.”<sup>42</sup> And, as noted above, the trade secret Southwire sought to protect was highly valuable, providing it with a significant competitive edge in the cable and wire industry.

Despite the comparable nature of the *PepsiCo* and *Essex Group* facts, however, the Georgia Supreme Court apparently was not faced with the argument that McMichael would not disclose such information. Upon initial reading, it appears that the only argument before the Court was that Southwire’s logistics system was not a trade secret. Yet, in a footnote, the Court recognized that had McMichael’s new position not involved similar responsibilities for a direct competitor, then injunctive relief might not have been required.

For example, had McMichael taken a position overseeing the logistics system start-up at a company that manufactured a totally different product, like pet goods or kitchen wares, he could be said to be utilizing his general knowledge regarding the manner in which a logistics system should be designed, since there would be no practical application for the specific, protected information he obtained while working at Southwire about the precise design that maximized a logistics system for a cable and wire business.<sup>43</sup>

Contrary to the Court’s assertion that this argument pertains to whether Southwire had a trade secret, this argument actually relates to whether Southwire’s trade secret necessarily would be misappropriated by McMichael in his new position. If McMichael had taken a similar position with a company that did not compete directly with Southwire, then logically it would not have been “inevitable” that McMichael would disclose Southwire’s trade secrets, in other words, “misappropriate” the trade secrets. Southwire does not lose its statutory protection for a trade secret simply because in the case at bar the employee did not misappropriate it. Had the Supreme Court recognized this distinction, it would have been adopting the inevitable disclosure doctrine. That the Court’s decision may have rested in part on an implicit adoption of the inevitable disclosure doctrine further is supported by its conclusion:

In conclusion, we find that the superior court was authorized to conclude from the evidence that Essex



sought to obtain, by the simple act of hiring McMichael, all of the logistics information it had taken Southwire millions of dollars and years of testing and modifications to develop as part of Southwire's plan to acquire a competitive edge over other cable and wire companies such as Essex.<sup>44</sup>

Although not stated explicitly, the court's conclusion leads this author to infer that, under proper circumstances, use of the inevitable disclosure doctrine to restrain an employee may well be "inevitable."

## Application of the Inevitable Disclosure Doctrine in Georgia

The inevitable disclosure doctrine's usefulness is found in cases in which the information sought to be protected is in the employee's memory and in which the employee contends, generally in good faith, that he or she does not intend to use the trade secrets, and the new employer contends, again generally in good faith, that he has not been given the trade secrets and will never accept the proffer of any trade secrets to the disadvantage of his competitor. Although there is no question that trade secret customer information must be in tangible form, *Essex Group* leaves no doubt that other trade secret information can be retained in the former employee's memory. This is consistent with both the Act's definition of a trade secret and its definition of misappropriation.

The appropriate remedy for a threatened misappropriation of a trade secret is injunctive relief. It is in the court's discretion to enter an interlocutory injunction.<sup>45</sup> "The sole purpose for granting interlocutory injunctions is to preserve the status quo of the parties pending a final adjudication of the case."<sup>46</sup> In Georgia, a court may enjoin an employee even if there is only "some evidence" that a trade secret exists,<sup>47</sup> and that disputed issues of fact exist will not void an injunction entered by the trial court.<sup>48</sup> Moreover, as demonstrated in *PepsiCo*, a court may order preliminary injunctive relief if the judge disbelieves the defendants' protestations that the plaintiff's trade secrets have not been and will not be misappropriated.<sup>49</sup>

One concern for both employers and employees should be the determination of whether the threat of misappropriation is clear or whether it is instead speculative or remote. Courts have held that there must be a "high degree of probability of inevitable and immediate" misappropriation in order to justify injunctive relief.<sup>50</sup> The employer must be able to do more than allege that it fears that the employee will misuse the trade secret.<sup>51</sup> If the employer can demonstrate a "significant danger" or a

"realistic threat" of misappropriation by virtue of the new employment, irreparable harm may be established.<sup>52</sup>

Whether an injunction should issue under the inevitable disclosure doctrine will depend upon four primary factors common to *Essex Group* and *PepsiCo*. The persuasive elements that can be found in both cases are: (1) the high-level or "key" nature of the employee; (2) the employee's role in developing or utilizing the trade secret while employed by the former company; (3) the directly competitive nature of the subsequent employment; and (4) the extremely valuable nature of the trade secrets at issue. Threatened misappropriation, because of these factors, becomes manifest rather than conjectural. And, injunctive relief would be appropriate.

In litigating an inevitable disclosure case on behalf of an employer, counsel must be prepared to identify narrowly the trade secret or secrets at issue and its importance to the client, define the nature of the employee's role in relation to the trade secret, and ascertain the exact nature of the employee's position and the business of the alleged competitor. In addition, setting out the facts surrounding the employee's departure, including evidence of bad faith or dishonesty, may be compelling to a court. In defending against such a case on behalf of an employee, it is incumbent upon counsel both to demand that the plaintiff identify the trade secret<sup>53</sup> and its value, and to determine what measures are taken by the plaintiff to protect the trade secret. To that end, any evidence that the information is publicly available may stop the case in its tracks. Further, defense counsel should look for critical differences between the old and new employment that may reduce the likelihood of misappropriation from being clear to being speculative.

Yet, the Act "is not a sword to be used by employers to retain employees by the threat of rendering them substantially unemployable in the field of their experience should they decide to resign," and "it is not a substitute for an agreement by the employee not to compete with this employer after the termination of employment."<sup>54</sup> Only in certain very clear instances, where the employer can prove that a trade secret exists, a difficult task in and of itself, *and* can show that a key employee has joined a competitor in the same type of position previously held — threatening a highly valuable portion of the employer's business — then use of the inevitable disclosure doctrine may be appropriate. These instances should be rare. If the factors listed above are not present, then application of the inevitable disclosure doctrine would not be appropriate. Enjoining a ministerial or "low-level" employee would be inconsistent with Georgia's law on equity and misappropriation. The Georgia Supreme Court has warned that "[o]verly restrictive covenants in employ-

ment contracts or *other similar considerations* which place a restraint upon the free movement of employees in the marketplace as opportunity, experience and competition permits is contrary to this court's view of fair competition."<sup>55</sup> Thus, counsel should carefully discern which category the employee falls into and whether under Georgia law injunctive relief is just.

## Conclusion

Recognizing the inherent conflict between employers and employees on the issues raised in this article, one commentator has noted, "[i]f readily applied by the courts, the inevitable disclosure theory could impede an employee's mobility and the spread of general knowledge which provides the basis for much of the economic growth in many industries."<sup>56</sup> Although it is not likely that application of the inevitable disclosure doctrine will have that drastic of an effect, use of it, which appears to be a certainty in Georgia, should be, like injunctive relief, used "prudently and cautiously exercised and, except in clear and urgent circumstances, should not be resorted to."<sup>57</sup> The inevitable disclosure doctrine can be a valuable, but limited, tool for an employer seeking to prevent a former employee's misuse or disclosure of valuable technological or business-related information that rises to the level of a trade secret. Counsel should invoke the inevitable disclosure doctrine sparingly, and in deciding whether to enjoin an employee and in crafting any injunctive relief, courts should balance carefully the employer's right to protect its trade secret property and the employee's inherent right to work. ☒

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## Endnotes

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2. *Camp Creek Hospitality Inns, Inc. v. Sheraton Franchise Corp.*, 139 F.3d 1396, 1411 n.25 (1998) ("We are cognizant of the fact that not all confidential information rises to the level of a trade secret." (citing *TDS Healthcare Sys. Corp. v. Humana Hosp. Ill., Inc.*, 880 F. Supp. 1572, 1584 (N.D. Ga. 1995))).
3. O.C.G.A. § 10-1-761 to - 767 (Michie 1994 & Supp. 1998).
4. C. Geoffrey Weirich & James R. Glenister, *Trade Secrets and Issues of Confidentiality in the Employment Context*, 29 GA. B.J. 124, 126 (1993); see also *Avnet, Inc. v. Wyle Labs., Inc.*, 263 Ga. 615, 617, 437 S.E.2d 302, 304 (1993) ("[I]n the absence of contractual restraint, equity will not enjoin the mere solicitation of business by a former employee." (quoting *Taylor Freezer Sales Co. v. Sudden Freezer E. Corp.*, 224 Ga. 160, 165(2), 160 S.E.2d 356 (1968))); *American Bldgs. Co. v. Pascoe Bldg. Sys., Inc.*, 260 Ga. 346, 350, 392 S.E.2d 860, 864 (1990).
5. Marrs, *supra* note 1, at 887-89, 887 n.26.
6. *Essex Group v. Southwire Co.*, 269 Ga. 553, 501 S.E.2d 501 (1998).
7. 54 F.3d 1262 (7th Cir. 1995).
8. 269 Ga. 553, 501 S.E.2d 501 (1998).
9. O.C.G.A. § 10-1-762(a) (Michie 1994).
10. *Camp Creek Hospitality Inns*, 139 F.3d at 1410.
11. O.C.G.A. § 10-1-761(4) (Michie 1994 & Supp. 1998). Proof of the elements of a trade secret is not to be approached lightly. A number of courts have rejected claims of trade secrets, particularly in cases in which the plaintiff could not establish reasonable efforts to maintain secrecy. See *Capital Asset Research Corp. v. Finnegan*, 160 F.3d 683, 687 (11th Cir. 1998); *AmeriGas Propane, L.P. v. T-Bo Propane, Inc.*, 972 F. Supp. 685 (S.D. Ga. 1997); *Servicetrends, Inc. v. Siemens Med. Sys.*, 870 F. Supp. 1042 (N.D. Ga. 1994), *modified on other grounds*, No. 1:93-CV-299-JTC, 1994 WL 776878 (Jun. 24, 1994); see also *Allen v. Hub Cap Heaven, Inc.*, 225 Ga. App. 533, 484 S.E.2d 259 (1997) (rejecting trade secret protection for identities of cities considered good candidates for new franchises); *Avnet*, 263 Ga. at 618-20, 437 S.E.2d at 304-06 (rejecting trade secret protection for employee's personal knowledge of employer's customer information).
12. *Electronic Data Sys., Inc. v. Heinemann*, 268 Ga. 755, 493 S.E.2d 132, 135 (1997); *CMA/Cleveland, Inc. v. UCR, Inc.*, 804 F. Supp. 337, 357 (M.D. Ga. 1992).
13. *Essex Group*, 269 Ga. at 555, 501 S.E.2d at 504.
14. *Camp Creek Hospitality Inns*, 139 F.3d at 1410 (protecting information concerning a hotel's "occupancy levels, average



# The Constitution in Cyberspace: Coming to a Fork in the Road

*Can the use and content of the Internet be restricted without running afoul of the First Amendment or the Commerce Clause? How? And what about schools? Almost everyone agrees the first attempts at Internet regulation went too far. But now, more sophisticated and narrowly targeted legislation is appearing on the horizon, and educated people can be found on both sides of the debate. This article will give an overview of where we are as we come to this gray area in the law, which is a fork in the information superhighway.*

**By Laura S. Jones**

## Introduction

**M**any people, lawyers and laypersons alike, are concerned about exposing minors to indecent material on the Internet, as evidenced by the growing federal and state attempts to regulate the content of the Internet.<sup>1</sup> These early initiatives have been unsuccessful, running afoul of the Constitution's First Amendment<sup>2</sup> and the Commerce Clause.<sup>3</sup>

The First Amendment is implicated whenever the government seeks to regulate content, whether in books, pamphlets, advertisements, or on television, radio, or the Internet. The wide-spread use of computers in elementary and secondary schools has added complexity and urgency to these First Amendment issues. Although different rules apply for materials available to children and adults, children do not "shed their constitutional rights to freedom of speech or expression at the schoolhouse gate."<sup>4</sup>

The Commerce Clause is also implicated when states seek to regulate content on the Internet. The "information superhighway" is truly a highway for information no different in concept than a highway for trucks and cars. When a state erects a roadblock in the form of a statute criminalizing certain conduct that is not illegal in another state, commerce on this informational highway is adversely and unconstitutionally affected.

This article examines these issues and provides some thoughts on what types of legislation might pass constitutional muster.<sup>5</sup> Congress is considering, and probably will pass in some form, Internet filtering legislation for schools and libraries. Last fall it passed a "new and improved" version of the Communications Decency Act,<sup>6</sup> the Child Online Protection Act.<sup>7</sup> Often called "COPA" or "CDA II," the enforcement of this statute has recently been enjoined.<sup>8</sup> A CDA III, in some limited form, will undoubtedly be introduced in this or the next session of Congress. And states, including Georgia, will continue to try to control the Internet within their borders. Things are definitely moving at highway speeds, both technologically and legally.

## What are the Internet and the Web

The Supreme Court calls the Internet as "an international network of interconnected computers" and "a unique and wholly new medium of worldwide human communication."<sup>9</sup> It has described the World Wide Web as a "vast library including millions of readily available and indexed publications and a sprawling mall offering goods and services."<sup>10</sup> The Court has also acknowledged that "[n]o single organization controls any membership in

the Web, nor is there any centralized point from which individual Web sites or services can be blocked from the Web. . . . Once a provider posts its content on the Internet, it cannot prevent that content from entering any community."<sup>11</sup>

Judge Loretta Preska defined the Internet and the Web in *American Libraries Ass'n. v. Pataki*<sup>12</sup> as follows:

The Internet is a network of networks—a decentralized, self-maintaining series of redundant links among computers and computer networks, capable of rapidly transmitting communications without direct human involvement or control. No organization or entity controls the Internet; in fact the chaotic, random structure of The Internet precludes any exercise of such control.

. . .

The Web is really a publishing forum; it is comprised of millions of separate "Web sites" that display content provided by particular persons or organizations. Any Internet user anywhere in the world with the proper software can create a Web page, view Web pages posted by others, and then read text, look at images and video, and listen to sounds posted at these sites.<sup>13</sup>

These descriptions provide a good starting point for any balanced discussion on controlling cyberspace and show just how difficult it is, both practically and logistically, to enforce any state or federal regulatory or criminal legislation.

## The First Amendment

"Congress shall make no law . . . abridging the freedom of speech, or of the press. . . ."<sup>14</sup> Although sometimes used to protect offensive and vulgar speech,<sup>15</sup> the First Amendment is a cornerstone of our society and an important part of our cultural identity. It can even be seen as the first commandment of a sort of national civil religion in which aware citizens place their faith in the protective power of their rights as set forth in our laws and Constitution.<sup>16</sup> "More than any other provision of the Bill of Rights, the First Amendment reflects vital attributes of the American character, . . . and by protecting harmful speech, it seeks to reinforce desired character traits including tolerance and self-restraint in dealing with bad behavior."<sup>17</sup> Against this historical and philosophical background, most of our constitutional jurisprudence has evolved.

### A. The Supreme Court Speaks: *Reno v. ACLU*

In *Reno v. ACLU*,<sup>18</sup> the United States Supreme Court

first addressed the issue of regulating the Internet. The Court affirmed a district court opinion holding that the federal Communications Decency Act of 1996 (CDA) unconstitutionally abridged protected First Amendment freedoms. The portions that were struck down prohibited the knowing transmission of indecent messages to recipients under 18 years of age and the knowing sending or displaying of patently offensive messages in a manner that is available to such a person. The Court held that these portions of the CDA were vague, overbroad, and not narrowly tailored to protect a compelling government interest. Although they were intended to deny minors access to speech that is at most potentially harmful, they unduly restricted speech available on the Internet, “effectively suppress[ing] a large amount of speech that adults have a constitutional right to receive.”<sup>19</sup>

The CDA required all providers to verify the age of persons who had access to their Web sites. Although technology is available to do this, it is not 100 percent effective, and it is expensive.<sup>20</sup> If providers could not or would not provide this verification, they would be shut down, unconstitutionally restricting their right to speak. Non-commercial sites probably could not afford the technology, so only commercial sites would survive, thus further limiting available speech.

Simply put, because adults have a First Amendment right to send and receive indecent or otherwise sexually explicit material that is not obscene, legislation that would have the effect, if not the intent, of limiting this right cannot stand. The CDA would have “child-proofed” the Internet, reducing the spectrum of available material on the Internet to a level suited for a child, thus violating adults’ First Amendment rights to express and receive ideas.<sup>21</sup>

Although protecting children is obviously a laudable governmental goal, the Court emphasized that this government interest must be accomplished within the confines of the First Amendment. The risk of a child accidentally encountering indecent material on the Internet is remote, because affirmative steps are required to access a site, and almost all sexually explicit sites are preceded by a warning as to content. The Court was very protective of the Internet due to both its technological infancy and its peculiarly democratic nature, holding that the Internet is the only place where it costs almost nothing to exercise First Amendment rights to speak and to listen to millions of other people.<sup>22</sup>

With the guidance provided by the Supreme Court’s decision in *Reno v. ACLU*,<sup>23</sup> on Feb. 1, 1999, District Judge Lowell A. Reed Jr. of the Eastern District of Pennsylvania preliminarily enjoined the enforcement of the Child Online Protection Act, Congress’ second effort

to police the Internet. COPA, or CDA II, had a narrower focus than CDA, but was still fatally broad. The law made it a crime for commercial Web site operators to make available to children sexually explicit material deemed “harmful to minors.” Judge Reed acknowledged the government’s compelling interest in protecting children, but held that it had not chosen the least restrictive means of protecting that interest. The law had the unintended effect of restricting an adult’s access to material that she has a right to receive. In a rare departure from judicial detachment, Judge Reed expressed regret that a solution to this issue has not been found. Nevertheless, he concluded that a greater harm to children would be done by leaving them without a strong First Amendment when they reach adulthood.

## B. State Laws

In the wake of the federal litigation over the CDA, several states adopted their own laws seeking to regulate the content of the Internet. These laws, known as “state CDAs,” have faced similar constitutional challenges.

In *ACLU v. Johnson*,<sup>24</sup> the constitutionality of New Mexico’s CDA was attacked. Quoting extensively from *ACLU v. Reno*, the *Johnson* court granted a preliminary injunction against the enforcement of the state CDA because the New Mexico law would effectively ban speech that is constitutionally protected for adults.

Closer to home, Georgia’s first attempt at regulating what could be posted to the Internet was also struck down on First Amendment grounds. In *ACLU v. Miller*,<sup>25</sup> the district court declared O.C.G.A. § 16-9-93.1 — which made it a crime falsely to identify oneself or to use a logo, trademark, or official seal without permission in an Internet transmission — unconstitutional.

The court found the statute overbroad in its imposition of content-based restrictions on Internet speech, because similar speech was entirely legal in other traditional venues. Although the stated goal of the statute was to prevent fraud and misappropriation of identities, that entirely proper purpose could not be constitutionally accomplished with such a broad restriction.

## C. “Special Rules for Schools”

It is well established within our law and our culture that certain activities (driving, sex, and voting for example) are appropriate for adults but not for children. And some things (using matches, staying home alone, and PG rated movies) are appropriate for older children but not for younger children.

But as explained in *Tinker v. Des Moines Independent Community School District*,<sup>26</sup> a case in which the Supreme Court held that schools could not ban the non-



disruptive wearing of black armbands to protest the Vietnam War, students do have “rights”:

[S]tate-operated schools may not be enclaves of totalitarianism . . . [and] students may not be regarded as closed-circuit recipients of only that which the State chooses to communicate.<sup>27</sup>

Balancing the rule of *Tinker* are the more recent holdings of *Hazelwood School District v. Kuhlmeier*<sup>28</sup> and *Bethel School District No. 403 v. Fraser*.<sup>29</sup> In both of these cases, the Court recognized schools as proper vehicles for community “value inculcation,” in both curricular and school-sponsored settings. The hard part is deciding when value inculcation becomes content regulation.

In *Board of Education, Island Trees Union Free School District No. 26 v. Pico*,<sup>30</sup> the Supreme Court reviewed the decision of a local school board to remove certain books from a school’s library. Focusing on the distinction between removal and the choice not to acquire, the plurality concluded that the First Amendment places limits on a school board’s ability to determine the content of its school libraries.

The Court sought to balance the school board’s legitimate mission to “establish and apply their curriculum in a way to transmit community values” with the requirement the mission “be exercised in a manner that comports with the transcendent imperatives of the First Amendment.”<sup>31</sup> It concluded that books a school board finds offensive, vulgar, or indecent may not be removed from a school’s library if the intent of the action is to censure the ideas expressed in the books.<sup>32</sup> In reaching this conclusion, the Court acknowledged that the First Amendment’s prohibition against a state taking action to “contract the spectrum of available knowledge” includes a corollary constitutionally-protected right to receive information and ideas, even in a public school.<sup>33</sup>

## The Commerce Clause

“The Congress shall have Power . . . [t]o regulate Commerce with foreign Nations, and among the several States and with the Indian Tribes. . . .”<sup>34</sup> Although any analysis of federal regulation of speech arguably begins and ends with the First Amendment, states are joining the Internet regulation frenzy in droves. As a result, it is worth pausing to examine the effect of the Commerce Clause on the efforts of the states.

The Commerce Clause prohibits states from enacting discriminatory regulation aimed directly at interstate commerce. More particularly, it bars state regulations that appear nondiscriminatory but in fact unduly burden

interstate commerce.<sup>35</sup> The “Constitution has a special concern both with the maintenance of a national economic union unfettered by state-imposed limitations on interstate commerce and with the autonomy of the individual States within their respective spheres.”<sup>36</sup> If a statute has extraterritorial effect, the enacting state is guilty of overreaching against both the federal government and her sister states.

As recognized in *American Libraries Ass’n. v. Pataki*, the Commerce Clause effectively prevented New York from enacting legislation seeking to penalize the sending or receiving of electronic information, given the current state of technology. The statute at issue in *Pataki* made it illegal knowingly to communicate sexual material to a minor via the Internet. Specifically, the statute made it a crime for an individual:

Knowing the character and content of the communication which, in whole or in part, depicts actual or simulated nudity, sexual conduct, or sado-masochistic abuse, and which is harmful to minors, [to] intentionally use [ ] any communication system allowing the input, output, examination, or transfer of computer data or computer programs from one computer to another, to initiate or engage in such communication with a person who is a minor.<sup>37</sup>

Considering the worldwide, amorphous nature of the Internet and the Web, and using a classic Commerce Clause analysis, the court held that the New York Act, which had the laudable goal of protecting children, violated the Commerce Clause, for three reasons:

1. As a practical matter, the Act resulted in impermissible extraterritorial application of New York law to transactions involving citizens of other states;
2. Even though New York and indeed every state has an interest in the safety of its children, the benefits derived from the Act are inconsequential in relation to the severe burdens it imposes on interstate commerce. These benefits would include the prosecution of intrastate transmissions, which are almost impossible to detect and the burdens would include the wide ranging chilling effect which would force others to be concerned about what they put on the Web for fear it could end up in New York; and
3. The unique nature of the Internet requires uniform national treatment and bars the states from enacting inconsistent regulatory schemes.<sup>38</sup>

So the Commerce Clause prevents the states from taking a shotgun approach to Internet regulation, but selected and targeted rifle shots may still work, and certainly will be tried.

# Is Filtering the Answer?

## A. Generally

The current debate about filters arguably signals the general acceptance of free speech rights for Internet speakers and recipients and the inability of states to criminalize or otherwise penalize conduct that is global in reach. The technical and practical problems with filters are their overbreadth and sheer clumsiness; they would probably restrict a child's access to this article. Although they may provide the answer in the near future, their present use may subject states to legal challenges. For example, Utah was recently ordered to respond to an open records request for a list of sites to which access is blocked by a filtering system currently in place in Utah's public schools, in preparation for a lawsuit over their use.<sup>39</sup>

In *Mainstream Loudoun v. Board of Trustees of the Loudoun County Library*,<sup>40</sup> a case of first impression, a Virginia federal court examined the constitutionality of filters in public libraries. Although removing library books may seem qualitatively different from blocking access to certain Internet sites with filters, the court found that the two actions were similar. Although *Loudoun* deals with county public libraries and adults, not school libraries and children, its conclusions in this rapidly evolving area of the law may guide courts dealing with school library challenges.<sup>41</sup>

The *Loudoun* case provides an interesting analogy for filters; filtering is less like failing to acquire a book and more like removing one, which, as *Pico* said, cannot be done when the goal is to censor ideas. Applying this analogy, the court held that having decided to acquire Internet service (which the library was under no constitutional obligation to do), the "Library Board may not thereafter selectively restrict certain categories of Internet speech because it disfavors their content."<sup>42</sup> Similarly, schools are not constitutionally required to provide computer access for pupils, nor must they have encyclopedias in their libraries. But if a school does purchase a set of encyclopedias, however, school officials cannot excise, for example, volume 16 because one entry is "indecent" or contains information contrary to the school's mission.

## B. School classrooms versus school libraries versus public libraries. Are they different?

Those who challenge filters on computers in public libraries are faced with a different set of issues when the filters are on classroom or school library computers. Bruce Ennis, the lawyer for the American Libraries Association and the ACLU in *ACLU v. Reno*, opposes the use of filtering technology in any venue because it is crude and overbroad.

Ennis also believes the government cannot and should not protect children from indecent materials because children have a constitutional right to access them.<sup>43</sup>

Another preeminent First Amendment scholar, Duke law professor William VanAlstyne, believes a two terminal approach could pass constitutional muster. Under his suggestion, a public library could have two terminals, one with a filter for children and one without that children could only access with parental permission.<sup>44</sup> Until filtering software becomes sophisticated enough to restrict access to sites that are obscene or harmful to minors, this solution seems more appropriate for school libraries than public libraries.

## Conclusion

Are the state's hands tied? Must Georgia's youngest citizens be left unprotected from the onslaught of Internet "filth"? It is worth remembering in this debate, which for many is both intellectual and emotional, that egregious conduct is punishable under current law. Transmitting obscenity and child pornography, either via the Internet or by more traditional means, is already illegal under federal law for both adults and children.<sup>45</sup> As pointed out in a footnote to *Reno v. ACLU*: "[W]hen Congress was considering the CDA, the Government expressed its view that the law was unnecessary because existing laws already authorized its ongoing efforts to prosecute obscenity, child pornography, and child solicitation."<sup>46</sup> In Georgia, as in most states, there are also state laws that prohibit obscenity and child pornography: O.C.G.A. § 16-12-100.1 prohibits the electronic furnishing of obscene material to minors via floppy disk, CD-ROM, or electronic bulletin board; O.C.G.A. § 16-12-100 prohibits sexual exploitation of children; and O.C.G.A. §§ 16-12-101 through 105 prohibit the sale or distribution of material harmful to minors. Under these state statutes, persons in Georgia who use the Internet to transmit obscene materials to minors in Georgia could be prosecuted and federal law will cover those who cross state lines.

One regulatory option for the state is to require that public schools use filtering software on classroom computers and on school library computers. First Amendment challenges would likely fail at least for classroom computers so long as the filtering software is technologically sophisticated and narrowly tailored to the goal of blocking indecent or sexually explicit sites or sites that are otherwise harmful to minors. A successful defense of the regulation might be premised on the argument that precious class time needs to be conserved and used in the manner deemed best by local school officials.

Another approach might be to prohibit commercial

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Web site operators from knowingly allowing Georgia children to visit sites originating in Georgia and transmitting indecent, patently offensive or sexually explicit materials. Operators would be subject to a fine for each hit by a minor. Such a statute would not prohibit indecent material from being transmitted or received in e-mail, newsgroups, mail exploders (listservs), or chat rooms because there is no way with our current technology to limit geographically or even to know where Internet transmissions come from or go to. Such a narrow law would not, however, address the concern that children who surf the Internet have easy access to sex sites.

The best solution seems to lie in technology, not new law.<sup>47</sup> Lawrence Lessig, a Harvard law professor, prefers a laissez-faire approach to Internet regulation because of the rapid change in technology.<sup>48</sup> The call for regulation is natural, but the "least restrictive means" is the demand of the First Amendment and the birthright of all Americans. Until we, as a society, can find the least restrictive means, we may have no option but to watch and wait. ☐

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## Endnotes

1. See, e.g., Communications Decency Act of 1996, Pub. L. No. 104-104, 502, 110 Stat. 133, 133-36; N.M. LAWS ch. 64, § 1(a); N.Y. PENAL LAW § 235.21(3).
2. U.S. CONST., amend. I.
3. U.S. CONST., art. I, § 8, cl. 3.
4. *Tinker v. Des Moines Indep. Community School Dist.*, 393 U.S. 503, 506 (1969).
5. For two helpful Internet sites on the broad issue of cyberspace regulation, see N.Y. TIMES CYBER L. J. (viewed February 6, 1999) <<http://www.nytimes.com/library/tech/reference/indexcyberlaw.html>> and UCLA ONLINE INST. FOR CYBERSPACE L. & POL. (visited Feb. 22, 1999) <<http://www.gse.ucla.edu/iclp/hp.html>>.
6. Pub. L. No. 104-104, 502, 110 Stat. 133, 133-36 (1996).
7. Pub. L. No. 105-277, tit. XIV, § 1041 *et seq.* (1998).
8. See *ACLU v. Reno*, No. 98-5591, 1999 U.S. Dist. LEXIS 735 (E.D. Pa. Feb. 1, 1999).
9. *Reno v. ACLU*, 117 S. Ct. 2329, 2334 (1997).
10. *Id.* at 2335.
11. *Id.* at 2336.
12. 969 F. Supp. 160 (S.D.N.Y. 1997).
13. *Id.* at 164, 166.
14. U.S. CONST. amend. I.
15. See, e.g., *Cohen v. California*, 403 U.S. 15 (1971).
16. For an enlightened and thorough discussion of this concept of a national civil religion, its function as the tie that binds our diverse society, and the Supreme Court's role in protecting our rights as part of its civil religious duty, see JOHN E. SEMONCHE, *KEEPING THE FAITH: A CULTURAL HISTORY OF THE UNITED STATES SUPREME COURT* (1998).
17. KERMIT HALL, *THE OXFORD COMPANION TO THE SUPREME COURT OF THE UNITED STATES*, 297-98 (1992).
18. 117 S. Ct. 2329 (1997).
19. *Id.* at 2346.
20. *Id.* For example, such technology does not prevent a 10 year old child from borrowing his or her father's credit card and therefore assuming an adult identity within the Web site.
21. *Reno*, 117 S. Ct. at 2346.
22. *Id.*
23. No. 98-5591, 1999 U.S. Dist. LEXIS 735 (E.D. Pa. Feb. 1, 1999).
24. 4 F. Supp. 2d 1029 (D.N.M. 1998).
25. 977 F. Supp. 1228 (N.D. Ga. 1997).
26. 393 U.S. 503 (1969).
27. *Id.* at 511.
28. *Id.* at 511.
29. 478 U.S. 675 (1986).
30. 457 U.S. 853 (1982).
31. *Id.* at 864.
32. *Id.* at 872.
33. *Id.* at 866-67 (quoting *Griswold v. Connecticut*, 381 U.S. 479, 482 (1965); *Stanley v. Georgia*, 394 U.S. 557, 564 (1969)).
34. U.S. CONST. art. I, § 8.
35. See *Kassel v. Consolidated Freightways Corp.*, 450 U.S. 662 (1981).
36. *BMW of North Am., Inc. v. Gore*, 517 U.S. 559, 571-72 (1996) (quoting *Healy v. Beer Inst., Inc.*, 451 U.S. 324, 335-36 (1985)).
37. 969 F. Supp. at 163.
38. *Id.* at 183-84; see also *ACLU v. Johnson*, 4 F. Supp. 2d 1029.
39. Pamela Mendels, *State's Filtering Effort Comes Under a Critical Eye*, N.Y. TIMES CYBERTIMES (Sept. 16, 1998) <<http://www.nytimes.com/library/tech/98/09/cyber/articles/16filter.html>>.
40. 2 F. Supp. 2d 783 (E.D. Va.), *summary judgment granted*, 24 F. Supp. 2d 552 (E.D. Va. 1998).
41. Public libraries are arguably limited public fora. See *Kreimer v. Bureau of Police*, 958 F.2d 1242 (3d Cir. 1992).
42. 2 F. Supp. 2d at 795-96.
43. Remember that indecent is considered a much lower standard than "harmful to minors" or obscene. Indecent is also a relatively amorphous term, which is why it is constitutionally objectionable. For more on Mr. Ennis' opinions, see Carl S. Kaplan, *Lawyer Behind Net Freedom Case Says Filters Remain an Issue*, N.Y. TIMES CYBER L. J. (May 15, 1998). <<http://www.nytimes.com/library/tech/98/05/cyber/cyberlaw/15law.html>>.
44. *Id.*
45. See 18 U.S.C. §§ 1464-1465, 2251 (1994 & Supp. III 1997); see also *New York v. Ferber*, 458 U.S. 747 (1982); *Miller v. California*, 413 U.S. 15, 24 (1973).
46. *Reno v. ACLU*, 117 S.Ct. at 2348 n.44 (citing 141 Cong. Rec. S8342 (daily ed. June 14, 1995)).
47. See George M. Kraw, *Commentary: How 'Nethead' Could Cope With Censors*, FULTON COUNTY DAILY REP. (Aug. 20, 1998).
48. Carl S. Kaplan, *New Anti-Pornography Measure Could Pass Constitutional Test*, N.Y. TIMES CYBER L. J. (July 31, 1998). <<http://www.nytimes.com/library/tech/98/07/cyber/cyberlaw/31law.html>>.

# Insurance Specialists - new BW



# YLD'S PROJECTS ARE TOO GOOD TO MISS



By Ross J. Adams

**N**ow, where did I leave off? In the last issue, I ran out of space well before I ran out of great projects the YLD has accomplished. As I promised, there is a great deal more to report. My only concern is that, even with a second column devoted to YLD projects, some outstanding committees will still be omitted; This is only due to space limitations, and not a failure on the committee's part.

One of the strongest committees in the Division is the Elder Law Committee, which is dedicated to providing general legal assistance and information to older members of society. The committee has recently published *Selecting A Nursing Home* and *Selecting a Personal Care Home*, two more in a continuing series of pamphlets. Other projects the Committee has undertaken include Advanced Directives Workshops held at senior centers, care homes and religious institutions. These workshops give the elderly an opportunity to prepare and sign living wills and durable powers of attorney for health care. The Committee also sponsors training to recognize elder abuse and continuing legal education regarding elder law issues.

The Pro Bono committee has just

begun a major project. The committee has noticed that quite often, those attorneys who take one or two pro bono cases a year find themselves practicing in a field with which they are only fleetingly familiar. Therefore, the committee is beginning to compile a "how-to" book that will serve as a basic guide in the areas of law that frequently require pro bono representation.

The Employer's Duties and Problems Committee has produced another pamphlet that the Division

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## **The committees are where most of the work of the Division is accomplished.**

will soon publish. After significant research and drafting, they will soon make available to the public an easy-to-read and comprehend pamphlet addressing labor and employment issues for small businesses and small business employees. The Georgia Secretary of State's office has agreed to make the pamphlets available to all new corporation applicants and the Georgia Chamber of Commerce is also considering distributing the pamphlet to its members.

The YLD also does work for the youth of our society. The Juvenile Law Committee sponsors numerous projects that benefit young people, particularly taking into consideration the less privileged youth throughout the state. This committee coordinates the Celebration of Educational

Excellence, which is described in the article on the next page. As part of the bar's participation, the committee has obtained a commitment from Livingstone College in North Carolina, which has agreed to admit and help fund any Celebration graduate who wishes to attend the school. It is for this program that the Juvenile Law Committee of the State Bar of Georgia YLD won first place as the most outstanding law-related public service project in the entire country. In addition to this great program, among other things, the committee also publishes a newsletter to its members regarding substantive legal issues in the juvenile law field.

A direct benefit to members of both the Division and the entire bar is the Meet the Judges Seminar being produced by the Judicial Liaison Committee. The committee has arranged for several judges to participate in a seminar at which they will present their preferences regarding trials held in their courts. This program provides a great opportunity for all lawyers, and particularly young lawyers, to meet and converse with judges in front of whom they may one day appear.

In the event of a federally declared natural disaster, it is the YLD that jumps in to assist. If the President of the United States declares a federal disaster area, the Emergency Management Agency calls the bar in that state. The Disaster Relief Committee arranges for attorneys to staff the Disaster Assistance Center that the federal government establishes at the site of the disaster or to answer telephone calls. The attorneys assist with issues that are of an immediate nature to those people who suffered losses as a result of the disaster such as insurance and landlord/tenant questions.

**CONTINUED ON PAGE 73**

# CELEBRATION OF EXCELLENCE

## Program Recognizes Extraordinary Youth

**THE CELEBRATION OF EXCELLENCE** is an event acknowledging the accomplishments of youth in foster care who have graduated from high school, vocational school, college or obtained their GED. The Celebration recognizes youth who were removed from their parents' custody, were never adopted and against the odds, accomplished their educational goals.

We will honor over 160 graduates from across the state on June 17, 1999 in the Fulton County Government Center. We want to give our youth a special event in Atlanta. Since we recognize that many of the foster parents would be unable to help their children attend the celebration, we want to provide for our youth without imposing a financial

burden on the foster families.

We have begun our fund-raising efforts and need your help. This year we have instituted a scholarship program for eligible students going to college. We will make ten \$1,000 scholarships awards. The Celebration of Excellence is sponsored by the Georgia Association of Homes and Services for Children (GAHSC) and is organized by the Celebration of Excellence Planning Committee. The committee consists of volunteers who are attorneys from the Juvenile Law Committee of the State Bar YLD, caseworkers of the Division of Family and Children Services, child advocates, and community activists who work in the juvenile law field. GAHSC's address is 34 Peachtree Street, NW, Suite 710, Atlanta,

Georgia 30303. The phone number is (404) 572-6170. To make a tax deductible contribution to the scholarship program, please contact Annette VanDevere, Director, Celebration of Excellence at (770) 424.5668 or (404) 572-6170. Also, for a \$10.00 donation you will receive a Celebration of Excellence coffee mug and a T-shirt for a \$20 donation.

If you would like to volunteer or make a donation, please contact our Planning Committee Chair Michelle Barclay at (404) 657-9219. We are available to speak at bar functions or we can send a videotape of last year's media coverage upon request. Thank you for your assistance. ☒

### Continued from Page 72

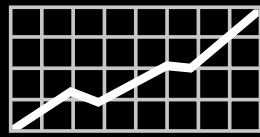
This year the committee has made an effort statewide to recruit young lawyers to participate in the event the call comes, with the hope that it never does.

The committees are where most of the work of the Division is accomplished. There are more than 20 other YLD committees about which I have not written. All of them furnish opportunities for lawyers to participate in the bar, and allow the lawyer to provide a personal benefit to the public and the profession, and perhaps even have some fun in the process. ☒

### Continued from Page 34

3. 35 U.S.C. § 101 (1994).
4. *Id.* § 102.
5. 35 U.S.C. § 103 (1994 & Supp. III 1997).
6. 35 U.S.C. § 112 (1994).
7. *Id.*
8. *Id.*
9. *White Consolidated Indus. v. Vega Servo-Control, Inc.*, 214 U.S.P.Q. (BNA) 796 (E.D. Mich. 1982), *aff'd on other grounds*, 713 F.2d 788 (Fed. Cir. 1983).
10. *Hirschfeld v. Banner*, 462 F. Supp. 135 (D.D.C. 1978), *aff'd without op.*, 615 F.2d 1368, (D.C. Cir. 1980).
11. 35 U.S.C. § 101 (1994).
12. *Diamond v. Chakrabarty*, 447 U.S. 303, 308-309 (1980).
13. *In re Lowry*, 32 F.3d 1579 (Fed. Cir. 1994).
14. 37 C.F.R. §§ 1.56, 1.97 & 1.98 (1996).

15. 35 U.S.C. §§ 101, 102, 103 & 112 (1994 & Supp. II).
16. 35 U.S.C. § 112 (1994).
17. 61 Fed. Reg. 7478 (1996).
18. *In re Abele*, 684 F.2d 902 (C.C.P.A. 1982); *In re Walter*, 618 F.2d 758 (C.C.P.A. 1980); *In re Freeman*, 573 F.2d 1237 (C.C.P.A. 1978).
19. *Diamond v. Diehr*, 450 U.S. 175 (1981); *Parker v. Flook*, 437 U.S. 584 (1978); *Gottschalk v. Benson*, 409 U.S. 63 (1972).
20. *State Street*, 149 F.3d at 1374.
21. 35 U.S.C. § 112 (1994).
22. *Graham v. John Deere Co.*, 383 U.S. 1 (1966).
23. 35 U.S.C. § 141.
24. *Id.* § 145.



# Getting from Here to There: Improving How Computers Work for You

By Terri Olson

## LET'S SAY YOU ADMIT THAT

WordPerfect 5.1 on your non-networked 286s is just a tad behind the times. You agree that you wouldn't know where the on switch was if your life depended on it, and your secretary is not much better. How do you get from where you are to being, if not a computer guru, at least one of the functionally literate?

One of the best decisions you can make is subscribing to a magazine that covers computer topics specifically of interest to lawyers. While there are some excellent periodicals out there, like *PC Magazine*, *Computer Shopper* and *InfoWorld*—and I recommend them highly as background reading for purchasing new hardware, networking or utilities—these do not focus on the applications that lawyers use every day, nor the contexts in which

the lawyers use them.

A magazine like *Law Office Computing* (published by James Publishing) or *Law Practice Management* (offered to members of the ABA's LPM section or available through the ABA by separate subscription) can be much more valuable. In these you will find shootouts of popular case management programs, reviews of specialty software in bankruptcy or real estate, articles on networking, use of Macs in the law firm, Internet research—the list goes on and on. While *Law Practice Management* also covers general issues on management and administration of law practice, at least several issues a year focus on technology.

By doing your homework you will be much less vulnerable to proposals from computer salespeople who are not looking out for your best interests. Reading these periodicals

will make you more knowledgeable about the vast assortment of software solutions out there for your firm.

I have seen proposals that ranged from designing a program from scratch to installing a \$60,000 UNIX-based package submitted to a three-person firm that wanted new time and billing software. Small firm billing software is available for as little as \$200-\$300 dollars! Obviously, knowledge is the best defense.

The State Bar's Law Practice Management Program is also happy to review any bids for installation of new equipment that your firm receives. We can consult with you to determine what your needs are and whether the proposal you have in hand is a good match for those needs. In addition, we can provide you with reviews and recommendations for software.

But fancy new equipment is worthless if you don't know how to use it. Fortunately, numerous resources exist for providing you and your staff with training in your operating environment and applications software. Unless you are already extremely comfortable with your PC, I suggest that you begin by familiarizing yourself with the Windows 95 or 98 operating system. Almost any city large enough to have a community college will have regular computer instruction classes. Usually, a one-time class is sufficient for each person in the office who will be expected to use a computer.

Arthur Anthony  
pickup 2/99 p53

In the larger cities, training may be available through CompUSA, ExecuTrain, or New Horizons as well.

You also need to provide training for yourself and your employees on commonly used applications, such as word processing, e-mail, or network calendaring. Again, classes in WordPerfect, Word or Outlook are easy to find at colleges and training centers. Expect at least one or two full days in training at a cost of at least several hundred dollars a day. I also highly recommend getting a private instructor to come into the law firm and train individuals on the specific features that they are most interested in learning about; the only downside to this (aside from the scarcity of such trainers) is the expense, which may be \$100 or more an hour.

If this runs you over budget, you might want to consider training videotapes from a reputable company such as the LearnKey Corporation (1-800-865-0165). While not as effective for training purposes as one-on-one or classroom instruction, they are informative and inexpensive (generally \$60 or so a tape). Even firms that send staff to classes may want to invest in a tape library, for the simple reason that tapes can be referred to over and over again as the need arises.

But what about applications for which you can't find classes or tapes? Many law office specific programs, such as your real estate closing, case management, or billing software, may be sold by a small company that markets to only a few hundred or a few thousand firms. Under those circumstances, you obviously won't find a class at CompUSA, so what do you do?

Generally your only real option is to hire a certified trainer or consultant who is approved by the company (or may even be an em-

ployee of the company) to train people on its software. These trainers usually have a high level of competency in the product, but again, they may be expensive. Any software vendor should be able to provide you with a list of certified consultants.

Some companies—billing vendors Alumni and Juris, and case management vendor Chesapeake Interlink for example—will hold training at the company headquarters. You must, of course, pay for travel in addition to a training fee, but you will have the opportunity to meet and compare notes with dozens of other users of your program. Later, you can contact them directly for help and advice.

Such individualized training, although expensive, is well worth the investment in the long run. If your bookkeeper discovers a way of

formatting bills that keeps you from having to print cover letters in WordPerfect, you will have saved dozens of staff hours over the course of a year—far more valuable than the hundreds you may have paid for training. And the more training staff get, the more comfortable they are with each successive application you purchase. As their comfort level rises, they may be able to rely more and more on the written manuals or online help that comes with the program instead of direct tutoring. And if you participate in the training yourself, you'll finally be able to print a letter if your secretary is out sick! ☒

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*Terri Olson is director of the Law Practice Management Program.*

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# ADR Bids Watson Farewell

By Ansley Boyd Barton

**FEBRUARY 1999 MARKED THE** conclusion of Jack H. Watson's nine-year tenure as chair of the Supreme Court of Georgia's Commission on Dispute Resolution and of its predecessor, the Joint Commission on Alternative Dispute Resolution—a task force appointed jointly by the Supreme Court of Georgia and the State Bar of Georgia.



**Jack Watson**

I have used a variety of metaphors in describing the work of the Georgia Commission on Dispute Resolution. My recent favorite is a journey in which the way is never apparent, the road is never entirely straight, and one encounters all kinds of obstacles, as well as small and large triumphs along the way. On most journeys, the defining moments are rare. We have reached one of those defining moments in bidding farewell to Jack.

Since September of 1990, Jack has given unstintingly of his time, his good judgment, and his formidable intellect in the service of dispute resolution in the state. His leadership is apparent in all aspects of the Commission's work in policymaking, rulemaking, developing ethical standards for neutrals, and in planning on all levels. I believe it is fair to say that the most important reason for the rapid

development of ADR in Georgia is the leadership that Jack and other members of the Commission have shown. We have benefitted from the tireless efforts of a group of people

of unusual vision, energy, and political acuity.

With the conclusion of Jack's term as Chair of the Commission, he will end another connection to

## Georgia Commission on Dispute Resolution

Jack H. Watson Jr., Esq., Permanent Chairperson  
Evans J. Plowden Jr., Esq., Chair-Elect

Dr. Peter Ash  
Justice George H. Carley  
Judge Martha C. Christian  
Judge Philip F. Etheridge  
Judge Martha K. Glaze  
Maryellen Griffin, Esq.  
William B. Hill Jr., Esq.  
Helaina Jolly-Triche  
Judge Allen B. Keeble

Judge Guy D. Pfeiffer  
Judge Marion T. Pope  
R. Wayne Thorpe, Esq.  
Douglas H. Yarn, Esq.  
Justice Harold G. Clarke,  
Ex Officio Member  
William E. Cannon Jr., Esq.,  
Ex Officio Member

## Former Members of the Georgia Commission on Dispute Resolution

Judge James G. Bodiford  
Dennis Caniglia  
Foy R. Devine, Esq.  
Judge Hilton Fuller  
Judge Kathlene F. Gosselin  
William C. Hatcher

Judge Hugh Lawson  
Robert McMahan  
Sen. Mary Margaret Oliver  
Dr. Sandra Maass-Robinson  
Bernard Taylor, Esq.

## Joint Commission on Alternative Dispute Resolution, September 1990-February 1993

Chief Justice Harold G. Clarke, Co-Chairperson  
Evans J. Plowden Jr., Esq., Co-Chairperson  
Jack H. Watson Jr., Esq., Permanent Chairperson

Judge George H. Carley  
Thomas C. Chambers III, Esq.  
Martha C. Christian, Esq.  
Chris Curle  
Sen. J. Nathan Deal  
Foy R. Devine, Esq.  
Judge Jack P. Etheridge  
Judge Hilton Fuller

Mark A. Gonnerman, Esq.  
Paul Kilpatrick Jr., Esq.  
Judge Hugh Lawson  
Charles T. Lester Jr., Esq.  
H. Worthington Lewis, Esq.  
Rep. Charles Thomas  
Ansley B. Barton, Reporter

Georgia. His accomplishments to date are truly remarkable, and many of them are connected in some way to this state. A member of my staff, leafing through his resume, remarked that she would be more than satisfied to have his accomplishments through college! Jack was educated at Vanderbilt University and Harvard Law School and served in the U.S. Marine Corps. Following law school he joined the firm of King & Spalding in Atlanta in 1966. Jack became part of the administration of President Jimmy Carter in 1976, serving as Director of the Carter-Mondale Transition Team, as Assistant to the President for Intergovernmental Affairs and Secretary to the Cabinet, and as White House Chief of Staff. Upon his return to Georgia, he ran for Governor of Georgia. He joined the firm of Long, Aldridge & Norman as a senior partner in 1992 and became resident senior partner

of the firm's Washington office in 1994. In February of 1998, he was named Chief Legal Strategist of Monsanto Company.

The common thread that runs through his career is that of service. Jack has given generously of his time to serve on numerous Georgia commissions and boards dedicated to the public interest. This work has touched a variety of areas from health to public policy. On an international level, he has served as an advisor to the governments of other countries on a wide range of issues and has represented President Clinton abroad on several occasions.

It has been my privilege to collaborate with Jack from the inception of our work to make alternative dispute resolution processes available to courts throughout the state. I will sorely miss his guidance and support. For several years that support has been long

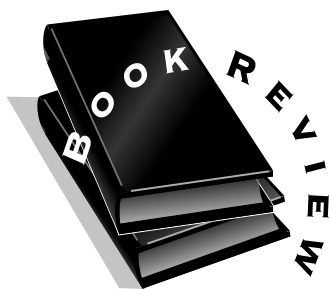
distance, but always there when needed. One would always like to have more of Jack's time, but because of his ability to focus on a problem, an hour of his attention to a problem is worth several hours from someone else. About the only thing that I won't miss is his uncanny ability to glance once at a page and immediately spot the only error. I have tried to convince him that I always leave at least one to make him feel good.

The Georgia Commission on Dispute Resolution will miss Jack's leadership. The work that has been done under that leadership is more solid because of it, and the path for the future is somewhat more clear. His mark upon our achievements is indelible. ■

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*Ansley Boyd Barton is director of the Georgia Office of Dispute Resolution.*

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# VOICES OF HISTORY TELL BLACK WOMEN'S STORIES

**J. Clay Smith Jr., ed. *Rebels in Law: Voices in History of Black Women Lawyers*, University of Michigan Press, 290 pages, \$39.50**

**Reviewed by Amy S. Gellins**

**REBELS IN LAW: VOICES IN HISTORY OF BLACK Women Lawyers**, a collection of writings by black women lawyers, reveals the adversity that they faced because of race and gender—and, regrettably, many still do—in their quest to join the legal profession. Indeed, the book's appendix contains "1950-90 census data that demonstrate[s] that even with the benefit of affirmative action, the progress of black women lawyers has not kept pace with the steady increase in the number of white women lawyers." These stories teach us, though, that with spirit, courage and determination, black women have triumphed in law and have made significant societal contributions.

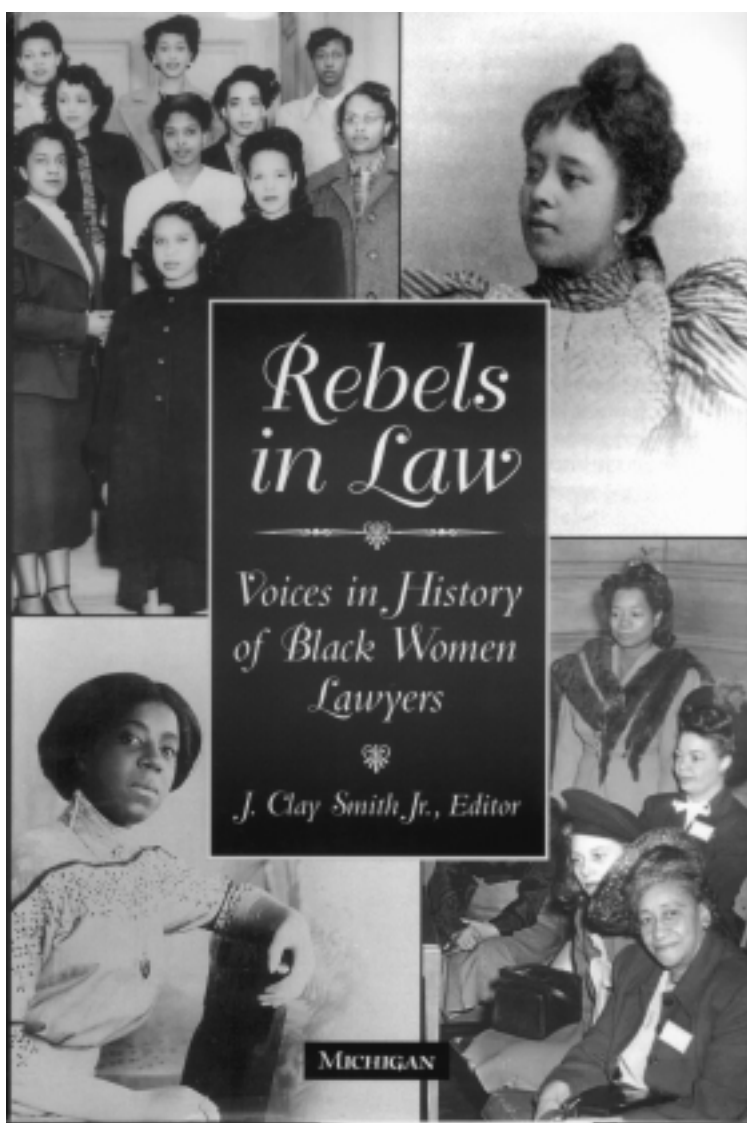
J. Clay Smith Jr. is a Professor and former Dean of Howard University Law School. He has held other esteemed leadership posts, including serving as a member of the Equal Employment Opportunity Commission and as president of the Washington and Federal Bar Associations, respectively. Professor Smith is also the author of *Emancipation: The Making of the Black Lawyer 1844-1944*, as well as numerous articles.

In compiling *Rebels in Law*, Smith obtained texts from speeches and writings presented between 1897 and 1995 by 50 black women lawyers. The book is divided into diverse topics, including: Law and its Call to Black Women; The Power of Black Women; Legal Education, the Legal Academy, and the Legal Profession; On Presidents and Judges; Race Equality, Justice and Freedom;

Crime and Criminal Justice; and International Concerns. This diversity reflects the myriad achievements by black women in all such fields, and their writings detail unique journeys and accomplishments. In turn, all who read their stories, including those of us who happen to be of different races and/or gender, gain an enriched understanding of this history, and perhaps even more notably, of our collective society's continued need for change.

Although several of the writings were reprinted from journals or are texts of speeches previously given, Prof. Smith also gathered, and in some instances requested, submissions that have not before been shared publicly. One such example is the story of Mahala Ashley Dickerson, the first black woman attorney in Alabama.

Other authors are perhaps better known, such as Judge Constance Baker Motley, the first black woman appointed to the federal bench and Professor Anita Hill.



Each story, however, deserves the reader's appreciation for the author's individual perspectives and achievements. For instance, Ollie May Cooper shaped history in important ways, but she is perhaps less well-known to those of us in the "outside world." As the former secretary to the Dean of the Howard University Law School, as a Professor, and as a founder of the Epsilon Sigma Iota legal sorority, Ollie May Cooper advised, mentored and encouraged many black women at Howard, and thus, Cooper profoundly affected society. Indeed, Professor Smith dedicated *Rebels in Law* in part to Ms. Cooper, acknowledging that she "guided me to Black women legal scholars."

*Rebels in Law* includes writings and information about so many black women lawyers who made history that all merit mention, but the following are examples of the varieties of achievements by the contributors:

- ♦ Lutie A. Lytle (1871-?) was the first woman in the nation to teach at a chartered law school, and the first black woman admitted to practice in both Tennessee and Kansas (in 1907);
- ♦ Sadie Tanner Mossell Alexander (1898-1989), was the first black woman to both serve on the *University of Pennsylvania Law Review* and to graduate from the Law School (in 1927);
- ♦ Helen Elsie Austin (1910- ) is a first in many ways including as: a law graduate of the University of Cincinnati, an assistant attorney general for Ohio and an employee of the National Labor Relations Board;
- ♦ Goler Teal Butcher (1925-93) accomplished much through her service as editor-in-chief of the *Howard University Law Review*, her clerkship in the federal judicial system, and in varied ways during her tenures with the Department of State and the House Foreign Affairs Committee, respectively;
- ♦ Jean Camper Cahn (1935-91) was the first black woman to teach at a white law school (George Washington University in 1968), and the first black woman founder of an American law school (Antioch, 1972);
- ♦ Georgia Huston Jones Ellis (1892-1953) was the first black woman to hold a quasi-judicial post in Chicago's judicial system as well as the first high-ranking woman officer in a national bar association (1929);
- ♦ Patricia Roberts Harris (1924-85) achieved many successes during her life, including her appointments as the first black American serving as an ambassador to Luxembourg, the first black woman to serve as dean of a law school (Howard University), and as secretary of the department of Housing and Urban Development;
- ♦ Barbara C. Jordan (1936-1996) an eloquent orator and distinguished politician, was the first black and the first woman elected to the Texas Senate since 1883, and

later, one of two black people elected to the U.S. House of Representatives since Reconstruction;

- ♦ Ruth Whitehead Whaley (1901-77) was the first black woman to graduate from Fordham Law School (1925), hold a major public post in New York City, engage in the active practice of law in New York, and be admitted to the North Carolina bar; and
- ♦ Barbara Mae Watson (1918-83) achieved success in many careers in addition to the law, and was the first black American to hold a post that carried the rank of assistant secretary of state, having been appointed by Jimmy Carter in 1977 as assistant secretary of state for consular affairs.

*Rebels in Law* also contains many other notable writings, which give the reader rare insight into the thoughts and visions of these distinctive lawyers whose voices too long have been overlooked. ☒

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*Amy S. Gellins is a solo practitioner in Athens, Ga., whose practice consists of civil rights and employment-related matters undertaken almost exclusively on behalf of employees. She is a 1985 graduate of the University of Georgia School of Law.*

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## WHO'S WHERE

### In Atlanta

**The Lawyers Foundation of Georgia**, formerly known as the Fellows Foundation, announces that **Lauren Larmer Barrett**, formerly with the Development Department at the **Georgia Institute of Technology**, is the new director of the Foundation. Her office is located at 800 The Hurt Bldg., 50 Hurt Plaza, Atlanta, GA 30303; (404) 526-8617.

**Mark H. Cohen**, formerly Gov. Zell Miller's executive counsel and chief of staff, has joined the firm of **Troutman Sanders LLP**. The office is located at NationsBank Plaza, 600 Peachtree St., NE, Suite 5200, Atlanta, GA 30308.

**Love and Willingham LLP** announces that **Traci Green Courville** is a partner with the firm. The office is located in Suite 2200, NationsBank Plaza, 600 Peachtree St., Atlanta, GA 30308; (404) 607-0100.

**Arnall Golden & Gregory LLP** announces that **Jonathan E. Eady**, **Michael D. Golden**, **George A. Mattingly**, **Steven A. Pepper** and **Scott E. Taylor** have become partners of the firm. **Ronald A. Weiner** has also joined the firm as associate. The office is located at 2800 One Atlantic Center, 1201 West Peachtree St., Atlanta, GA 30309-3450; (404) 873-8500.

**Margaret Pierotti Eisenhauer** has joined the firm of **Hunton Williams** as of counsel. The office is located at Nations Bank Plaza, Suite 4100, 600 Peachtree St., NE, Atlanta, GA 30308-2216; (404) 888-4000.

**The Chestney-Hawkins Law Firm** announces that **W. Thompson Hatcher III** has become associated with the firm. The new office is

located at 448 East Paces Ferry Rd., Atlanta, GA 30305; (404) 816-8777.

**Rowe, Foltz & Martin PC** announces that **Kevin H. Hudson** has joined the firm as associate and **Jeff D. Woodard** has been appointed of counsel. The office is located at Five Piedmont Center, Suite 750, Atlanta, GA 30305-1509; (404) 231-9397.

**Ogletree, Deakins, Nash, Smoak & Stewart PC** announces the relocation of its Atlanta office to 600 Peachtree St., NE, Suite 2100, Atlanta, GA 30308; (404) 881-1300.

**King & Spalding** announces that **Raymond Sheley**, formerly a partner with **Powell, Goldstein, Frazier & Murphy LLP**, has joined the firm as partner with the Atlanta real estate practice. The office is located at 191 Peachtree St., Atlanta, GA 30303-1763.

**Kilpatrick Stockton LLP** announces that **Fred A. Slone** has joined the firm as an associate in the Securities and Franchising Group; and **Michael L. Mason** has joined the firm as an associate in the finance practice group. The office is located at 1100 Peachtree St., Suite 2800, Atlanta, GA 30309.

**Alston & Bird LLP** announces that **Jane F. Thorpe** has been named partner in the medical products and services practice group. The office is located at One Atlantic Center, 1201 Peachtree St., Atlanta, GA 30309-3424; (404) 881-7000.

**Jones & Askew LLP** announces that the following attorneys have become associated with the firm: **M. Scott Boone**, **John M. Briski**, **Christopher J. Chan**, **Lisa C. Elsevier**, **Shelby B. Grier**, **S. Craig Hemenway**, **Paul E. Knowlton** and **Suzanne Seavello Shope**. The firm

also announces the following have become members of the firm: **Holmes J. Hawkins III**, **Mary Anthony Merchant Ph.D.** and **William L. Warren**. The office is located at 191 Peachtree St., NE, 37th Floor, Atlanta, GA 30303-1769; (404) 818-3700.

The firm of **Cochran, Cherry, Givens and Smith** announces that **Audrey Tolson**, **Zenobia Arnold** and **Shean Williams** will become associate attorneys of the firm. The Atlanta office is located at 771 Spring St., Atlanta, GA.

**David A. Weissman**, formerly a partner with **Weissman, Robinson, Italiaander & Rappaport PC**; and **Scott I. Zucker**, formerly a partner with **Shapiro Fussell Wedge Smotherman & Martin LLP**, have formed the law firm of **Weissman & Zucker PC**. The office is located at Atlanta Financial Center, 3343 Peachtree Rd., NE, Suite 750, Atlanta, GA 30326; (404) 364-2300.

### In Calhoun

The firm of **Ledbetter, Little & Smith LLC** announces that **Jesse L. Vaughn** has joined the firm as an associate. The office is located at 110 North Wall St., Calhoun, GA 30701; (706) 629-8888.

### In Decatur

**Mary McCall Cash** has joined the firm of **Russell & Herrera PC** as an associate in the areas of domestic relations and probate. The office is located at Two Decatur TownCenter, Suite 330, 125 Clairemont Ave., Decatur, GA 30030; (404) 378-7200.



## In Norcross

**Johns & Johns LLC** announces that **Amy L. Tobias** has joined the firm as an associate. The office is located at 3295 River Exchange Dr., Suite 190, Norcross, GA 30092; (770) 734-0220.

**Thompson, O'Brien, Kemp & Nasuti PC** announces that **Paul J. Morochnik** has become an equity member of the firm and **Ronald F. Negrin** has become associated with the firm. The office is located at 4845 Jimmy Carter Blvd., Norcross, GA 30093; (770) 925-0111.

## In Macon

**Hall, Bloch, Garland & Meyer** announces that **Todd C. Brooks** has become a partner in the firm. The office is located at 1500 Charter Medical Bldg., 577 Mulberry St., Macon, GA 31208.

## In Woodstock

**Kathleen A. Kerr** announces the relocation of her office to 1005 Weatherstone Parkway, Suite 230, Woodstock, GA 30188; (404) 926-2309.

## In Alabama

**Sabel & Sabel PC** announces that **Marcia D. Bennekin**, former law clerk to Hon. Charles Price of the 15th Judicial Circuit, Montgomery County; and clerk to Hon. Sharon G. Yates of the Alabama Court of Civic Appeals, has become associated with the firm. The office is located at 2800 Zelda Road, Suite 100-5, Montgomery, AL 36106; (334) 271-2770. ☐



**Photo 1:** Law Staff IV—"How to Deal with Difficult Clients, Coworkers and Bosses" was recently held at the Satellite Office. Terri Olson and Natalie Thornwell of the Bar's Law Practice Management department presented the program along with a panel of lawyers (above, l-r), Joseph Carter, Bob Richbourg and Bob Reinhardt. **Photo 2:** U.S. Congressman and State Bar of Georgia member Sanford Bishop recently was in Tifton and the Satellite Office helped arrange a golf match with local citizens. Shown at left with Rep. Bishop are the new Tifton Chamber of Commerce Director James Cheves; Tony Cella, a member of the Tift County High School golf team; and



First Community Bank President Butch Davis. **Photo 3:** The South Georgia Office was used as a lab recently when attorneys James Towson of Macon and Hugh Gordon of Tifton prepared for a case. Richard Edwards from Engineering Design and Testing Corporation in Birmingham, Ala., performed the tests.



## IN MEMORIAM

The Georgia Bar Foundation Inc. sponsors activities to promote charitable, scientific and educational purposes for the public, law students and lawyers. Memorial contributions may be sent to the Georgia Bar Foundation Inc., 800 The Hurt Building, 50 Hurt Plaza, Atlanta, Georgia 30303, stating in whose memory they are made. The Foundation will notify the family of the deceased of the gift and the name of the donor. Contributions are tax deductible.

Bobar, Edward J. Norcross	Admitted 1979 Died January 1999	Lucas, Kenneth E. Warner Robins	Admitted 1974 Died February 1999
Crooks, Joseph W. Atlanta	Admitted 1970 Died January 1999	Moody Jr., Willis E. Buford	Admitted 1980 Died December 1998
Edwards, Joe R. Atlanta	Admitted 1951 Died January 1999	Patrick Jr., Robert W. Atlanta	Admitted 1964 Died January 1999
Epstein, Leon S. Atlanta	Admitted 1950 Died January 1999	Settle, William H. Atlanta	Admitted 1961 Died February 1999
Lewis, Miles Walker Greensboro	Admitted 1941 Died January 1999	Stuart, John David Atlanta	Admitted 1994 Died January 1999

## LAWYER DISCIPLINE

Name	City	Discipline	Date of Supreme Court Order
Johnnie Cameron .....	Union City .....	disbarred .....	Feb. 8, 1999
Richard A. Coleman .....	Atlanta .....	3-year suspension with conditions .....	Jan. 19, 1999
Michael Anthony Lewanski .	Savannah .....	voluntary surrender of license .....	Feb. 22, 1999
Douglas Harry Pike .....	Atlanta .....	disbarred .....	Feb. 8, 1999
Jacquilin Reeves .....	Powder Springs .....	disbarred .....	Feb. 8, 1999
Sybol Patricia Williams .....	Philadelphia, PA .....	6-month suspension with conditions .....	Feb. 8, 1999

**CAUTION! Over 30,000 attorneys are eligible to practice law in Georgia. Many attorneys share the same name.**  
**You may call the State Bar at (404) 527-8700 or (800) 334-6865 to verify a disciplined lawyer's identity.**  
**Also note the city listed is the last known address of the disciplined attorney.**

## Summary of Recently Published Trials

Bibb Superior Ct. ....	False Imprisonment - Hospital - Theft Allegation .....	\$18,000
Clayton State Ct. ....	Assault & Battery - Bar Patron - Altercation .....	\$203,266
Clayton Superior Ct. ....	Auto/Truck Accident - Right-of-Way - Liability Admitted .....	\$31,000
Clayton Superior Ct. ....	Falldown - Gas Station - Open Water Meter Housing .....	\$29,500
Cobb State Ct. ....	Auto Accident - Intoxicated Motorist - Dram Shop Liability .....	\$600,000
Cobb State Ct. ....	Auto Accident - Rear-End - Sudden Stop .....	\$86,000
Cobb State Ct. ....	Auto Accident - Intersection - Right-of-Way .....	\$23,744
Cobb Superior Ct. ....	Contract - Printing Advertisements - Right of First Refusal ..	\$4,016,828
DeKalb State Ct. ....	Auto Accident - Rear-End - Following Too Closely .....	\$91,166
DeKalb State Ct. ....	Auto Accident - Rear-End - Intoxicated Motorist .....	\$40,000
DeKalb Superior Ct. ....	Trespass - Waterflow onto Property - Land Modifications .....	\$27,500
Floyd U.S. District Ct. ....	Discrimination - National Origin - Wrongful Discharge .....	\$60,000
Fulton State Ct. ....	Multi-Vehicle Collision - Rear-End - Liability Admitted .....	\$50,000
Fulton State Ct. ....	Fraud - Promise to Handle Citation - Emotional Distress .....	\$700,000
Fulton Superior Ct. ....	Legal Malpractice - Insurance Claim - Fiduciary Duty ... Defense Verdict	
Fulton Superior Ct. ....	Fraud - Sale of Convenience Store - Average Sales .....	\$22,000
Fulton Superior Ct. ....	Falldown - Elevator - Malfunctioning Door .....	Defense Verdict
Fulton Superior Ct. ....	Elevator Malfunction - Office Building - Fast Descent .....	\$65,000
Fulton Superior Ct. ....	Nuisance - Condominiums - Noise Generated by Fans .....	\$29,200
Fulton Superior Ct. ....	Contract - Sale of Liquor Store - Loss of License .....	\$60,000
Fulton Superior Ct. ....	Falldown - Supermarket - Water on Entrance Floor .....	\$15,000
Fulton U.S. District Ct. ....	Employment - Sexual Harassment - Retaliation .....	Defense Verdict
Fulton U.S. District Ct. ....	Medical Malpractice - Epidural - Fatality .....	Defense Verdict
Fulton U.S. District Ct. ....	False Arrest - Police - Scene of Drug Deal Arrests .....	Defense Verdict
Fulton U.S. District Ct. ....	Wrongful Discharge - Reverse Race Discrimination .....	\$22,037
Gwinnett State Ct. ....	Bicycle Accident - Candy Bar Thrown at Bicyclist .....	\$1,000
Gwinnett Superior Ct. ....	Employment - Wrongful Discharge - Retaliation .....	\$4,747
Gwinnett Superior Ct. ....	Surveyor Malpractice - Error in Measuring Property .....	Defense Verdict
Richmond Superior Ct. ....	Civil Rights - Juvenile in Detention Center - Rape/Battery .....	\$250,000
Rockdale State Ct. ....	Auto Accident - Vehicle Disabled in Gore of Road .....	\$24,525

## Let us help you settle your case

The Georgia Trial Reporter is the litigator's best source for impartial verdict and settlement information from State, Superior and U.S. District courts.

For 10 years GTR case evaluations have assisted the Georgia legal community in evaluating and settling difficult cases. Our services include customized research with same-day delivery, a fully searchable CD-ROM with 10 years of data and a monthly periodical of recent case summaries. Call 1-888-843-8334.

Wade Copeland, of Webb, Carlock, Copeland, Semler & Stair of Atlanta, says, "Our firm uses The Georgia Trial Reporter's verdict research on a regular basis to assist us in evaluating personal injury cases. We have been extremely pleased with both the results and service and would recommend them to both the plaintiff's and defense bar."



### Department Store Found Liable in the Amount of \$962,500, Including \$100,000 Punitives, for False Imprisonment

Plaintiff was shopping in defendant's store and, after trying on certain items, was stopped and handcuffed in the parking lot and ultimately strip searched. Defendant miscounted certain items. (*Cooper v. Neiman Marcus*; Fulton County U.S. District Court)

♦ ♦ ♦

### Male Employee Wins \$427,671 Against Employer for Sex Discrimination

Plaintiff, a black male, alleged he was fired in retaliation for complaints he made to the board of directors about his black female supervisor. (*Early v. Fulton Community Action*; Fulton County U.S. District Court)

♦ ♦ ♦

### Failure to Diagnose and Treat Pneumonia Results in \$1,250,000 Wrongful Death Award in Medical Malpractice Case

A 30-year-old married female presented to defendant emergency room with classic pneumonia symptoms which an X-ray confirmed but proper treatment was not rendered and plaintiff's decedent died 5 days later. (*Boatner v. Woods*; Fulton County State Court)

♦ ♦ ♦

### \$1,200,000 Verdict Against City for Negligent Supervision of a Contractor when Lineman Sustains Electrical Burns

Plaintiff was an apprentice lineman hired by a contractor who was performing work for defendant city when he was shocked by a 7,200 volt power line. (*Price v. Thomasville*; Albany County U.S. District Court)

♦ ♦ ♦

### Multi-Truck Accident Results in \$150,000 Settlement

Plaintiff truck driver sustained a lacerated jejunum and colon along with other injuries and about \$29,000 in medical after defendant trucker pulled his rig from the shoulder of the road back into the traffic lane. (*Kiser v. Nesmith*; Carroll County State Court)

**Joseph M. Beck**, a partner with the firm of Kilpatrick Stockton and chairperson of the Southeast Chapter of the Copyright Society, was co-chair of the Copyright Society of the USA meeting held in Atlanta in February. The Copyright Society is a non-profit corporation which fosters interest and study of copyright law and rights in literature, music, art, theater, motion pictures, television, computer programs, architectural works and other forms of intellectual property.


**Jamie L. Green**, an intellectual property attorney and partner in the biomedical & chemical technology

group of Jones & Askew LLP, has been appointed to the Board of Trustees for the Georgia Chapter of the Huntington Disease Society of American (HDSA). The HDSA is the only national voluntary health agency dedicated to finding a cure for Huntington's Disease.

**George Lange III** was named director of Administrative Office of the Courts of Georgia. The Administrative Office of the Courts is the state agency charged with developing policies of court administration and improvement. It is the administrative arm of the Supreme Court of Georgia.

The American Board of Criminal Lawyers announces that **Bruce Maloy** of Atlanta has been elected as a fellow of the organization. This group of criminal attorneys has high standards of acceptance, major felony trial requirements, high ethical standards and exceptional recommendations from jurists and lawyers.

**C. Murray Saylor Jr.**, a partner in The Saylor Firm LLP, was elected treasurer of the American Association of Attorney-Certified Public Accountants. He also served as the co-chair and secretary of the recent national convention in Atlanta. The AAA-CPA is comprised of men and women who are dual qualified to practice as lawyers and CPAs.

The Forsyth County Association of Criminal Defense Lawyers has been formed as a non-profit association of attorneys practicing law in the state and superior courts of the Bell-Forsyth Judicial Circuit in Forsyth County. The officers elected during the charter meeting are: **Thomas P. Knox**, president; **Rafe Banks III**, president-elect; **Bert E. Barker**, secretary and **T. Russell McClelland III**, treasurer. 

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# Benham Community Service Award Nominations Open

*"These awards recognize the excellent contributions that lawyers make in their communities."*

— J. Henry Walker, Community Service Task Force and YLS Past President, State Bar of Georgia

**FOR THE SECOND YEAR, THE** State Bar of Georgia and the Community Service Task Force of the Chief Justice's Commission on Professionalism are sponsoring up to 10 awards to honor lawyers who have made outstanding contributions in the area of community service. The Chief Justice Robert Benham Awards for Community Service will be presented at the Annual Meeting in June. The recipients will be selected from the nominations based on the following criteria:

These awards recognize attorneys who have combined a professional career with outstanding service and dedication to their community through voluntary participation in community organizations, government sponsored activities or humanitarian work. These lawyers' contributions may be made in any field including but not limited to the following: social service; church work; politics; education; sports; recreation; or the arts. Continuous activity over a period is an asset.

To be eligible a candidate must:

- 1) be an attorney admitted to practice in Georgia;
- 2) be currently in good standing;
- 3) have carried out outstanding work in community service; and
- 4) not be a member of the Task Force.

Members of the Community Service Task Force may not make or submit nominations.

Nominations may be made by

letter, accompanied by information about the nominee sufficient to allow the Task Force to make a reasonable judgment.

**Selection Process:** The Community Service Task Force will review the nominations and select the recipients. One recipient will be selected from each judicial district for a total of 10 winners. If lack of nominations resulted in no recipient in a district, then two or more recipients might be selected from the same district. All

Community Service Task Force decisions will be final and binding. Award recipients will be notified no later than June 1, 1999.

Nominations must be post-marked by May 1, 1999. Please submit to the Community Service Task Force, c/o the Chief Justice's Commission on Professionalism, 800 The Hurt Building, 50 Hurt Plaza, Atlanta, Georgia 30303. For information, please call Lisa McCranie at (800) 334-6865 ext. 793. ☒

## Professionalism Commission Celebrates 10th Year



**The Chief Justice's Commission on Professionalism celebrated its Tenth Anniversary with a reunion of all past and present Commission members, including all four Supreme Court chief justices who served during the past decade. Pictured at the event are: (above, l-r) Hon. Thomas Marshall, Hon. Harold Clarke and Sally Evans Winkler who serves as the Commission's Director; (left, l-r) Hon. Willis Hunt and Hon. Robert Benham.**

# Savannah Bar Past Presidents Aim to Clean Profession's Image

By Amy Williams

**THE SAD STATE OF THE** public's opinion of lawyers is a matter of concern to the entire profession. Many lawyers are sick of being the butt of jokes, of being lionized on television and in movies, and of being associated with the disturbing cases that receive inordinate media attention.

A group of past presidents of the Savannah Bar Association are particularly worried about the tarnishing of the profession's reputation in their area. Many of them, including Frank Downing, remember a time when Savannah was a quieter town and "some of the old-timers in the community referred to us as colonel." It was a title of respect, says Mr. Downing, and one he was not allowed to refuse just because he had not reached that rank in the military. He would like to return to that time. "We don't have to be called colonel," he says, but he would like to regain the general respect and esteem once reserved for attorneys as leaders in the community. "I feel like our profession has been punched in the

nose, ever since the days of Nixon," asserts Mr. Downing.

Some recent well-publicized discipline cases in Savannah have hit the city's attorneys especially close to home. Two of their colleagues are now in prison for stealing hundreds

of thousands of dollars each from clients. Two others are facing possible disbarment for seizing half of a \$4.8 million settlement without court approval.

These events provided the motivation Mr. Downing needed to act on an idea he had been thinking about for quite some time. He sent a letter to all past presidents of the Savannah Bar, calling for a meeting to discuss forming an association to combat the damage caused by these recent incidents and years of similar publicity. Over two thirds of the past

presidents responded to the letter, and 15 attended the January 6 meeting. Mr. Downing presided over the gathering, and the first order of business was the prospect of forming a permanent committee of past presidents to work with the Savannah Bar. This idea was met with overwhelming approval. Mr. Downing lamented the fact that a past president has little or no involvement with the Bar after he or she has completed one year as president.

Morton Forbes agreed, saying "as far as past presidents,

we don't have an organization." All felt that as past presidents and long-time practitioners of law, they have plenty to offer the Bar and their antecedents in experience and integrity. Robert Duffy said of the Savannah Bar, "frankly, they need us."

The purpose of this committee, the gathered ex-officers decided, would be to "restore the dignity of the Bar and to make the people that we touch and who live here in the



**Savannah Bar Association past presidents who attended the first meeting: (front, l-r): Charles L. Sparkman, Robert J. Duffy, Sol H. Clark, Frank Downing, Lester Johnson, Archibald L. Morris, Malcolm Maclean, Sindney Raskin, Morton Forbes; (back, l-r): Malcolm Mackenzie III, Willis J. Richardson, Patrick T. O'Connor, Luhr Beckmann, Paul Painter, Fred S. Clark**

**CONTINUED ON PAGE 89**



## Official Opinions

**Public Service Commission; chairman.** Under O.C.G.A. § 46-2-5(b), a commissioner on the Public Service Commission who defers serving as chairman, will resume his place, in the following year, at the head of the order rather than behind the other otherwise eligible commissioners. (1/4/99 No. 99-1)



**Attorney General  
Thurbert Baker**

**Depositories, State.** Standby letters of credit issued by a Federal

Home Loan Bank do not meet the statutory criteria for collateral for deposits of public funds. (2/9/99 No. 99-2)

**Local governments; budget amendments.** The requirement that amendments to the budgets of local governments be adopted by ordinance or resolution is not satisfied by the adoption of a "blanket amendment" in the local government's budget resolution. (2/24/99 No. 99-3)

## Unofficial Opinions

**Schools, Public; security personnel.** School systems in counties with a population of less

than 100,00 may not authorize their school security employees to carry firearms. However, law enforcement personnel who are authorized to carry firearms from some source other than the school board may provide security at school functions. (1/5/99 No. 99-1)

**Licenses, Electrical contractors; local requirements.** Except as provided in O.C.G.A. § 43-14-12, a local government does not have the authority under O.C.G.A. § 48-13-9 to impose additional licensing requirements, including regulatory fees, upon state licensed electrical contractors who conduct business within the jurisdiction of the local government. (2/24/99 No. U99-2) ☒

## Continued from Page 88

vicinity knowledgeable about the fact that lawyers are honest people." Suggested plans to achieve the first part of this objective included a mentoring program that would pair past presidents with younger lawyers in need of guidance. According to Judge John Morse, because the number of lawyers is on the rise, more new lawyers are going into solo practice or becoming highly focused in one area of law, so they don't have much contact with older lawyers. He told the gathered past presidents, "a young lawyer who doesn't come out of a firm and is out there struggling — a sole practitioner or one or two other persons sharing office space or something — that's someone who needs to have some guidance. That's where the easier traps are laid."

Paul Painter expressed fear that "young lawyers today perhaps view law as a business more than they do as a profession, and I don't know how a lot of the history and a lot of the traditions are being passed down to them when they come into town new."

Many attendees expressed the opinion that if the past presidents association were to hold quarterly informal round-table meetings, young lawyers could attend to discuss topics of interest and learn about the history of the Savannah legal system. Young lawyers in need of guidance would listen to them, they believe, because "some of these young lawyers really look at older lawyers with reverence." Also, said Judge Morse, "Any younger lawyer who doesn't sit and listen to someone who's practiced more than 30 years has got to be a fool."

The past presidents believe that their status can also be influential in the community. Because they hold an esteemed position within the profession, "we can speak out on an issue when our legal system is under attack. This could be very effective in molding public opinion." In order to educate the public, they discussed joining the State Bar of Georgia's Speakers Bureau, which supplies various civic and community organizations with a lawyer-spokesperson to speak about law. Mr. Downing says he would love to see the Savan-

nah Bar work more closely with the school system.

Such ambitious plans will take some time to implement. First an amendment to the Savannah Bar's bylaws has to be passed to make the Past Presidents Association an official and permanent committee of the Savannah Bar. "Right now we're just crawling," says Mr. Downing, chair of the association, "but I'm hoping within the next 60 to 90 days to stand up and take a step or two."

He expects the organization to be around much longer than he is. "I know that we're tilling the soil for others to make it grow," says Mr. Downing. He believes that he and the other past presidents are creating something that will spread to other cities and eventually even other states. He hopes that one day bar association past presidents from around Georgia will belong to one organization dedicated to the purpose of promoting dignity, professionalism, honesty, trustworthiness and veracity in the practice of law. ☒

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*Amy Williams is communications coordinator with the State Bar of Georgia.*

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# Focus on the Real Property Law Section

**THE REAL PROPERTY LAW** Section is currently chaired by James “Jim” Jordan of Sutherland, Asbill & Brennan in Atlanta. There are about 2,100 members statewide. This Section has always maintained an active Legislative Committee which tracks all legislation relating to real property law and apprises its members of developments. They also produce a newsletter which contains an ongoing summary of the group’s many activities.

Like other State Bar sections, the Real Property Law Section maintains its own page on the State Bar of Georgia’s Web site at [www.gabar.org](http://www.gabar.org). Members of this section will soon be able to download various documents, like the popular, “Report on Legal Opinions to Third Parties in Real Estate Transactions,” which was prepared by the Opinions Committee of the

## Half Price Sale

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Section. The Section co-sponsors the consumer pamphlet “Buying a Home,” which is available through the Communications Department of the State Bar of Georgia.

Community projects are another facet of this section’s activity. They recently joined the State Bar’s ABC Pro Bono Project. The acronym stands for “A Busi-

ness Commitment.” Transactional lawyers, including real estate practitioners, often have difficulty locating pro bono clients with needs in their legal areas. Conversely, qualified pro bono clients often do not know to whom they should turn for help in organizational or transactional situations. This Project provides a way of matching resources to needs and thus is a particularly effective vehicle for strengthening our communities and thereby improving the public’s perception of our profession.

While the Section co-sponsors several CLE seminars during the Bar year, the largest and most anticipated is the Annual Real Property Law Institute. This year it will be held May 6-8, 1999 at the Sawgrass Marriott in Ponte Vedra Beach, Fla. (register through ICLE at 1-800-422-0893).

Since June 1994, the Section has maintained a committee at the request of the Georgia Department of Revenue, to assist in drafting a set of comprehensive regulations to govern Georgia’s intangible recording tax under O.C.G.A. § 48-6-60 *et seq.* In July 1996, the Georgia Department of Revenue enacted a set of intangible recording tax regulations, which are codified in the rules and regulations of the State of Georgia. ☐

—Lesley T. Smith, Section Liaison

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2/99 p.8

## Disclosure, continued from Page 63

- daily rates, discounting policies, rate levels, long term contracts, marketing plans, and operating expenses").
15. *Avnet*, 263 Ga. at 620, 437 S.E.2d at 305.
  16. *See Camp Creek Hospitality Inns*, 139 F.3d at 1411; *CMAX/Cleveland*, 804 F. Supp. at 348, 357-58.
  17. O.C.G.A. § 10-1-761(2) (Michie 1994 & Supp. 1998).
  18. *Id.* § 10-1-761(1).
  19. 54 F.3d 1262 (7th Cir. 1995).
  20. Several federal courts prior to *PepsiCo* considered the doctrine, yet did not apply it to restrain the former employee's new employment. *AMP, Inc. v. Fleishhacker*, 823 F.2d 1199 (7th Cir. 1987); *Teradyne v. Clear Communications Corp.*, 707 F. Supp. 353 (N.D. Ill. 1989); *see also* Weinstein, *supra* note 1, at 219-23 (discussing early cases and listing state cases applying the doctrine).
  21. *Avnet*, 263 Ga. at 620, 437 S.E.2d at 305.
  22. *See supra* note 20.
  23. *PepsiCo*, 54 F.3d at 1264.
  24. *Id.*
  25. *Id.*
  26. *Id.* at 1270.
  27. *Id.*
  28. *Id.*
  29. *Id.*
  30. *Id.*
  31. *Id.* at 1271.
  32. *Id.* at 1268.
  33. *Id.*
  34. 269 Ga. 553, 501 S.E.2d 501 (1998).
  35. The injunction would dissolve sooner if the impartial verifier appointed by the trial court concluded that Essex Group had developed its own logistics system, the trade secret at issue, independently. *Essex Group*, 269 Ga. at 559, 501 S.E.2d at 506.
  36. *Id.* at 553-54, 501 S.E.2d at 502.
  37. *Id.* at 557, 501 S.E.2d at 504-05.
  38. *Id.*
  39. *Id.* at 555-56, 501 S.E.2d at 503-04. *But see Capital Asset Research Corp.*, 160 F.3d at 687-88.
  40. *American Bldgs.* 260 Ga. at 350, 392 S.E.2d at 864; *Essex Group*, 269 Ga. at 555-56, 501 S.E.2d at 503-04.
  41. *Id.* at 553, 501 S.E.2d at 502.
  42. *Id.*
  43. *Id.* at 557 n.3, 501 S.E.2d at 504 n. 3.
  44. *Id.* at 557, 501 S.E.2d at 505.
  45. O.C.G.A. § 9-5-8 (Michie 1982) ("The granting and continuing of injunctions shall always rest in the sound discretion of the judge, according to the circumstances of each case. This power shall be prudently

- and cautiously exercised and, except in clear and urgent cases, should not be resorted to.") The standard for entitlement to injunctive relief actually may be less stringent in the state court than it is in the federal courts. Thus, when seeking such a remedy, a plaintiff may wish to consider filing its action in the state courts. A defendant may wish to consider removing the action to federal court if diversity jurisdiction exists. *See* 28 U.S.C. § 1441 (1994).
46. *Poe & Brown of Ga. v. Gill*, 268 Ga. 749, 750, 492 S.E.2d 864, 865 (1997) (*quoting* Metropolitan Atlanta Rapid Transit Auth. v. Wallace, 243 Ga. 491, 494(3), 254 S.E.2d 822 (1979)).
  47. *Avnet*, 263 Ga. at 617, 437 S.E.2d at 304; *see also* Etheredge v. All Am. Hummer Limousines, Inc., 269 Ga. 436, 437, 498 S.E.2d 60, 61 (1998) (affirming injunction based on "at least some credible evidence").
  48. *Norfolk So. Ry. Co. v. Dempsey*, 267 Ga. 241, 242-43, 476 S.E.2d 577, 578 (1996); *American Bldgs. Co.*, 260 Ga. at 350, 392 S.E.2d at 864 ("Since the evidence is conflicting, the trial court did not abuse its discretion in granting an interlocutory injunction as to Pascoe's trade-secrets claim.").

49. *PepsiCo*, 54 F.3d at 1271.
50. *Teradyne*, 707 F. Supp. at 356.
51. *Id.*; *see also* Universal Analytics, Inc. v. MacNeal-Schwendler Corp., 707 F. Supp. 1170, 1177 (C.D. Cal. 1989) (rejecting inevitability of disclosure contention as based upon pure speculation), *aff'd*, 914 F.2d 1256 (9th Cir. 1990).
52. *Uncle B's Bakery, Inc. v. O'Rourke*, 920 F. Supp. 1405, 1435 (N.D. Iowa 1996); *see also* La Calhène, Inc. v. Spolyar, 938 F. Supp. 523, 531 (W.D. Wis. 1996).
53. *See AMP, Inc.*, 823 F.2d at 1203 (criticizing plaintiff for failure to identify trade secrets specifically even well into the litigation). A standard non-disclosure or protective order can be utilized to protect against misuse of the trade secret in the hands of defense counsel.
54. *E.W. Bliss Co. v. Struthers-Sunn, Inc.*, 408 F.2d 1108, 1112-13 (8th Cir. 1969), cited on other grounds by *Ward v. Process Control Corp.*, 247 Ga. 583, 277 S.E.2d 671 (1981).
55. *Orkin Exterminating Co. v. Martin Co.*, 240 Ga. 662, 666-67, 242 S.E.2d 135, 138-39 (1978) (emphasis added).
56. Edelstein, *supra* note 1, at 732.
57. O.C.G.A. § 9-5-8 (Michie 1982).

## Inventorship, continued from Page 45

- Co. v. E.D. Etnyre & Co., 254 F. Supp. 334, 338 (N.D. Ill. 1966).
6. *See, e.g., J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553 (Fed. Cir. 1984).
  7. 35 U.S.C. § 111.
  8. *Id.* §§ 102(f), 111, 116.
  9. U.S. CONST., Art. I, § 8.
  10. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974).
  11. 35 U.S.C. § 16.
  12. *Mueller Brass Co. v. Reading Indus.*, 352 F. Supp. 1357, 1372-80 (E.D. Pa. 1972).
  13. *Id.*
  14. *In re Tansel*, 253 F.2d 241, 243 (C.C.P.A. 1958).
  15. 35 U.S.C. § 102(f).
  16. *Hess v. Advanced Cardiovascular Systems, Inc.*, 106 F.3d 976 (Fed. Cir. 1997).
  17. *Id.* at 977.
  18. *Id.* at 981.
  19. 142 F.2d 493 (2d Cir. 1944).

20. *Id.* at 495.
21. *Id.* at 496.
22. *Id.*
23. 35 U.S.C. § 102(f) (1994).
24. *Id.* § 261.
25. *Id.*
26. *See generally* Otis Elevator Co. v. Magee, 140 U.S.P.Q. 148 (N.Y. Sup. Ct. 1964).
27. 289 U.S. 178 (1933).
28. *Id.* at 182-85.
29. *Id.* at 195.
30. *Id.* at 187.
31. *Id.* at 192.
32. 327 F.2d 669 (Ct. Cl. 1964).
33. *Id.* at 670.
34. *Id.*
35. *Id.* at 671.
36. *Id.* at 679.
37. 715 F.2d 962 (5th Cir. 1983).
38. *Id.* at 963-64.
39. *Id.* at 965.1 35 U.S.C. § 26

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# Proposed Amendments to Uniform Superior Court Rules

## Rule 4.3 Attorneys— Appearance, withdrawal and duties; Withdrawal

### 4.3. Withdrawal.

(a) An attorney appearing of record in any action pending in any superior court, who wishes to withdraw as counsel for any party therein, shall submit a written request to an appropriate judge of the court for an order of court permitting such withdrawal. Such request shall state that the attorney has given due written notice to the affected client respecting such intention to withdraw 10 days (or such lesser time as the court may permit in any specific instance) prior to submitting the request to the court or that such withdrawal is with the client's consent. Such request will be granted unless in the judge's discretion to do so would delay the trial of the action or otherwise interrupt the orderly operation of the court or be manifestly unfair to the client. The attorney requesting an order permitting withdrawal shall give notice to opposing counsel and shall file with

the clerk in each such action and serve upon the client, personally or at that client's last known address, a notice which shall contain at least the following information:

(A) That the attorney wishes to withdraw;

(B) That the court retains jurisdiction of the action;

(C) That the client has the burden of keeping the court informed respecting where notices, pleadings or other papers may be served;

(D) That the client has the obligation to prepare for trial or hire other counsel to prepare for trial when the trial date has been set

(E) That if the client fails or refuses to meet these burdens, the client may suffer adverse consequences, including, in criminal cases, bond forfeiture and arrest;

(F) The dates of any scheduled proceedings, including trial, and that holding of such proceedings will not be affected by the withdrawal of counsel;

(G) That service of notices may be made upon the client at the client's last known address, and,

(H) Unless the withdrawal is with the client's consent, the client's right to object within 10 days of the date of the notice.

The attorney seeking to withdraw shall prepare a written notification certificate stating that the above notification requirements have been met, the manner by which such notification was given to the client and the client's last known address and telephone number. The notification certificate shall be filed with the court

and a copy mailed to the client and all other parties. The client shall have 10 days prior to entry of an order permitting withdrawal or such lesser time as the court may permit within which to file objections to the withdrawal. After the entry of an order permitting withdrawal, the client shall be notified by the withdrawing attorney of the effective date of the withdrawal; thereafter all notices or other papers may be served on the party directly by mail at the last known address of the party until new counsel enters an appearance.

(b) When an attorney has already filed an entry of appearance and the client wishes to substitute counsel, it will not be necessary for the former attorney to comply with rule 4.3(a). Instead, the former attorney may file with the clerk of court a notice of substitution of counsel signed by the party and the former attorney. The notice shall contain the style of the case, the name, address, phone number and bar number of the substitute counsel. A copy of the notice shall be served on the substitute counsel, opposing counsel or party if unrepresented, and the assigned judge. No other or further action shall be required by the former attorney to withdraw from representing the party. The substitution shall not delay any proceeding or hearing in the case.

The notice may be in substantially the following form:

(A proposed form is attached)

*If you have questions or comments about the proposed amendments to the Uniform Rules for Superior Court on pages 95-97, please contact: Michael J. Cuccaro, Council of Superior Court Judges of Georgia, Suite 108, 18 Capitol Square, Atlanta, GA 30334.*

CONTINUED ON PAGE 96

IN THE SUPERIOR COURT OF \_\_\_\_\_ COUNTY  
STATE OF GEORGIA

SAM SPADE,	)	
	)	
Plaintiff,	)	
	)	CIVIL ACTION
v.	)	
	)	FILE NO. 99-CV-0000
DAVID ROBICHEAUX,	)	
	)	
Defendant.	)	

NOTICE OF SUBSTITUTION OF COUNSEL

Please substitute (name of substitute counsel) as counsel for (name of party) in this case.  
Substitute counsel's address, phone number and bar number are as follows:

---

All further pleadings, orders and notices should be sent to substitute counsel.  
This \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

____ <u>signature</u>	____ <u>signature</u>	
Name of former attorney		Name of party
Address	Address	
Phone number	Phone number	

CERTIFICATE OF SERVICE

Certificate of service on: substitute counsel, opposing counsel or party, assigned judge.

South Ga. Mediation Service-  
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## **RULE 24.2: Domestic relations; Financial data required**

### **24.2. Financial data required.**

Every action for temporary or permanent child support, alimony, equitable division of property, modification of child support or alimony or attorneys' fees shall be accompanied by an affidavit specifying the party's financial circumstances. The affidavit shall be served at the same time that the notice of interlocutory hearing is served. The opposing party shall make an affidavit regarding his or her financial circumstances and shall serve it upon opposing counsel at least five days prior to the interlocutory hearing. If the parties are ordered to participate in mediation at any time prior to trial, each shall serve the affidavit upon the other at least five days prior to the mediation. Each shall furnish the mediator with a copy at the time of the mediation.

If no application for a temporary award is made and the parties do not participate in mediation prior to trial, then the parties shall make and serve the affidavits at least ten days before trial. If a party is not represented by an attorney, sufficient time will be allowed the party to prepare the required affidavit at hearing or trial. On the request of either party, and good cause shown to the court, the affidavits and any other financial information may be sealed, upon order of the court.

Failure of any party to furnish the above affidavit, in the discretion of the court, may subject the offending party to the penalties of contempt and result in continuance of the hearing until such time as the required affidavit is furnished.

The affidavit shall be under oath and in substantially the following form:

(Affidavit omitted)

## **RULE 31: Motions, demurrers, special pleas, and similar items in criminal matters.**

### **31.1. Time for filing.**

All motions, demurrers, and special pleas shall be made and filed at or before time of arraignment, unless time therefor is extended by the judge in writing prior to trial. Notices of the state's intention to present evidence of similar transactions or occurrences and notices of the intention of the defense to raise the issue of insanity or mental illness, or the intention of the defense to introduce evidence of specific acts of violence by the victim against ~~the defendant or~~ third persons, shall be given and filed at least ten [10] days before trial unless the time is shortened or lengthened by the judge. Such filing shall be in accordance with the following procedures.

...

31.6. Notice of intention of defense to present evidence of acts of violence by the victim.

(A) The defense may, upon notice filed in accordance with Rule 31.1, claim justification and present during the trial of the pending case evidence of relevant specific acts of

violence by the victim against ~~the defendant or~~ third persons.

(B) The notice shall be in writing, served upon the state's counsel, and shall state the act of violence, date, county and the name, address and telephone number of the person for each specific act of violence sought to be introduced. The judge shall hold a hearing at such time as may be appropriate and may receive evidence on any issue of fact necessary to determine the request, out of the presence of the jury. The burden of proving that the evidence of specific acts of violence by the victim should be admitted shall be upon the defendant. The defendant may present during the trial evidence of only those specific acts of violence by the victim specifically approved by the judge.

(C) Notice of the state's intention to introduce evidence in rebuttal of the defendant's evidence of the victim's acts of violence and of the nature of such evidence, together with the name, address and telephone number of any witness to be called for such rebuttal, shall be given defendant's counsel and filed within five days before trial unless the time is shortened or lengthened by the judge. ☒

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# Notice of Amendments to the Rules of the 11th Circuit Court of Appeals

**FOLLOWING RECEIPT AND** consideration of comments to the proposed amendments to the Rules of the United States Court of Appeals for the Eleventh Circuit, the court has adopted the proposed amendments, with minor modifications, effective April 1, 1999.

In particular, counsel are advised that the court adopted amendments to the Rules which provide that the time for filing appellant's brief begins to run on the date the court reporter files the transcript or, if no transcript is to be prepared, on the date the appeal is docketed by the court of appeals.

The court also determined to make additional minor revisions to the following Rules and Internal Operating Procedures (IOP) of the court: IOP (p. 22); 11th Cir. R. 11-2 and 11-3; IOP 1 and 2 (p. 43); 11th Cir. R. 28-1; IOP 2 (p. 73); IOP 15 (p. 99); IOP 4 (p. 128). Pursuant to 28 U.S.C. § 2071(e), these additional amendments also take effect on April 1, 1999, at the same time as the other amendments to the Rules.

The circuit rules, along with the amendments thereto, may be found at the Eleventh Circuit's Internet Web site at [www.ca11.uscourts.gov](http://www.ca11.uscourts.gov). ☐

## Board Unanimously Approves Changes to Disciplinary Rules

**DURING A SPECIALLY CALLED** meeting held on March 5, 1999 in Macon, the State Bar of Georgia Board of Governors unanimously approved amendments to the disciplinary rules which govern the practice of law in this state. The proposed rules appear on the following pages and represent two years of work by the Disciplinary Rules & Procedure Committee, chaired by Judge Edward E. Carriere Jr. The proposed rules also

appear on the Bar's home page at [www.gabar.org](http://www.gabar.org) for members to review and comment, then they will be forwarded to the Supreme Court for consideration. If approved by the Court, the rules will replace in entirety "Part IV Discipline" of the Rules and Regulations for the Organization and Government of the State Bar of Georgia (which can be found in the *Handbook* portion of your *Directory*).

## Errata Sheet 1 for the 1998-1999 State Bar *Directory*

**LISTED BELOW ARE CORREC-** tions to your 1998-99 State Bar *Directory*. Included are corrections of errors made from information submitted in a timely manner and which were inadvertently omitted or otherwise incorrectly listed in our original publication. Each complaint has been researched and reviewed by the Membership Department, and a correction is due to those members listed below. Please mark your *Directory* accordingly.

(Name/Firm/Address/Zip/Phone/Fax)

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### ATLANTA

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**E. Thomas Branch Jr.** (not in directory): Mallernee & Branch; 400 Colony Square, Suite 1750; 1201 Peachtree Street; Atlanta, GA 30361; phone (404) 875-4000; fax (404) 892-8560

**Judge Henry M. Newkirk** (correct listing): State Court of Fulton County, Suite T-2655, 185

Central Ave. SW, Atlanta, GA 30303  
Phone 404-224-0493

**Julie Rosensweig Schwartz** (correct telephone numbers): phone (404) 892-8781; fax (404) 892-3662

**Kenneth L. Shigley** (correct e-mail address): [www.ga-law.com](http://www.ga-law.com)

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### COLUMBUS

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**Kenneth M. Henson Jr.** (correct listing): 6501 Veterans Parkway, Suite A; Columbus, GA 31909; phone (706) 327-2616; fax (706) 327-3746

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### DALTON

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**Gregory H. Kinnamon** (correct telephone numbers): phone (706) 277-0777; fax (706) 277-5050

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### TIFTON

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**Gregory C. Sowell** (correct address): Sowell, Cross & Sandifer; P.O. Box 7170; Tifton, GA 31793-7170; phone (912) 382-0037; fax (912) 382-2292

**PART IV**  
**DISCIPLINE**

**Chapter 1**  
**Georgia Rules of Professional Conduct**  
**and Enforcement Thereof**

**Rule 4-101. Enforcement of Professional Standards.**

The State Bar of Georgia is hereby authorized to maintain and enforce, as set forth in rules hereinafter stated, Georgia Rules of Professional Conduct to be observed by the members of the State Bar of Georgia and those authorized to practice law in the State of Georgia and to institute disciplinary action in the event of the violation thereof.

**Rule 4-102. Disciplinary Action; Levels of Discipline; Standards.**

(a) The Rules of Professional Conduct to be observed by the members of the State Bar of Georgia and those authorized to practice law in Georgia are set forth herein and any violation thereof; any assistance or inducement directed toward another for the purpose of producing a violation thereof; or any violation thereof through the acts of another, shall subject the offender to disciplinary action as hereinafter provided.

(b) The levels of discipline are set forth below. The power to administer a more severe level of discipline shall include the power to administer the lesser:

(c) (1) Disbarment: A form of public discipline removing the respondent from the practice of law in Georgia. This level of discipline would be appropriate in cases of serious misconduct. This level of discipline includes publication as provided by Rule 4-219(b).

(2) Suspension: A form of public discipline which removes the respondent from the practice of law in Georgia for a definite period of time or until satisfaction of certain conditions imposed as a part of the suspension. This level of discipline would be appropriate in cases that merit more than a public reprimand but less than disbarment. This level of discipline includes publication as provided by Rule 4-219(b).

(3) Public Reprimand: A form of public discipline which declares the respondent's conduct to have been improper but does not limit the right to practice. A public reprimand shall be administered by a judge of a superior court in open court. This level of discipline would be appropriate in cases that merit more than a review panel reprimand but less than suspension.

(4) Review Panel Reprimand: A form of public discipline which declares the respondent's conduct to have been improper but does not limit the right to practice. A Review Panel Reprimand shall be administered by the Review Panel at a meeting of the Review Panel. This level of discipline would be appropriate in cases that merit more than an investigative panel reprimand but less than a public reprimand.

(5) Investigative Panel Reprimand: A form of confidential discipline which declares the respondent's conduct to have been improper but does not limit the

right to practice. An Investigative Panel Reprimand shall be administered by the Investigative Panel at a meeting of the Investigative Panel. This level of discipline would be appropriate in cases that merit more than a formal admonition but less than a review panel reprimand.

(6) Formal Admonition: A form of confidential discipline which declares the respondent's conduct to have been improper but does not limit the right to practice. A formal admonition shall be administered by letter as provided in Rules 4-205 through 4-208. This level of discipline would be appropriate in cases that merit the lowest form of discipline.

(c) (1) The Supreme Court of Georgia may impose any of the levels of discipline set forth above following formal proceedings against a respondent; however, any case where discipline is imposed by the Court is a matter of public record despite the fact that the level of discipline would have been confidential if imposed by the Investigative Panel of the State Disciplinary Board.

(2) As provided in Part IV, Chapter 2 of the State Bar Rules, the Investigative Panel of the State Disciplinary Board may impose any of the levels of discipline set forth above provided that a respondent shall have the right to reject the imposition of discipline by the Investigative Panel pursuant to the provisions of Rule 4-208.3;

(d) The Table of Contents, Preamble, Scope, Terminology and Georgia Rules of Professional Conduct are as follows:

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1.4	Communication
1.5	Fees
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1.7	Conflict of Interest: General Rule
1.8	Conflict of Interest: Prohibited Transactions
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## **PREAMBLE, SCOPE AND TERMINOLOGY**

### **PREAMBLE: A LAWYER'S RESPONSIBILITIES**

[1] A lawyer is a representative of clients, an officer of the legal system and a citizen having special responsibility for the quality of justice.

[2] As a representative of clients, a lawyer performs various functions. As advisor, a lawyer provides a client with an informed understanding of the client's legal rights and obligations and explains their practical implications. As advocate, a lawyer zealously asserts the client's position under the rules of the adversary system. As negotiator, a lawyer seeks a result advantageous to the client but consistent with requirements of honest dealing with others. As intermediary between clients, a lawyer seeks to reconcile their divergent interests as an advisor and, to a limited extent, as a spokesperson for each client. A lawyer acts as evaluator by examining a client's legal affairs and reporting about them to the client or to others.

[3] In all professional functions a lawyer should be competent, prompt and diligent. A lawyer should maintain communication with a client concerning the representation. A lawyer should keep in confidence information relating to representation of a client except so far as disclosure is required or permitted by the these Rules or other law.

[4] A lawyer should use the law's procedures only for legitimate purposes and not to harass or intimidate others. A lawyer should demonstrate respect for the law, the legal system and for those who serve it, including judges, other lawyers and public officials. While it is a lawyer's duty, when necessary, to challenge the rectitude of official action, it is also a lawyer's duty to uphold legal process.

[5] As a citizen, a lawyer should seek improvement of the law, the administration of justice and the quality of service rendered by the legal profession. As a member of a learned profession, a lawyer should cultivate knowledge of the law beyond its use for clients, employ that knowledge in reform of the law and work to strengthen legal education. A lawyer should be mindful of deficiencies in the administration of justice and of the fact that the poor, and sometimes persons who are not poor, cannot afford adequate legal assistance, and should therefore devote professional time and civic influence in their behalf. A lawyer should aid the legal profession in pursuing these objectives and should help the bar regulate itself in the public interest.

[6] A lawyer's professional responsibilities are prescribed in the Rules of Professional Conduct, as well as by substantive and procedural law. A lawyer also is guided by conscience and the approbation of professional peers. A lawyer should strive to attain the highest level of skill, to improve the law and the legal profession and to exemplify the legal profession's ideals of public service.

[7] Reserved.

[8] In the nature of law practice conflicting responsibilities are encountered. Virtually all difficult ethical problems arise from conflict among a lawyer's responsibilities to clients, to the legal system and to the lawyer's own interest in remaining an upright person. The Rules of Professional Conduct prescribe terms for resolving such conflicts. Within the framework of these Rules, many difficult issues of professional discretion can arise. Such issues must be resolved through the exercise of sensitive professional and moral judgment guided by the basic principles underlying the Rules.

[9] The legal profession is largely self-governing. Although other professions also have been granted powers of self-government, the legal profession is unique in this respect because of the close relationship between the profession and the processes of government and law enforcement. This connection is manifested in the fact that ultimate authority over the legal profession is vested in the Supreme Court of Georgia.

[10] To the extent that lawyers meet the obligations of their professional calling, the occasion for government regulation is obviated. Self-regulation also helps maintain the legal profession's independence from government domination. An independent legal profession is an important force in preserving government under law, for abuse of legal authority is more readily challenged by a profession whose members are not dependent on government for the right to practice.

[11] The legal profession's relative autonomy carries with it special responsibilities of self-government. The profession has a responsibility to assure that its regulations are conceived in the public interest and not in furtherance of parochial or self-interested concerns of the bar. Every lawyer is responsible for observance of the Rules of Professional Conduct. A lawyer should also aid in securing their observance by other lawyers. Neglect of these responsibilities compromises the independence of the profession and the public interest which it serves.

[12] The fulfillment of a lawyer's professional responsibility role requires an understanding by them of their relationship to our legal system. The Rules of Professional Conduct, when properly applied, serve to define that relationship.

## **SCOPE**

[13] The Rules of Professional Conduct are rules of reason. They should be interpreted with reference to the purposes of legal representation and of the law itself. Some of the Rules are imperatives, cast in the terms "shall" or "shall not." These define proper conduct for purposes of professional discipline. Others, generally cast in the terms "may" or "should," are permissive or aspirational and define areas under the Rules in which the lawyer has professional discretion. Disciplinary action shall not be taken when the lawyer's conduct falls within the bounds of such discretion. The Rules are thus partly obligatory and disciplinary and partly aspirational and descriptive. Together they define a lawyer's professional role. Comments do not add obligations to or expand the Rules but provide guidance for practicing in compliance with the Rules.

[14] The Rules presuppose a larger legal context shaping the lawyer's role. That context includes court rules and statutes relating to matters of licensure, laws defining specific obligations of lawyers and substantive and procedural law in general. Compliance with the Rules, as with all law in an open society, depends primarily upon understanding and voluntary compliance, secondarily upon reinforcement by peer and public opinion and finally, when necessary, upon enforcement through disciplinary proceedings. The Rules do not, however, exhaust the moral and ethical considerations that should inform a lawyer, for no worthwhile human activity can be completely defined by legal rules. The Rules simply provide a framework for the ethical practice of law.

[15] Furthermore, for purposes of determining the lawyer's authority and responsibility, principles of substantive law external to these Rules determine whether a client-lawyer relationship exists. Most of the duties flowing from the client-lawyer

relationship attach only after the client has requested the lawyer to render legal services and the lawyer has agreed to do so. But there are some duties, such as that of confidentiality under *Rule 1.6: Confidentiality of Information*, that may attach when the lawyer agrees to consider whether a client-lawyer relationship will be established. Whether a client-lawyer relationship exists for any specific purpose depends on the circumstances and may be a question of fact.

[16] Under various legal provisions, including constitutional, statutory and common law, the responsibilities of government lawyers may include authority concerning legal matters that ordinarily reposes in the client in private client-lawyer relationships. For example, a lawyer for a government entity may have authority on behalf of the government to decide upon settlement or whether to appeal from an adverse judgment. Such authority in various respects is generally vested in the attorney general and the state's attorney in state government, and their federal counterparts, and the same may be true of other government law officers. Also, lawyers under the supervision of these officers may be authorized by law to represent several government entities in intergovernmental legal controversies in circumstances where a private lawyer could not represent multiple private clients. They also may have authority to represent the "public interest" in circumstances where a private lawyer would not be authorized to do so. These Rules do not abrogate any such authority.

[17] Failure to comply with an obligation or prohibition imposed by a Rule is a basis for invoking the disciplinary process. The Rules presuppose that disciplinary assessment of a lawyer's conduct will be made on the basis of the facts and circumstances as they existed at the time of the conduct in question and in recognition of the fact that a lawyer often has to act upon uncertain or incomplete evidence of the situation. Moreover, the Rules presuppose that whether or not discipline should be imposed for a violation, and the severity of a sanction, depend on all the circumstances, such as the willfulness and seriousness of the violation, extenuating factors and whether there have been previous violations.

[18] The purpose of these Rules is not to give rise to a cause of action nor to create a presumption that a legal duty has been breached. These Rules are designed to provide guidance to lawyers and to provide a structure for regulating conduct through disciplinary agencies. They are not designed to be a basis for civil liability. Furthermore, the purpose of the Rules can be subverted when they are invoked by opposing parties as procedural weapons. The fact that a Rule is a just basis for a lawyer's self-assessment, or for sanctioning a lawyer under the administration of a disciplinary authority, does not imply that an antagonist in a collateral proceeding or transaction has standing to seek enforcement of the Rule. Accordingly, nothing in the Rules should be deemed to augment any substantive legal duty of lawyers or the extra-disciplinary consequences of violating such a duty.

[19] Moreover, these Rules are not intended to govern or affect judicial application of either the attorney-client or work product privilege. In reliance on the

attorney-client privilege, clients are entitled to expect that communications within the scope of the privilege will be protected against compelled disclosure. The attorney-client privilege is that of the client and not of the lawyer. The fact that in exceptional situations the lawyer under the rules has a limited discretion to disclose a client confidence does not vitiate the proposition that, as a general matter, the client has a reasonable expectation that information relating to the client will not be voluntarily disclosed and that disclosure of such information may be judicially compelled only in accordance with recognized exceptions to the attorney-client and work product privileges.

[20] Reserved.

[21] The Comment accompanying each Rule explains and illustrates the meaning and purpose of the Rule. The Preamble and this note on Scope provide general orientation. The Comments are intended as guides to interpretation, but the text of each Rule is authoritative.

## TERMINOLOGY

"Belief" or "believes" denotes that the person involved actually thought the fact in question to be true. A person's belief may be inferred from circumstances.

"Consult" or "consultation" denotes communication of information reasonably sufficient to permit the client to appreciate the significance of the matter in question.

"Firm" or "law firm" denotes a lawyer or lawyers in a private firm, lawyers employed in the legal department of a corporation or other organization and lawyers employed in a legal services organization. See Comment, *Rule 1.10: Imputed Disqualification*.

"Fraud" or "fraudulent" denotes conduct having a purpose to deceive and not merely negligent misrepresentation or failure to apprise another of relevant information.

"Knowingly," "known," or "knows" denotes actual knowledge of the fact in question. A person's knowledge may be inferred from circumstances.

"Partner" denotes a member of a partnership and a shareholder in a law firm organized as a professional corporation.

"Reasonable" or "reasonably" when used in relation to conduct by a lawyer denotes the conduct of a reasonably prudent and competent lawyer.

"Reasonable belief" or "reasonably believes" when used in reference to a lawyer denotes that the lawyer believes the matter in question and that the circumstances are such that the belief is reasonable.



"Reasonably should know" when used in reference to a lawyer denotes that a lawyer of reasonable prudence and competence would ascertain the matter in question.

"Substantial" when used in reference to degree or extent denotes a material matter of clear and weighty importance, or may refer to things of more than trifling value.

## **PART ONE**

### **CLIENT-LAWYER RELATIONSHIP**

#### **RULE 1.1 COMPETENCE**

**A lawyer shall provide competent representation to a client. Competent representation as used in this Rule means that a lawyer shall not handle a matter which the lawyer knows or should know to be beyond the lawyer's level of competence without associating another lawyer who the original lawyer reasonably believes to be competent to handle the matter in question. Competence requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

##### *Legal Knowledge and Skill*

[1A] The purpose of these rules is not to give rise to a cause of action nor to create a presumption that a legal duty has been breached. These Rules are designed to provide guidance to lawyers and to provide a structure for regulating conduct through disciplinary agencies. They are not designed to be a basis for civil liability.

[1] In determining whether a lawyer employs the requisite knowledge and skill in a particular matter, relevant factors include the relative complexity and specialized nature of the matter, the lawyer's general experience, the lawyer's training and experience in the field in question, the preparation and study the lawyer is able to give the matter and whether it is feasible to refer the matter to, or associate or consult with, a lawyer of established competence in the field in question. In many instances, the required proficiency is that of a general practitioner. Expertise in a particular field of law may be required in some circumstances.

[2] A lawyer need not necessarily have special training or prior experience to handle legal problems of a type with which the lawyer is unfamiliar. A newly admitted lawyer can be as competent as a practitioner with long experience. Some important legal

skills, such as the analysis of precedent, the evaluation of evidence and legal drafting, are required in all legal problems. Perhaps the most fundamental legal skill consists of determining what kind of legal problems a situation may involve, a skill that necessarily transcends any particular specialized knowledge. A lawyer can provide adequate representation in a wholly novel field through necessary study. Competent representation can also be provided through the association of a lawyer of established competence in the field in question.

[3] 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 or association with another lawyer would be impractical. Even in an emergency, however, assistance should be limited to that reasonably necessary in the circumstances, for ill-considered action under emergency conditions can jeopardize the client's interest.

[4] A lawyer may accept representation where the requisite level of competence can be achieved by reasonable preparation. This applies as well to a lawyer who is appointed as counsel for an unrepresented person subject to *Rule 6.2: Accepting Appointments*.

#### *Thoroughness and Preparation*

[5] Competent handling of a particular matter includes inquiry into and analysis of the factual and legal elements of the problem, and use of methods and procedures meeting the standards of competent practitioners. It also includes adequate preparation. The required attention and preparation are determined in part by what is at stake; major litigation and complex transactions ordinarily require more elaborate treatment than matters of lesser consequence.

#### *Maintaining Competence*

[6] To maintain the requisite knowledge and skill, a lawyer should engage in continuing study and education.

### **RULE 1.2 SCOPE OF REPRESENTATION**

(a) A lawyer shall abide by a client's decisions concerning the objectives of representation, subject to paragraphs (c), (d) and (e), and shall consult with the client as to the means by which they are to be pursued. A lawyer shall abide by a client's decision whether to accept an offer of settlement of a matter. In a criminal case, the lawyer shall abide by the client's decision, after consultation with the lawyer, as to a plea to be entered, whether to waive jury trial and whether the client will testify.

(b) A lawyer's representation of a client, including representation by appointment, does not constitute an endorsement of the client's political, economic, social or moral views or activities.

(c) A lawyer may limit the objectives of the representation if the client consents after consultation.

(d) A lawyer shall not counsel a client to engage in conduct that the lawyer knows is criminal or fraudulent, nor knowingly assist a client in such conduct, but a lawyer may discuss the legal consequences of any proposed course of conduct with a client and may counsel or assist a client to make a good faith effort to determine the validity, scope, meaning or application of the law.

(e) When a lawyer knows that a client expects assistance not permitted by the rules of professional conduct or other law, the lawyer shall consult with the client regarding the relevant limitations on the lawyer's conduct.

**The maximum penalty for a violation of this Rule is disbarment.**

## **Comment**

### *Scope of Representation*

[1] Both lawyer and client have authority and responsibility in the objectives and means of representation. The client has ultimate authority to determine the purposes to be served by legal representation, within the limits imposed by law and the lawyer's professional obligations. Within those limits, a client also has a right to consult with the lawyer about the means to be used in pursuing those objectives. At the same time, a lawyer is not required to pursue objectives or employ means simply because a client may wish that the lawyer do so. A clear distinction between objectives and means sometimes cannot be drawn, and in many cases the client-lawyer relationship partakes of a joint undertaking. In questions of means, the lawyer should assume responsibility for technical and legal tactical issues, but should defer to the client regarding such questions as the expense to be incurred and concern for third persons who might be adversely affected.

[2] In a case in which the client appears to be suffering mental disability, the lawyer's duty to abide by the client's decisions is to be guided by reference to *Rule 1.14: Client under a Disability*.

### *Independence from Client's Views or Activities*

[3] Legal representation should not be denied to people who are unable to afford legal services, or whose cause is controversial or the subject of popular disapproval. By the same token, representing a client does not constitute approval of the client's views or activities.

### *Services Limited in Objectives or Means*

[4] The objectives or scope of services provided by a lawyer may be limited by agreement with the client or by the terms under which the lawyer's services are made available to the client. For example, a retainer may be for a specifically defined purpose. Representation provided through a legal aid agency may be subject to limitations on the types of cases the agency handles. When a lawyer has been retained by an insurer to represent an insured, the representation may be limited to matters covered by the insurance policy. The terms upon which representation is undertaken may exclude specific objectives or means. Such limitations may include objectives or means that the lawyer regards as repugnant or imprudent.

[5] An agreement concerning the scope of representation must accord with the Rules of Professional Conduct and other law. Thus, the client may not be asked to agree to representation so limited in scope as to violate *Rule 1.1: Competence*, or to surrender the right to terminate the lawyer's services or the right to settle litigation that the lawyer might wish to continue. The agreement should be in writing.

### *Criminal, Fraudulent and Prohibited Transactions*

[6] A lawyer is required to give an honest opinion about the actual consequences that appear likely to result from a client's conduct. The fact that a client uses advice in a course of action that is criminal or fraudulent does not, of itself, make a lawyer a party to the course of action. However, a lawyer may not knowingly assist a client in criminal or fraudulent conduct. There is a critical distinction between presenting an analysis of legal aspects of questionable conduct and recommending the means by which a crime or fraud might be committed with impunity.

[7] When the client's course of action has already begun and is continuing, the lawyer's responsibility is especially delicate. The lawyer is not permitted to reveal the client's wrongdoing, except where permitted by *Rule 1.6: Confidentiality of Information*. However, the lawyer is required to avoid furthering the purpose, for example, by suggesting how it might be concealed. A lawyer may not continue assisting a client in conduct that the lawyer originally supposes is legally proper but then discovers is criminal or fraudulent. Withdrawal from the representation, therefore, may be required.

[8] Where the client is a fiduciary, the lawyer may be charged with special obligations in dealings with a beneficiary.

[9] Paragraph (d) applies whether or not the defrauded party is a party to the transaction. Hence, a lawyer should not participate in a sham transaction; for example, a transaction to effectuate criminal or fraudulent escape of tax liability. Paragraph (d) does not preclude undertaking a criminal defense incident to a general retainer for legal services to a lawful enterprise. The last clause of paragraph (d) recognizes that determining the validity or interpretation of a statute or regulation may require a course of action involving disobedience of the statute or regulation or of the interpretation placed upon it by governmental authorities.

[10] Law defining the lawyer's scope of authority in litigation as well as the language of particular rules varies among jurisdictions. A lawyer should be mindful of the nuances and differences of the law and rules of each location in which he or she practices.

### **RULE 1.3 DILIGENCE**

**A lawyer shall act with reasonable diligence and promptness in representing a client. Reasonable diligence as used in this Rule means that a lawyer shall not without just cause to the detriment of the client in effect wilfully abandon or wilfully disregard a legal matter entrusted to the lawyer.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] A lawyer should pursue a matter on behalf of a client despite opposition, obstruction or personal inconvenience to the lawyer, and may take whatever lawful and ethical measures are required to vindicate a client's cause or endeavor. A lawyer should act with commitment and dedication to the interests of the client and with zeal in advocacy upon the client's behalf. However, a lawyer is not bound to press for every advantage that might be realized for a client. A lawyer has professional discretion in determining the means by which a matter should be pursued. See *Rule 1.2: Scope of Representation*. A lawyer's work load should be controlled so that each matter can be handled adequately.

[2] Perhaps no professional shortcoming is more widely resented than procrastination. A client's interests often can be adversely affected by the passage of time or the change of conditions; in extreme instances, as when a lawyer overlooks a statute of limitations, the client's legal position may be destroyed. Even when the client's interests are not affected in substance, however, unreasonable delay can cause a client needless anxiety and undermine confidence in the lawyer's trustworthiness.

[3] Unless the relationship is terminated as provided in *Rule 1.16: Declining or Terminating Representation*, a lawyer should carry through to conclusion all matters undertaken for a client. If a lawyer's employment is limited to a specific matter, the

relationship terminates when the matter has been resolved. If a lawyer has served a client over a substantial period in a variety of matters, the client sometimes may assume that the lawyer will serve on a continuing basis. Doubt about whether a client-lawyer relationship still exists should be clarified by the lawyer, preferably in writing, so that the client will not mistakenly suppose the lawyer is looking after the client's affairs when the lawyer has ceased to do so. For example, if a lawyer has handled a judicial or administrative proceeding that produced a result adverse to the client but has not been specifically instructed concerning pursuit of an appeal, the lawyer should advise the client of the possibility of appeal before relinquishing responsibility for the matter.

## **RULE 1.4      COMMUNICATION**

**A lawyer shall explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation, shall keep the client reasonably informed about the status of matters and shall promptly comply with reasonable requests for information.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1]      The timeliness of a lawyer's communication must be judged by all of the controlling factors. "Prompt" communication with the client does not equate to "instant" communication with the client and is sufficient if reasonable under the relevant circumstances.

[2]      The client should have sufficient information to participate intelligently in decisions concerning the objectives of the representation and the means by which they are to be pursued, to the extent the client is willing and able to do so. For example, a lawyer negotiating on behalf of a client should provide the client with facts relevant to the matter, inform the client of communications from another party and take other reasonable steps that permit the client to make a decision regarding a serious offer from another party. A lawyer who receives from opposing counsel an offer of settlement in a civil controversy or a proffered plea bargain in a criminal case should promptly inform the client of its substance unless prior discussions with the client have left it clear that the proposal will be unacceptable. See *Rule 1.2(a): Scope of Representation*. Even when a client delegates authority to the lawyer, the client should be kept advised of the status of the matter.

[3]      Adequacy of communication depends in part on the kind of advice or assistance involved. For example, in negotiations where there is time to explain a proposal, the lawyer should review all important provisions with the client before proceeding to an agreement. In litigation a lawyer should explain the general strategy and prospects of success and ordinarily should consult the client on tactics that might injure or coerce others. On the other hand, a lawyer ordinarily cannot be expected to describe trial



or negotiation strategy in detail. The guiding principle is that the lawyer should fulfill reasonable client expectations for information consistent with the duty to act in the client's best interests, and the client's overall requirements as to the character of representation.

[4] Ordinarily, the information to be provided is that which is appropriate for a client who is a comprehending and responsible adult. However, fully informing the client according to this standard may be impracticable, for example, where the client is a child or suffers from mental disability. See *Rule 1.14: Client under a Disability*. When the client is an organization or group, it is often impossible or inappropriate to inform every one of its members about its legal affairs; ordinarily, the lawyer should address communications to the appropriate officials of the organization. See *Rule 1.13: Organization as Client*. Where many routine matters are involved, a system of limited or occasional reporting may be arranged with the client. Practical exigency may also require a lawyer to act for a client without prior consultation.

#### *Withholding Information*

[5] In some circumstances, a lawyer may be justified in delaying transmission of information when the client would be likely to react imprudently to an immediate communication. Thus, a lawyer might withhold a psychiatric diagnosis of a client when the examining psychiatrist indicates that disclosure would harm the client. A lawyer may not withhold information to serve the lawyer's own interest or convenience. Rules or court orders governing litigation may provide that information supplied to a lawyer may not be disclosed to the client. *Rule 3.4(c): Fairness to Opposing Party and Counsel* directs compliance with such rules or orders.

### **RULE 1.5 FEES**

(a) A lawyer's fee shall be reasonable. The factors to be considered in determining the reasonableness of a fee include the following:

- (1) the time and labor required, the novelty and difficulty of the questions involved, and the skill requisite to perform the legal service properly;
- (2) the likelihood that the acceptance of the particular employment will preclude other employment by the lawyer;
- (3) the fee customarily charged in the locality for similar legal services;
- (4) the amount involved and the results obtained;
- (5) the time limitations imposed by the client or by the circumstances;
- (6) the nature and length of the professional relationship with the client;
- (7) the experience, reputation, and ability of the lawyer or lawyers performing the services; and

**(8) whether the fee is fixed or contingent.**

**(b) When the lawyer has not regularly represented the client, the basis or rate of the fee shall be communicated to the client, preferably in writing, before or within a reasonable time after commencing the representation.**

**(c) (1) A fee may be contingent on the outcome of the matter for which the service is rendered, except in a matter in which a contingent fee is prohibited by paragraph (d) or other law. A contingent fee agreement shall be in writing and shall state the method by which the fee is to be determined, including the percentage or percentages that shall accrue to the lawyer in the event of settlement, trial or appeal, litigation and other expenses to be deducted from the recovery, and whether such expenses are to be deducted before or after the contingent fee is calculated.**

**(2) Upon conclusion of a contingent fee matter, the lawyer shall provide the client with a written statement stating the following:**

- (i) the outcome of the matter; and,**
- (ii) if there is a recovery, showing the:**
  - (A) remittance to the client;**
  - (B) the method of its determination;**
  - (C) the amount of the attorney fee; and**
  - (D) if the attorney's fee is divided with another lawyer who is not a partner in or an associate of the lawyer's firm or law office, the amount of fee received by each and the manner in which the division is determined.**

**(d) A lawyer shall not enter into an arrangement for, charge, or collect:**

**(1) any fee in a domestic relations matter, the payment or amount of which is contingent upon the securing of a divorce or upon the amount of alimony or support, or property settlement in lieu thereof; or**

**(2) a contingent fee for representing a defendant in a criminal case.**

**(e) A division of a fee between lawyers who are not in the same firm may be made only if:**

**(1) the division is in proportion to the services performed by each lawyer or, by written agreement with the client, each lawyer assumes joint responsibility for the representation;**

**(2) the client is advised of the share that each lawyer is to receive and does not object to the participation of all the lawyers involved; and**

**(3) the total fee is reasonable.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

### *Basis or Rate of Fee*

[1] When the lawyer has regularly represented a client, they ordinarily will have evolved an understanding concerning the basis or rate of the fee. In a new client-lawyer relationship, however, an understanding as to the fee should be promptly established. It is not necessary to recite all the factors that underlie the basis of the fee, but only those that are directly involved in its computation. It is sufficient, for example, to state that the basic rate is an hourly charge or a fixed amount or an estimated amount, or to identify the factors that may be taken into account in finally fixing the fee. When developments occur during the representation that render an earlier estimate substantially inaccurate, a revised estimate should be provided to the client. A written statement concerning the fee reduces the possibility of misunderstanding. Furnishing the client with a simple memorandum or a copy of the lawyer's customary fee schedule is sufficient if the basis or rate of the fee is set forth.

### *Terms of Payment*

[2] A lawyer may require advance payment of a fee, but is obliged to return any unearned portion. See *Rule 1.16(d): Declining or Terminating Representation*. A lawyer may accept property in payment for services, such as an ownership interest in an enterprise, providing this does not involve acquisition of a proprietary interest in the cause of action or subject matter of the litigation contrary to *Rule 1.8(j): Conflict of Interest*. However, a fee paid in property instead of money may be subject to special scrutiny because it involves questions concerning both the value of the services and the lawyer's special knowledge of the value of the property.

[3] An agreement may not be made, the terms of which might induce the lawyer improperly to curtail services for the client or perform them in a way contrary to the client's interest. For example, a lawyer should not enter into an agreement whereby services are to be provided only up to a stated amount when it is foreseeable that more extensive services probably will be required, unless the situation is adequately explained to the client. Otherwise, the client might have to bargain for further assistance in the midst of a proceeding or transaction. However, it is proper to define the extent of services in light of the client's ability to pay. A lawyer should not exploit a fee arrangement based primarily on hourly charges by using wasteful procedures.

### *Division of Fee*

[4] A division of fee is a single billing to a client covering the fee of two or more lawyers who are not in the same firm. A division of fee facilitates association of more than one lawyer in a matter in which neither alone could serve the client as well. Joint responsibility for the representation entails the obligations stated in *Rule 5.1: Responsibilities of a Partner or Supervisory Lawyer* for purposes of the matter involved.

### *Disputes over Fees*

[5] If a procedure has been established for resolution of fee disputes, such as an arbitration or mediation procedure established by the bar, the lawyer should conscientiously consider submitting to it. Law may prescribe a procedure for determining a lawyer's fee, for example, in representation of an executor or administrator, a class or a person entitled to a reasonable fee as part of the measure of damages. The lawyer entitled to such a fee and a lawyer representing another party concerned with the fee should comply with the prescribed procedure.

## **RULE 1.6 CONFIDENTIALITY OF INFORMATION**

(a) A lawyer shall maintain in confidence all information gained in the professional relationship with a client, including information which the client has requested to be held inviolate or the disclosure of which would be embarrassing or would likely be detrimental to the client, unless the client consents after consultation, except for disclosures that are impliedly authorized in order to carry out the representation, or are required by these rules or other law, or by order of the Court.

(b) (1) A lawyer may reveal information covered by paragraph (a) which the lawyer reasonably believes necessary:

(i) to avoid or prevent harm or substantial financial loss to another as a result of client criminal conduct or third party criminal conduct clearly in violation of the law;

(ii) to prevent serious injury or death not otherwise covered by paragraph (1) above;

(iii) to establish a claim or defense on behalf of the lawyer in a controversy between the lawyer and the client, to establish a defense to a criminal charge or civil claim against the lawyer based upon conduct in which the client was involved, or to respond to allegations in any proceeding concerning the lawyer's representation of the client.

(2) In a situation described in Subsection (1), if the client has acted at the time the lawyer learns of the threat of harm or loss to a victim, use or disclosure is permissible only if the harm or loss has not yet occurred.

**(3) Before using or disclosing information pursuant to Subsection (1), if feasible, the lawyer must make a good faith effort to persuade the client either not to act or, if the client has already acted, to warn the victim.**

**(c) The lawyer may, where the law does not otherwise require, reveal information to which the duty of confidentiality does not apply under paragraph (b) without being subjected to disciplinary proceedings.**

**(d) The lawyer shall reveal information under paragraph (b) as the applicable law requires.**

**(e) The duty of confidentiality shall continue after the client-lawyer relationship has terminated.**

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

[1] The lawyer is part of a judicial system charged with upholding the law. One of the lawyer's functions is to advise clients so that they avoid any violation of the law in the proper exercise of their rights.

[2] The observance of the ethical obligation of a lawyer to hold inviolate confidential information of the client not only facilitates the full development of facts essential to proper representation of the client but also encourages people to seek early legal assistance.

[3] Almost without exception, clients come to lawyers in order to determine what their rights are and what is, in the maze of laws and regulations, deemed to be legal and correct. The common law recognizes that the client's confidences must be protected from disclosure. Based upon experience, lawyers know that almost all clients follow the advice given, and the law is upheld.

[4] A fundamental principle in the client-lawyer relationship is that the lawyer maintain confidentiality of information relating to the representation. The client is thereby encouraged to communicate fully and frankly with the lawyer even as to embarrassing or legally damaging subject matter.

[5] The principle of confidentiality is given effect in two related bodies of law, the attorney-client privilege (which includes the work product doctrine) in the law of evidence and the rule of confidentiality established in professional ethics. The attorney-client privilege applies in judicial and other proceedings in which a lawyer may be called as a witness or otherwise required to produce evidence concerning a client. The rule of client-lawyer confidentiality applies in situations other than those where evidence is sought from the lawyer through compulsion of law. *Rule 1.6: Confidentiality of*

*Information* applies not merely to matters communicated in confidence by the client but also to all information relating to the representation, whatever its source. A lawyer may not disclose such information except as authorized or required by the Rules of Professional Conduct or other law. See also *Scope*. The requirement of maintaining confidentiality of information relating to representation applies to government lawyers who may disagree with the client's policy goals.

#### *Authorized Disclosure*

[6] A lawyer is impliedly authorized to make disclosures about a client when appropriate in carrying out the representation, except to the extent that the client's instructions or special circumstances limit that authority. In litigation, for example, a lawyer may disclose information by admitting a fact that cannot properly be disputed, or in negotiation by making a disclosure that facilitates a satisfactory conclusion.

[7] Lawyers in a firm may, in the course of the firm's practice, disclose to each other information relating to a client of the firm, unless the client has instructed that particular information be confined to specified lawyers.

#### *Disclosure Adverse to Client*

[8] The confidentiality rule is subject to limited exceptions. In becoming privy to information about a client, a lawyer may foresee that the client intends serious harm to another person. The public is better protected if full and open communication by the client is encouraged than if it is inhibited.

[9] Several situations must be distinguished. First, the lawyer may not knowingly assist a client in conduct that is criminal or fraudulent. See *Rule 1.2(d): Scope of Representation*. Similarly, a lawyer has a duty under *Rule 3.3(a)(4): Candor toward the Tribunal* not to use false evidence.

[10] Second, the lawyer may have been innocently involved in past conduct by the client that was criminal or fraudulent. In such a situation the lawyer has not violated *Rule 1.2(d): Scope of Representation*, because to "knowingly assist" criminal or fraudulent conduct requires knowing that the conduct is of that character.

[11] Third, the lawyer may learn that a client intends prospective conduct that is criminal and likely to result in death or substantial bodily harm. As stated in paragraph (b)(1), the lawyer has professional discretion to reveal information in order to prevent such consequences. The lawyer may make a disclosure in order to prevent death or serious bodily injury which the lawyer reasonably believes will occur. It is very difficult for a lawyer to "know" when such a heinous purpose will actually be carried out, for the client may have a change of mind.

[12] The lawyer's exercise of discretion requires consideration of such factors as the nature of the lawyer's relationship with the client and with those who might be injured by the client, the lawyer's own involvement in the transaction and factors that may extenuate the conduct in question. Where practical, the lawyer should seek to persuade the client to take suitable action. In any case, a disclosure adverse to the client's interest should be no greater than the lawyer reasonably believes necessary to the purpose. A lawyer's decision not to take preventive action permitted by paragraph (b)(1) does not violate this Rule.

#### *Withdrawal*

[13] If the lawyer's services will be used by the client in materially furthering a course of criminal or fraudulent conduct, the lawyer must withdraw, as stated in *Rule 1.16(a)(1): Declining or Terminating Representation*.

[14] After withdrawal the lawyer is required to refrain from making disclosure of the client's confidences, except as otherwise provided in *Rule 1.6: Confidentiality of Information*. Neither this rule nor *Rule 1.8(b): Conflict of Interest* nor *Rule 1.16(d): Declining or Terminating Representation* prevents the lawyer from giving notice of the fact of withdrawal, and the lawyer may also withdraw or disaffirm any opinion, document, affirmation, or the like.

[15] Where the client is an organization, the lawyer may be in doubt whether contemplated conduct will actually be carried out by the organization. Where necessary to guide conduct in connection with this Rule, the lawyer may make inquiry within the organization as indicated in *Rule 1.13(b): Organization as Client*.

#### *Dispute Concerning a Lawyer's Conduct*

[16] Where a legal claim or disciplinary charge alleges complicity of the lawyer in a client's conduct or other misconduct of the lawyer involving representation of the client, the lawyer may respond to the extent the lawyer reasonably believes necessary to establish a defense. The same is true with respect to a claim involving the conduct or representation of a former client. The lawyer's right to respond arises when an assertion of such complicity has been made. Paragraph (b)(1)(iii) does not require the lawyer to await the commencement of an action or proceeding that charges such complicity, so that the defense may be established by responding directly to a third party who has made such an assertion. The right to defend, of course, applies where a proceeding has been commenced. Where practicable and not prejudicial to the lawyer's ability to establish the defense, the lawyer should advise the client of the third party's assertion and request that the client respond appropriately. In any event, disclosure should be no greater than the lawyer reasonably believes is necessary to vindicate innocence, the disclosure should be made in a manner which limits access to the information to the tribunal or other persons having a need to know it, and appropriate protective orders or other arrangements should be sought by the lawyer to the fullest extent practicable.



[17] If the lawyer is charged with wrongdoing in which the client's conduct is implicated, the rule of confidentiality should not prevent the lawyer from defending against the charge. Such a charge can arise in a civil, criminal or professional disciplinary proceeding, and can be based on a wrong allegedly committed by the lawyer against the client, or on a wrong alleged by a third person; for example, a person claiming to have been defrauded by the lawyer and client acting together. A lawyer entitled to a fee is permitted by paragraph (b)(1)(iii) to prove the services rendered in an action to collect it. This aspect of the rule expresses the principle that the beneficiary of a fiduciary relationship may not exploit it to the detriment of the fiduciary. As stated above, the lawyer must make every effort practicable to avoid unnecessary disclosure of information relating to a representation, to limit disclosure to those having the need to know it, and to obtain protective orders or make other arrangements minimizing the risk of disclosure.

*Disclosures Otherwise Required or Authorized*

[18] The attorney-client privilege is differently defined in various jurisdictions. If a lawyer is called as a witness to give testimony concerning a client, absent waiver by the client, paragraph (a) requires the lawyer to invoke the privilege when it is applicable. The lawyer must comply with the final orders of a court or other tribunal of competent jurisdiction requiring the lawyer to give information about the client.

[19] The Rules of Professional Conduct in various circumstances permit or require a lawyer to disclose information relating to the representation. See *Rules 2.2: Intermediary, 2.3: Evaluation for use by Third Persons, 3.3: Candor Toward the Tribunal and 4.1: Truthfulness in Statements to Others*. In addition to these provisions, a lawyer may be obligated or permitted by other provisions of law to give information about a client. Whether another provision of law supersedes *Rule 1.6: Confidentiality of Information* is a matter of interpretation beyond the scope of these Rules, but a presumption should exist against such a supersession.

**RULE 1.7 Conflict of Interest: General Rule**

(a) A lawyer shall not represent or continue to represent a client if there is a significant risk that the lawyer's own interests or the lawyer's duties to another client, a former client, or a third person will materially and adversely affect the representation of the client, except as permitted in (b).

(b) If client consent is permissible a lawyer may represent a client notwithstanding a significant risk of material and adverse effect if each affected or former client consents, preferably in writing, to the representation after:

- (1) consultation with the lawyer,
- (2) having received in writing reasonable and adequate information about the material risks of the representation, and

(3) having been given the opportunity to consult with independent counsel.

(c) Client consent is not permissible if the representation:

- (1) is prohibited by law or these rules; or
- (2) includes the assertion of a claim by one client against another client represented by the lawyer in the same or substantially related proceeding;
- (3) involves circumstances rendering it reasonably unlikely that the lawyer will be able to provide adequate representation to one or more of the affected clients.

**The maximum penalty for a violation of this Rule is disbarment.**

## **Comment**

### *Loyalty to a Client*

[1] Loyalty is an essential element in the lawyer's relationship to a client. If an impermissible conflict of interest exists before representation is undertaken the representation should be declined. The 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 parties and issues involved and to determine whether there are actual or potential conflicts of interest.

[2] If an impermissible conflict arises after representation has been undertaken, the lawyer should withdraw from the representation. See *Rule 1.16: Declining or Terminating Representation*. Where more than one client is involved and the lawyer withdraws because a conflict arises after representation, whether the lawyer may continue to represent any of the clients is determined by *Rule 1.9: Conflict of Interest: Former Client*. See also *Rule 2.2(b): Intermediary*. As to whether a client-lawyer relationship exists or, having once been established, is continuing, see Comment to *Rule 1.3: Diligence; and Scope*.

[3] As a general proposition, loyalty to a client prohibits undertaking representation directly adverse to that client without that client's consent. Paragraph (a) expresses that general rule. Thus, a lawyer ordinarily may not act as advocate against a person the lawyer represents in some other matter, even if it is wholly unrelated. On the other hand, simultaneous representation in unrelated matters of clients whose interests are only generally adverse, such as competing economic enterprises, does not require consent of the respective clients. Paragraph (a) applies only when the representation of one client would be directly adverse to the other.

[4] Loyalty to a client is also impaired when a lawyer cannot consider, recommend or carry out an appropriate course of action for the client because of the

lawyer's other competing responsibilities or interests. The conflict in effect forecloses alternatives that would otherwise be available to the client. Paragraph (b) addresses such situations. A possible conflict does not itself preclude the representation. The critical questions are the likelihood that a conflict 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 action that reasonably should be pursued on behalf of the client. Consideration should be given to whether the client wishes to accommodate the other interest involved.

### *Consultation and Consent*

[5] A client may consent to representation notwithstanding a conflict. However, as indicated in paragraph (a) with respect to representation directly adverse to a client, and paragraph (b) with respect to material limitations on representation of a client, when a disinterested lawyer would conclude that the client should not agree to the representation under the circumstances, the lawyer involved cannot properly ask for such agreement or provide representation on the basis of the client's consent. When more than one client is involved, the question of conflict must be resolved as to each client. Moreover, there may be circumstances where it is impossible to make the disclosure necessary to obtain consent. For example, when the lawyer represents different clients in related matters and one of the clients refuses to consent to the disclosure necessary to permit the other client to make an informed decision, the lawyer cannot properly ask the latter to consent. If consent is withdrawn, the lawyer should consult *Rule 1.16: Declining or Terminating Representation* and *Rule 1.9: Conflict of Interest: Former Client*.

### *Lawyer's Interests*

[6] The lawyer's personal or economic interests should not be permitted to have an adverse effect on representation of a client. See *Rules 1.1: Competence and 1.5: Fees*. If the propriety of a lawyer's own conduct in a transaction is in serious question, it may be difficult or impossible for the lawyer to give a client objective advice. 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 interest.

### *Conflicts in Litigation*

[7] Paragraph (a) prohibits representation of opposing parties in litigation. Simultaneous representation of parties whose interests in litigation may conflict, such as coplaintiffs or codefendants, is governed by paragraph (b). An impermissible 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, common representation of

persons having similar interests is proper if the risk of adverse effect is minimal and the requirements of paragraph (b) are met. Compare *Rule 2.2: Intermediary* involving intermediation between clients.

[8] Ordinarily, a lawyer may not act as advocate against a client the lawyer represents in some other matter, even if the other matter is wholly unrelated. However, there are circumstances in which a lawyer may act as advocate against a client. For example, a lawyer representing an enterprise with diverse operations may accept employment as an advocate against the enterprise in an unrelated matter if doing so will not adversely affect the lawyer's relationship with the enterprise or conduct of the suit and if both clients consent upon consultation. By the same token, government lawyers in some circumstances may represent government employees in proceedings in which a government entity is the opposing party. The propriety of concurrent representation can depend on the nature of the litigation. For example, a suit charging fraud entails conflict to a degree not involved in a suit for a declaratory judgment concerning statutory interpretation.

[9] A lawyer may represent parties having antagonistic positions on a legal question that has arisen in different cases, unless representation of either client would be adversely affected. Thus, it is ordinarily not improper to assert such positions in cases while they pend in different trial courts, but it may be improper to do so should one or more of the cases reach the appellate court.

#### *Interest of Person Paying for a Lawyer's Service*

[10] A lawyer may be paid from a source other than the client, if the client is informed of that fact and consents and the arrangement does not compromise the lawyer's duty of loyalty to the client. See *Rule 1.8(f): Conflict of Interest: Prohibited Transactions*. For example, when an insurer and its insured have conflicting interests in a matter arising from a liability insurance agreement, and the insurer is required to provide special counsel for the insured, the arrangement should assure the special counsel's professional independence. So also, when a corporation and its directors or employees are involved in a controversy in which they have conflicting interests, the corporation may provide funds for separate legal representation of the directors or employees, if the clients consent after consultation and the arrangement ensures the lawyer's professional independence.

#### *Non-litigation Conflicts*

[11] Conflicts of interest in contexts other than litigation sometimes may be difficult to assess. Relevant factors in determining whether there is potential for adverse effect include the duration and extent of the lawyer's relationship with the client or clients involved, the functions being performed by the lawyer, the likelihood that actual conflict will arise and the likely prejudice to the client from the conflict if it does arise.

[12] In a negotiation common representation is permissible where the clients are generally aligned in interest even though there is some difference of interest among them.

[13] Conflict questions may also 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 arise. In estate administration the identity of the client may be unclear under the law of a particular jurisdiction. Under one view, the client is the fiduciary; under another view the client is the estate or trust, including its beneficiaries. The lawyer should make clear the relationship to the parties involved.

[14] A lawyer for a corporation or other organization who is also a member of its board of directors 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.

#### *Conflict Charged by an Opposing Party*

[15] Resolving questions of conflict of interest is primarily the responsibility of the lawyer undertaking the representation. In litigation, a court may raise the question when there is reason to infer that the lawyer has neglected the responsibility. In a criminal case, inquiry by the court is generally required when a lawyer represents multiple defendants. Where the conflict is such as clearly to call into question the fair or efficient administration of justice, opposing counsel may properly raise the question. Such an objection should be viewed with caution, however, for it can be misused as a technique of harassment. See Scope.

### **RULE 1.8 CONFLICT OF INTEREST: PROHIBITED TRANSACTIONS**

**(a) A lawyer shall neither enter into a business transaction with a client if the client expects the lawyer to exercise the lawyer's professional judgment therein for the protection of the client, nor shall the lawyer knowingly acquire an ownership, possessory, security or other pecuniary interest adverse to a client unless:**

**(1) the transaction and terms on which the lawyer acquires the interest are fair and reasonable to the client and are fully disclosed and transmitted in writing to the client in a manner which can be reasonably understood by the client;**

**(2) the client is given a reasonable opportunity to seek the advice of independent counsel in the transaction; and**

**(3) the client consents in writing thereto.**

**(b) A lawyer shall not use information gained in the professional relationship with a client to the disadvantage of the client unless the client consents after consultation, except as allowed in Rule 1.6.**

**(c) A lawyer shall not prepare an instrument giving the lawyer or a person related to the lawyer as parent, child, sibling, or spouse any substantial gift from a client, including a testamentary gift, except where the client is related to the donee.**

**(d) Prior to the conclusion of representation of a client, a lawyer shall not make or negotiate an agreement giving the lawyer literary or media rights to a portrayal or account based in substantial part on information relating to the representation.**

**(e) A lawyer shall not provide financial assistance to a client in connection with pending or contemplated litigation, except that:**

**(1) a lawyer may advance court costs and expenses of litigation, the repayment of which may be contingent on the outcome of the matter; or**

**(2) a lawyer representing a client unable to pay court costs and expenses of litigation may pay those costs and expenses on behalf of the client.**

**(f) A lawyer shall not accept compensation for representing a client from one other than the client unless:**

**(1) the client consents after consultation;**

**(2) there is no interference with the lawyer's independence of professional judgment or with the client-lawyer relationship; and**

**(3) information relating to representation of a client is protected as required by Rule 1.6.**

**(g) A lawyer who represents two or more clients shall not participate in making an aggregate settlement of the claims for or against the clients, nor in a criminal case an aggregated agreement as to guilty or *nolo contendere* pleas, unless each client consents after consultation, including disclosure of the existence and nature of all claims or pleas involved and of the participation of each person in the settlement.**

**(h) A lawyer shall not make an agreement prospectively limiting the lawyer's liability to a client for malpractice unless permitted by law and the client is independently represented in making the agreement, or settle a claim for such liability with an unrepresented client or former client without first advising that person in writing that independent representation is appropriate in connection therewith.**

(i) A lawyer related to another lawyer as parent, child, sibling or spouse shall not represent a client in a representation directly adverse to a person whom the lawyer has actual knowledge is represented by the other lawyer except upon consent by the client after consultation regarding the relationship. The disqualification stated in this paragraph is personal and is not imputed to members of firms with whom the lawyers are associated.

(j) A lawyer shall not acquire a proprietary interest in the cause of action or subject matter of litigation the lawyer is conducting for a client, except that the lawyer may:

(1) acquire a lien granted by law to secure the lawyer's fees or expenses as long as the exercise of the lien is not prejudicial to the client with respect to the subject of the representation; and

(2) contract with a client for a reasonable contingent fee in a civil case, except as prohibited by *Rule 1.5: Fees*.

The maximum penalty for a violation of Rule 1.8(b) is disbarment. The maximum penalty for a violation of Rule 1.8(a) and 1.8(c)-(j) is a public reprimand.

#### COMMENT

##### *Transactions Between Client and Lawyer*

[1A] As a general principle, all transactions between client and lawyer should be fair and reasonable to the client. The client should be fully informed of the true nature of the lawyer's interest or lack of interest in all aspects of the transaction. In such transactions a review by independent counsel on behalf of the client is often advisable. Furthermore, a lawyer may not exploit information relating to the representation to the client's disadvantage. For example, a lawyer who has learned that the client is investing in specific real estate may not, without the client's consent, seek to acquire nearby property where doing so would adversely affect the client's plan for investment. Paragraph (a) does not, however, apply to standard commercial transactions between the lawyer and the client for products or services that the client generally markets to others, for example, banking or brokerage services, medical services, products manufactured or distributed by the client, and utilities' services. In such transactions, the lawyer has no advantage in dealing with the client, and the restrictions in Paragraph (a) are unnecessary and impracticable.

##### *Adverse Use of Information*

[1B] It is a general rule that an attorney will not be permitted to make use of knowledge, or information, acquired by the attorney through the professional relationship with the client, or in the conduct of the client's business, to the disadvantage of the client. Paragraph (b) follows this general rule and provides that the client may waive this



prohibition. However, if the waiver is conditional, the duty is on the attorney to comply with the condition.

#### *Gifts from Clients*

[2] A lawyer may accept a gift from a client, if the transaction meets general standards of fairness. For example, a simple gift such as a present given at a holiday or as a token of appreciation is permitted. If effectuation of a substantial gift requires preparing a legal instrument such as a will or conveyance, however, the client should have the objective advice that another lawyer can provide. Paragraph (c) recognizes an exception where the client is a relative of the donee or the gift is not substantial.

#### *Literary Rights*

[3] An agreement by which a lawyer acquires literary or media rights concerning the subject of the representation creates a conflict between the interest of the client and the personal interest of the lawyer. Measures suitable in the representation of the client may detract from the publication value of an account of the representation. Paragraph (d) does not prohibit a lawyer representing a client in a transaction concerning literary property from agreeing that the lawyer's fee shall consist of a share in ownership in the property, if the arrangement conforms to *Rule 1.5: Fees* and Paragraph (j) of this Rule.

#### *Financial Assistance to Clients*

[4] Paragraph (e) eliminates the former requirement that the client remain ultimately liable for financial assistance provided by the lawyer. It further limits permitted assistance to court costs and expenses directly related to litigation. Accordingly, permitted expenses would include expenses of investigation, medical diagnostic work connected with the matter under litigation and treatment necessary for the diagnosis, and the costs of obtaining and presenting evidence. Permitted expenses would not include living expenses or medical expenses other than those listed above.

#### *Payment for a Lawyer's Services from One Other Than The Client*

[5] When the client is a class, consent may be obtained on behalf of the class as provided by law.

#### *Settlement of Aggregated Claims*

[6] For example, Paragraph (g) requires consent after consultation. This requirement is not met by a blanket consent prior to settlement that the majority decision will rule.

#### *Agreements to Limit Liability*

[7] For example a lawyer may not condition an agreement to withdraw or the return of a client's documents on the client's release of claims. However, this paragraph is not intended to apply to customary qualifications and limitations in opinions and memoranda.

[8] A lawyer should not seek prospectively, by contract or other means, to limit the lawyer's individual liability to a client for the lawyer's malpractice. A lawyer who handles the affairs of a client properly has no need to attempt to limit liability for the lawyer's professional activities and one who does not handle the affairs of clients properly should not be permitted to do so. A lawyer may, however, practice law as a partner, member, or shareholder of a limited liability partnership, professional association, limited liability company, or professional corporation.

#### *Family Relationships Between Lawyers*

[9] Paragraph (i) applies to related lawyers who are in different firms. Related lawyers in the same firm are governed by *Rules 1.7: Conflict of Interest: General Rule, 1.9: Conflict of Interest: Former Client, and 1.10: Imputed Disqualification: General Rule*.

#### *Acquisition of Interest in Litigation*

[10] Paragraph (j) states the traditional general rule that lawyers are prohibited from acquiring a propriety interest in litigation. This general rule, which has its basis in the common law prohibition of champerty and maintenance, is subject to specific exceptions developed in decisional law and continued in these Rules, such as the exception for reasonable contingent fees set forth in *Rule 1.5: Fees* and the exception for lawyer's fees and for certain advances of costs of litigation set forth in Paragraph (e).

### **RULE 1.9 CONFLICT OF INTEREST: FORMER CLIENT**

(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 consents after consultation.

(b) A lawyer shall not knowingly represent a person in the same or a substantially related matter in which a 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 had acquired information protected by *Rules 1.6: Confidentiality and 1.9(c): Conflict of Interest: Former Client*, that is material to the matter; unless the former client consents after consultation.

(c) A lawyer who has formerly represented a client in a matter or whose present or former firm has formerly represented a client in a matter shall not thereafter:

(1) use information relating to the representation to the disadvantage of the former client except as Rule 1.6 or Rule 3.3 would permit or require with respect to a client, or when the information has become generally known; or

(2) reveal information relating to the representation except as Rule 1.6 or Rule 3.3 would permit or require with respect to a client.

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

[1] The principles in *Rule 1.7: Conflict of Interest* determine whether, and to the extent the interests of a present and former client are adverse. Thus, a lawyer could not properly seek to rescind on behalf of a new client a contract drafted on behalf of the former client. A lawyer who has prosecuted an accused person could not properly represent the accused in a subsequent civil action against the government concerning the same transaction.

[2] The scope of a "matter" for purposes of this Rule may depend on the facts of a particular situation or transaction. The lawyer's involvement in a matter may be one of degree. The underlying question is whether the lawyer was so involved in the matter that the subsequent representation can be justly regarded as a changing of sides in the matter in question.

### *Lawyers Moving Between Firms*

[3] Reserved.

[4] Reconciliation of these competing principles in the past has been attempted under two rubrics. One approach has been to seek per se rules of disqualification. For example, one view is that a partner in a law firm is conclusively presumed to have access to all confidences concerning all clients of the firm. Under this analysis, if a lawyer has been a partner in one law firm and then becomes a partner in another law firm, there may be a presumption that all confidences known by the partner in the first firm are known to all partners in the second firm. This presumption might properly be applied in some circumstances, especially where the client has been extensively represented, but may be unrealistic where the client was represented only for limited purposes. Furthermore, such a

rigid rule exaggerates the difference between a partner and an associate in modern law firms.

[5] The other rubric formerly used for dealing with disqualification is the appearance of impropriety proscribed in Canon 9 of the ABA Model Code of Professional Responsibility. This rubric has a two-fold problem. First, the appearance of impropriety can be taken to include any new client-lawyer relationship that might make a former client feel anxious. If that meaning were adopted, disqualification would become little more than a question of subjective judgment by the former client. Second, since "impropriety" is undefined, the term "appearance of impropriety" is question-begging. It therefore has to be recognized that the problem of disqualification cannot be properly resolved either by simple analogy to a lawyer practicing alone or by the very general concept of appearance of impropriety.

### *Confidentiality*

[6] Preserving confidentiality is a question of access to information. Access to information, in turn, is essentially a question of fact in particular circumstances, 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; yielding an inference 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; yielding an inference that such a lawyer in fact is privy to information about the clients actually served but not that of other clients.

[7] Application of paragraph (b) depends on a situation's particular facts.

[8] Paragraph (b) operates to disqualify the lawyer only when the lawyer involved has actual knowledge of information protected by *Rules 1.6: Confidentiality and 1.9(b): Conflict of Interest: Former Client*. 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 is disqualified from representing another client in the same or a related matter even though the interests of the two clients conflict. See *Rule 1.10(b): Imputed Disqualification* for the restrictions on a firm once a lawyer has terminated association with the firm.

[9] Independent of the question of disqualification of a firm, a lawyer changing professional association has a continuing duty to preserve confidentiality of information about a client formerly represented. See *Rules 1.6: Confidentiality and 1.9: Conflict of Interest: Former Client*.

## *Adverse Positions*

[10] The second aspect of loyalty to a client is the lawyer's obligation to decline subsequent representations involving positions adverse to a former client arising in substantially related matters. This obligation requires abstention from adverse representation by the individual lawyer involved, but does not properly entail abstention of other lawyers through imputed disqualification. Hence, this aspect of the problem is governed by *Rule 1.9(a): Conflict of Interest: Former Client*. Thus, if a lawyer left one firm for another, the new affiliation would not preclude the firms involved from continuing to represent clients with adverse interests in the same or related matters, so long as the conditions of paragraphs (b) and (c) concerning confidentiality have been met.

[11] Information acquired by the lawyer in the course of representing a client may not subsequently be used or revealed by the lawyer to the disadvantage of the client. However, 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.

[12] Disqualification from subsequent representation is for the protection of former clients and can be waived by them. A waiver is effective only if there is disclosure of the circumstances, including the lawyer's intended role in behalf of the new client.

[13] With regard to an opposing party's raising a question of conflict of interest, see Comment to *Rule 1.7: Conflict of Interest*. With regard to disqualification of a firm with which a lawyer is or was formerly associated, see *Rule 1.10: Imputed Disqualification*.

### **RULE 1.10 IMPUTED DISQUALIFICATION: GENERAL RULE**

(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: Conflict of Interest: General Rule*, *1.8(c): Conflict of Interest: Prohibited Transactions*, *1.9: Former Client* or *2.2: Advisor*.

(b) When a lawyer has terminated an association with a firm, the firm is not prohibited from thereafter representing a person with interests materially adverse to those of a client represented by the formerly associated lawyer unless:

- (1) the matter is the same or substantially related to that in which the formerly associated lawyer represented the client; and
- (2) any lawyer remaining in the firm has information protected by *Rules 1.6 and 1.9(c)* that is material to the matter.

(c) A disqualification prescribed by this rule may be waived by the affected client under the conditions stated in *Rule 1.7*.

**The maximum penalty for a violation of this Rule is disbarment.**

**Comment**

*Definition of "Firm"*

[1] For purposes of these Rules, the term "firm" includes lawyers in a private firm, and lawyers in the legal department of a corporation or other organization, or in a legal services organization. Whether two or more lawyers constitute a firm within this definition can depend on the specific facts. For example, two practitioners who share office space and occasionally consult or assist each other ordinarily would not be regarded as constituting a firm. However, if they present themselves to the public in a way suggesting that they are a firm or conduct themselves as a firm, they should be regarded as a firm for the purposes of the Rules. The terms of any formal agreement between associated lawyers are relevant in determining whether they are a firm, as is the fact that they have mutual access to information concerning the clients they serve. Furthermore, it is relevant in doubtful cases to consider the underlying purpose of the Rule that is involved. A group of lawyers could be regarded as a firm for purposes of the rule that the same lawyer should not represent opposing parties in litigation, while it might not be so regarded for purposes of the rule that information acquired by one lawyer is attributed to the other.

[2] With respect to the law department of an organization, there is ordinarily no question that the members of the department constitute a firm within the meaning of the Rules of Professional Conduct. However, there can be uncertainty as to the identity of the client. For example, it may not be clear whether the law department of a corporation represents a subsidiary or an affiliated corporation, as well as the corporation by which the members of the department are directly employed. A similar question can arise concerning an unincorporated association and its local affiliates.

[3] Similar questions can also arise with respect to lawyers in legal aid. Lawyers employed in the same unit of a legal service organization constitute a firm, but not necessarily those employed in separate units. As in the case of independent practitioners, whether the lawyers should be treated as associated with each other can depend on the particular rule that is involved, and on the specific facts of the situation.

[4] Where a lawyer has joined a private firm after having represented the government, the situation is governed by *Rule 1.11(a) and (b): Successive Government and Private Employment*; where a lawyer represents the government after having served private clients, the situation is governed by *Rule 1.11(c)(1): Successive Government and Private Employment*. The individual lawyer involved is bound by the Rules generally, including Rules 1.6, 1.7 and 1.9.

[5] Different provisions are thus made for movement of a lawyer from one private firm to another and for movement of a lawyer between a private firm and the

government. The government is entitled to protection of its client confidences and, therefore, to the protections provided in Rules 1.6, 1.9 and 1.11. However, if the more extensive disqualification in *Rule 1.10: Imputed Disqualification* were applied to former government lawyers, the potential effect on the government would be unduly burdensome. The government deals with all private citizens and organizations and, thus, has a much wider circle of adverse legal interests than does any private law firm. In these circumstances, the government's recruitment of lawyers would be seriously impaired if *Rule 1.10: Imputed Disqualification* were applied to the government. On balance, therefore, the government is better served in the long run by the protections stated in *Rule 1.11: Successive Government and Private Employment*.

### *Principles of Imputed Disqualification*

[6] The rule of imputed disqualification stated in paragraph (a) gives effect to the principle of loyalty to the client as it applies to lawyers who practice in a law firm. Such situations can be considered from the premise that a firm of lawyers is essentially one lawyer for purposes of the rules governing loyalty to the client, or from the premise that each lawyer is vicariously bound by the obligation of loyalty owed by each lawyer with whom the lawyer is associated. Paragraph (a) operates only among the lawyers currently associated in a firm. When a lawyer moves from one firm to another, the situation is governed by Rules 1.9(b) and 1.10(b).

[7] *Rule 1.10(b): Imputed Disqualification* operates to permit a law firm, under certain circumstances, to represent a person with interests directly adverse to those of a client represented by a lawyer who formerly was associated with the firm. The Rule applies regardless of when the formerly associated lawyer represented the client. However, the law firm may not represent a person with interests adverse to those of a present client of the firm, which would violate *Rule 1.7: Conflict of Interest*. Moreover, the firm may not represent the person where the matter is the same or substantially related to that in which the formerly associated lawyer represented the client and any other lawyer currently in the firm has material information protected by Rules 1.6 and 1.9(c).

## **RULE 1.11 SUCCESSIVE GOVERNMENT AND PRIVATE EMPLOYMENT**

**(a) Except as law may otherwise expressly permit, a lawyer shall not represent a private client in connection with a matter in which the lawyer participated personally and substantially as a public officer or employee, unless the appropriate government entity consents after consultation. No lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in such a matter unless:**

**(1) the disqualified lawyer is screened from any participation in the matter and is apportioned no part of the fee therefrom; and**



**(2) written notice is duly given to the client and to the appropriate government entity to enable it to ascertain compliance with the provisions of this rule.**

**(b) Except as law may otherwise expressly permit, a lawyer having information that the lawyer knows is confidential government information about a person acquired when the lawyer was a public officer or employee, may not represent a private client whose interests are adverse to that person in a matter in which the information could be used to the material disadvantage of that person. A firm with which that lawyer is associated may undertake or continue representation in the matter only if the disqualified lawyer is screened from any participation in the matter and is apportioned no part of the fee therefrom.**

**(c) Except as law may otherwise expressly permit, a lawyer serving as a public officer or employee shall not:**

**(1) participate in a matter in which the lawyer participated personally and substantially while in private practice or nongovernmental employment, unless under applicable law no one is, or by lawful delegation may be, authorized to act in the lawyer's stead in the matter; or**

**(2) negotiate for private employment with any person who is involved as a party or as lawyer for a party in a matter in which the lawyer is participating personally and substantially, except that a lawyer serving as a law clerk to a judge, other adjudicative officer or arbitrator may negotiate for private employment as permitted by Rule 1.12(b) and subject to the conditions stated in Rule 1.12(b).**

**(d) As used in this Rule, the term "matter" includes:**

**(1) any judicial or other proceeding, application, request for a ruling or other determination, contract, claim, controversy, investigation, charge, accusation, arrest or other particular matter involving a specific party or parties; and**

**(2) any other matter covered by the conflict of interest rules of the appropriate government entity.**

**(e) As used in this Rule, the term "confidential government information" means information which has been obtained under governmental authority and which, at the time this rule is applied, the government is prohibited by law from disclosing to the public or has a legal privilege not to disclose, and which is not otherwise available to the public.**

**The maximum penalty for a violation of this Rule is disbarment.**

## Comment

[1] This Rule prevents a lawyer from exploiting public office for the advantage of a private client. It is a counterpart of *Rule 1.10(b): Imputed Disqualification*, which applies to lawyers moving from one firm to another.

[2] A lawyer representing a government entity, whether employed or specially retained by the government, is subject to the Rules of Professional Conduct, including the prohibition against representing adverse interests stated in *Rule 1.7: Conflict of Interest* and the protections afforded former clients in *Rule 1.9: Conflict of Interest: Former Client*. In addition, such a lawyer is subject to *Rule 1.11: Successive Government and Private Employment* and to statutes and government regulations regarding conflict of interest. Such statutes and regulations may circumscribe the extent to which the government entity may give consent under this Rule.

[3] Where the successive clients are a public entity and a private client, the risk exists that power or discretion vested in public authority might be used for the special benefit of a private client. A lawyer should not be in a position where benefit to a private client might affect performance of the lawyer's professional functions on behalf of public authority. Also, unfair advantage could accrue to the private client by reason of access to confidential government information about the client's adversary obtainable only through the lawyer's government service. However, the rules governing lawyers presently or formerly employed by a government entity should not be so restrictive as to inhibit transfer of employment to and from the government. The government has a legitimate need to attract qualified lawyers as well as to maintain high ethical standards. The provisions for screening and waiver are necessary to prevent the disqualification rule from imposing too severe a deterrent against entering public service.

[4] When the client is an agency of one government, that agency should be treated as a private client for purposes of this Rule if the lawyer thereafter represents an agency of another government, as when a lawyer represents a city and subsequently is employed by a federal agency.

[5] Paragraphs (a)(1) and (b) do not prohibit a lawyer from receiving a salary or partnership share established by prior independent agreement. They prohibit directly relating the lawyer's compensation to the fee in the matter in which the lawyer is disqualified.

[6] Paragraph (a)(2) does not require that a lawyer give notice to the government entity at a time when premature disclosure would injure the client; a requirement for premature disclosure might preclude engagement of the lawyer. Such notice is, however, required to be given as soon as practicable in order that the government entity will have a reasonable opportunity to ascertain that the lawyer is complying with *Rule 1.11: Successive Government and Private Employment* and to take appropriate action if it believes the lawyer is not complying.

[7] Paragraph (b) operates only when the lawyer in question has knowledge of the information, which means actual knowledge; it does not operate with respect to information that merely could be imputed to the lawyer.

[8] Paragraphs (a) and (c) do not prohibit a lawyer from jointly representing a private party and a government entity when doing so is permitted by *Rule 1.7: Conflict of Interest* and is not otherwise prohibited by law.

[9] Paragraph (c) does not disqualify other lawyers in the entity with which the lawyer in question has become associated.

## **RULE 1.12 FORMER JUDGE OR ARBITRATOR**

(a) Except as stated in paragraph (d), a lawyer shall not represent anyone in connection with a matter in which the lawyer participated personally and substantially as a judge or other adjudicative officer, arbitrator or law clerk to such a person, unless all parties to the proceeding consent after consultation.

(b) A lawyer shall not negotiate for employment with any person who is involved as a party or as lawyer for a party in a matter in which the lawyer is participating personally and substantially as a judge or other adjudicative officer or arbitrator. A lawyer serving as a law clerk to a judge, other adjudicative officer or arbitrator may negotiate for employment with a party or lawyer involved in a matter in which the clerk is participating personally and substantially, but only after the lawyer has notified the judge, other adjudicative officer or arbitrator. In addition, the law clerk shall promptly provide written notice of acceptance of employment to all counsel of record in all such matters in which the prospective employer is involved.

(c) If a lawyer is disqualified by paragraph (a), no lawyer in a firm with which that lawyer is associated may knowingly undertake or continue representation in the matter unless:

(1) the disqualified lawyer is screened from any participation in the matter and is apportioned no part of the fee therefrom; and

(2) written notice is promptly given to the appropriate tribunal to enable it to ascertain compliance with the provisions of this Rule.

(d) An arbitrator selected as a partisan of a party in a multimember arbitration panel is not prohibited from subsequently representing that party.

The maximum penalty for a violation of this Rule is a public reprimand.

## Comment

This Rule generally parallels *Rule 1.11: Successive Government and Private Employment*. The term "personally and substantially" signifies that a judge who was a member of a multimember court, and thereafter left judicial office to practice law, is not prohibited from representing a client in a matter pending in the court, but in which the former judge did not participate. So also the fact that a former judge exercised administrative responsibility in a court does not prevent the former judge from acting as a lawyer in a matter where the judge had previously exercised remote or incidental administrative responsibility that did not affect the merits. The term "adjudicative officer" includes such officials as judges *pro tempore*, referees, special masters, hearing officers and other parajudicial officers, and also lawyers who serve as part-time judges. Compliance Canons A(2), B(2) and C of the Model Code of Judicial Conduct provide that a part-time judge, judge *pro tempore* or retired judge recalled to active service, may not "act as a lawyer in any proceeding in which he served as a judge or in any other proceeding related thereto." Although phrased differently from this Rule, those rules correspond in meaning.

## **RULE 1.13 ORGANIZATION AS CLIENT**

**(a) A lawyer employed or retained by an organization represents the organization acting through its duly authorized constituents.**

**(b) If a lawyer for an organization knows that an officer, employee or other person associated with the organization is engaged in action, intends to act or refuses to act in a matter related to the representation that is a violation of a legal obligation to the organization, or a violation of law which reasonably might be imputed to the organization, and is likely to result in substantial injury to the organization, the lawyer shall proceed as is reasonably necessary in the best interest of the organization. In determining how to proceed, the lawyer shall give due consideration to the seriousness of the violation and its consequences, the scope and nature of the lawyer's representation, the responsibility in the organization and the apparent motivation of the person involved, the policies of the organization concerning such matters and any other relevant considerations. Any measures taken shall be designed to minimize disruption of the organization and the risk of revealing information relating to the representation to persons outside the organization. Such measures may include among others:**

- (1) asking reconsideration of the matter;**
- (2) advising that a separate legal opinion on the matter be sought for presentation to appropriate authority in the organization; and**
- (3) referring the matter to higher authority in the organization, including, if warranted by the seriousness of the matter, referral to the highest authority that can act in behalf of the organization as determined by applicable law.**

(c) If, despite the lawyer's efforts 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 clearly a violation of law and is likely to result in substantial injury to the organization, the lawyer may resign in accordance with Rule 1.16.

(d) In dealing with an organization's directors, officers, employees, members, shareholders or other constituents, a lawyer shall explain the identity of the client when it is apparent that the organization's interests are adverse to those of the constituents with whom the lawyer is dealing.

(e) A lawyer representing an organization may also represent any of its directors, officers, employees, members, shareholders or other constituents, subject to the provisions of Rule 1.7. If the organization's consent to the dual representation is required by Rule 1.7, the consent shall be given by an appropriate official of the organization other than the individual who is to be represented, or by the shareholders.

(f) "Organization" as used herein includes governmental entities.

**The maximum penalty for a violation of this Rule is a public reprimand.**

## **Comment**

### *The Entity as the Client*

[1] An organizational client is a legal entity, but it cannot act except through its officers, directors, employees, shareholders and other constituents. Officers, directors, employees and shareholders are the constituents of the corporate organizational client. The duties defined in this Comment apply equally to unincorporated associations. "Other constituents" as used in this Comment also includes the positions equivalent to officers, directors, employees and shareholders held by persons acting for organizational clients that are not corporations.

[2] When one of the constituents of an organizational client communicates with the organization's lawyer in that person's organizational capacity, the communication is protected by *Rule 1.6: Confidentiality of Information*. Thus, by way of example, if an organizational client requests its lawyer to investigate allegations of wrongdoing, interviews made in the course of that investigation between the lawyer and the client's employees or other constituents are covered by *Rule 1.6: Confidentiality of Information*. This does not mean, however, that constituents of an organizational client are the clients of the lawyer. The lawyer may not disclose to such constituents information relating to the representation except for disclosures explicitly or impliedly authorized by the organizational client in order to carry out the representation or as otherwise permitted by *Rule 1.6: Confidentiality of Information*.

[3] When constituents of the organization make decisions for it, the decisions ordinarily must be accepted by the lawyer even if their utility or prudence is doubtful. Decisions concerning policy and operations, including ones entailing serious risk, are not as such in the lawyer's province. However, different considerations arise when the lawyer knows that the organization may be substantially injured by action of a constituent that is in violation of law. In such a circumstance, it may be reasonably necessary for the lawyer to ask the constituent to reconsider the matter. If that fails, or if the matter is of sufficient seriousness and importance to the organization, it may be reasonably necessary for the lawyer to take steps to have the matter reviewed by a higher authority in the organization. Clear justification should exist for seeking review over the head of the constituent normally responsible for it. The stated policy of the organization may define circumstances and prescribe channels for such review, and a lawyer should encourage the formulation of such a policy. Even in the absence of organization policy, however, the lawyer may have an obligation to refer a matter to higher authority, depending on the seriousness of the matter and whether the constituent in question has apparent motives to act at variance with the organization's interest. Review by the chief executive officer or by the board of directors may be required when the matter is of importance commensurate with their authority. At some point it may be useful or essential to obtain an independent legal opinion.

[4] In an extreme case, it may be reasonably necessary for the lawyer to refer the matter to the organization's highest authority. Ordinarily, that is the board of directors or similar governing body. However, applicable law may prescribe that under certain conditions highest authority reposes elsewhere, for example, in the independent directors of a corporation.

#### *Relation to Other Rules*

[5] The authority and responsibility provided in paragraph (b) are concurrent with the authority and responsibility provided in other Rules. In particular, this Rule does not limit or expand the lawyer's responsibility under *Rule 1.6: Confidentiality of Information*, 1.8, 1.16, 3.3 or 4.1. If the lawyer's services are being used by an organization to further a crime or fraud by the organization, *Rule 1.2(d): Scope of Representation* can be applicable.

#### *Government Entity*

[6] The duty defined in this Rule applies to governmental entities. However, when the client is a governmental entity, a different balance may be appropriate between maintaining confidentiality and assuring that the wrongful official act is prevented or rectified, for public business is involved. In addition, duties of lawyers employed by the government or lawyers in military service may be defined by statutes and regulation. Therefore, defining precisely the identity of the client and prescribing the resulting obligations of such lawyers may be more difficult in the government context. Although in

some circumstances the client may be a specific agency, it is generally the government as a whole. For example, if the action or failure to act involves the head of a bureau, either the department of which the bureau is a part or the government as a whole may be the client for purpose of this Rule. Moreover, in a matter involving the conduct of government officials, a government lawyer may have authority to question such conduct more extensively than that of a lawyer for a private organization in similar circumstances. This Rule does not limit that authority. See note on Scope.

### *Clarifying the Lawyer's Role*

[7] There are times when the organization's interest may be or become adverse to those of one or more of its constituents. In such circumstances the lawyer should advise any constituent, whose interest the lawyer finds adverse to that of the organization (1) of the conflict or potential conflict of interest, (2) that the lawyer cannot represent such constituent, and (3) that such person may wish to obtain independent representation. Care must be taken to assure that the individual understands that, when there is such adversity of interest, the lawyer for the organization cannot provide legal representation for that constituent individual, and that discussions between the lawyer for the organization and the individual may not be privileged.

[8] Whether such a warning should be given by the lawyer for the organization to any constituent individual may turn on the facts of each case.

### *Dual Representation*

[9] Paragraph (e) recognizes that a lawyer for an organization may also represent a principal officer or major shareholder.

### *Derivative Actions*

[10] Under generally prevailing law, the shareholders or members of a corporation may bring suit to compel the directors to perform their legal obligations in the supervision of the organization. Members of unincorporated associations have essentially the same right. Such an action may be brought nominally by the organization, but usually is, in fact, a legal controversy over management of the organization.

[11] The question can arise whether counsel for the organization may defend such an action. The proposition that the organization is the lawyer's client does not alone resolve the issue. Most derivative actions are a normal incident of an organization's affairs, to be defended by the organization's lawyer like any other suit. However, if the claim involves serious charges of wrongdoing by those in control of the organization, a conflict may arise between the lawyer's duty to the organization and the lawyer's relationship with the board. In those circumstances, *Rule 1.7: Conflict of Interest* governs who should represent the directors and the organization.

## **RULE 1.14 CLIENT UNDER A DISABILITY**

(a) When a client's ability to make adequately considered decisions in connection with the representation is impaired, whether because of age, mental or medical disability or for some other reason, the lawyer shall, as far as reasonably possible, maintain a normal client-lawyer relationship with the client.

(b) A lawyer may seek the appointment of a guardian or take other protective action with respect to a client when the lawyer reasonably believes that the client cannot adequately act in the client's own interest.

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1] The normal client-lawyer relationship is based on the assumption that the client, when properly advised and assisted, is capable of making decisions about important matters. When the client is a minor or suffers from a mental disorder or disability, however, maintaining the ordinary client-lawyer relationship may not be possible in all respects. In particular, an incapacitated person may have no power to make legally binding decisions. Nevertheless, a client lacking legal competence often has the ability to understand, deliberate upon, and reach conclusions about matters affecting the client's own well-being. Furthermore, to an increasing extent the law recognizes intermediate degrees of competence. For example, children as young as five or six years of age, and certainly those of ten or twelve, are regarded as having opinions that are entitled to weight in legal proceedings concerning their custody. So also, it is recognized that some persons of advanced age can be quite capable of handling routine financial matters while needing special legal protection concerning major transactions.

[2] The fact that a client suffers a disability does not diminish the lawyer's obligation to treat the client with attention and respect. If the person has no guardian or legal representative, the lawyer often must act as de facto guardian. Even if the person does have a legal representative, the lawyer should as far as possible accord the represented person the status of client, particularly in maintaining communication.

[3] If a legal representative has already been appointed for the client, the lawyer should ordinarily look to the representative for decisions on behalf of the client. If a legal representative has not been appointed, the lawyer should see to such an appointment where it would serve the client's best interests. Thus, if a disabled client has substantial property that should be sold for the client's benefit, effective completion of the transaction ordinarily requires appointment of a legal representative. In many circumstances, however, appointment of a legal representative may be expensive or traumatic for the client. Evaluation of these considerations is a matter of professional judgment on the lawyer's part.



[4] If the lawyer represents the guardian as distinct from the ward, and is aware that the guardian is acting adversely to the ward's interest, the lawyer may have an obligation to prevent or rectify the guardian's misconduct. See *Rule 1.2(d): Scope of Representation*.

*Disclosure of the Client's Condition*

[5] Rules of procedure in litigation generally provide that minors or persons suffering mental disability shall be represented by a guardian or next friend if they do not have a general guardian. However, disclosure of the client's disability can adversely affect the client's interests. For example, raising the question of disability could, in some circumstances, lead to proceedings for involuntary commitment. The lawyer's position in such cases is an unavoidably difficult one. The lawyer may seek guidance from an appropriate diagnostician.

**RULE 1.15(I) SAFEKEEPING PROPERTY - GENERAL**

(a) A lawyer shall hold property of clients or third persons that is in a lawyer's possession in connection with a representation separate from the lawyer's own property. Funds shall be kept in a separate account maintained in an approved institution as defined by Rule 1.15(III)(c)(1). Other property shall be identified as such and appropriately safeguarded. Complete records of such account funds and other property shall be kept by the lawyer and shall be preserved for a period of six years after termination of the representation.

(b) Upon receiving funds or other property in which a client or third person has an interest, a lawyer shall promptly notify the client or third person. Except as stated in this rule or otherwise permitted by law or by agreement with the client, a lawyer shall promptly deliver to the client or third person any funds or other property that the client or third person is entitled to receive and, upon request by the client or third person, shall promptly render a full accounting regarding such property.

(c) When in the course of representation a lawyer is in possession of property in which both the lawyer and another person claim interests, the property shall be kept separate by the lawyer until there is an accounting and severance of their interests. If a dispute arises concerning their respective interests, the portion in dispute shall be kept separate by the lawyer until the dispute is resolved.

**The maximum penalty for a violation of this Rule is disbarment.**

## **Comment**

[1] A lawyer should hold property of others with the care required of a professional fiduciary. Securities should be kept in a safe deposit box, except when some other form of safekeeping is warranted by special circumstances. All property which is the property of clients or third persons should be kept separate from the lawyer's business and personal property and, if monies, in one or more trust accounts. Separate trust accounts may be warranted when administering estate monies or acting in similar fiduciary capacities.

[2] Lawyers often receive funds from third parties from which the lawyer's fee will be paid. If there is risk that the client may divert the funds without paying the fee, the lawyer is not required to remit the portion from which the fee is to be paid. However, a lawyer may not hold funds to coerce a client into accepting the lawyer's contention. The disputed portion of the funds should be kept in trust and the lawyer should suggest means for prompt resolution of the dispute, such as arbitration or interpleader. The undisputed portion of the funds shall be promptly distributed.

[3] Third parties, such as a client's creditors, may have just claims against funds or other property in a lawyer's custody. A lawyer may have a duty under applicable law to protect such third-party claims against wrongful interference by the client, and accordingly may refuse to surrender the property to the client. However, a lawyer should not unilaterally assume to arbitrate a dispute between the client and the third party. The obligations of a lawyer under this Rule are independent of those arising from activity other than rendering legal services. For example, a lawyer who serves as an escrow agent is governed by the applicable law relating to fiduciaries even though the lawyer does not render legal services in the transaction.

[4] A "clients' security fund" provides a means through the collective efforts of the bar to reimburse persons who have lost money or property as a result of dishonest conduct of a lawyer. Where such a fund has been established, a lawyer should participate.

## **Rule 1.15(II) Safekeeping Property - Trust Account and IOLTA**

**(a) Every lawyer who practices law in Georgia, whether said lawyer practices as a sole practitioner, or as a member of a firm, association, or professional corporation, and who receives money or property on behalf of a client or in any other fiduciary capacity, shall maintain or have available a trust account as required by these Rules. All funds held by a lawyer for a client and all funds held by a lawyer in any other fiduciary capacity shall be deposited in and administered from such account.**

**(b) No personal funds shall ever be deposited in a lawyer's trust account, except that unearned attorney's fees may be so held until the same are earned.**

Sufficient personal funds of the lawyer may be kept in the trust account to cover maintenance fees such as service charges on the account. Records on such trust accounts shall be so kept and maintained as to reflect at all times the exact balance held for each client or third person. No funds shall be withdrawn from such trust accounts for the personal use of the lawyer maintaining the account except earned attorney's fees debited against the account of a specific client and recorded as such.

(c) All client's funds shall be placed in either an interest-bearing account with the interest being paid to the client or an interest-bearing (IOLTA) account with the interest being paid to the Georgia Bar Foundation as hereinafter provided.

(1) With respect to funds which are not nominal in amount, or are not to be held for a short period of time, a lawyer shall, with notice to his clients, create and maintain an interest-bearing trust account in an approved institution as defined in Rule 1.15(III)(c)(1), with the interest to be paid to the client. No earnings from such an account shall be made available to a lawyer or law firm.

(2) With respect to funds which are nominal in amount or are to be held for a short period of time, a lawyer shall, with or without notice to the client, create and maintain an interest-bearing, government insured trust account (IOLTA) in compliance with the following provisions:

(i) No earnings from such an IOLTA account shall be made available to a lawyer or law firm.

(ii) The account shall include all clients' funds which are nominal in amount or which are to be held for a short period of time.

(iii) An interest-bearing trust account may be established with any approved institution as defined in Rule 1.15(III)(c)(1). Funds in each interest-bearing trust account shall be subject to withdrawal upon request and without delay.

(iv) The rate of interest payable on any interest-bearing trust account shall not be less than the rate paid by the depository institution to regular, non-lawyer depositors. Higher rates offered by the institution to customers whose deposits exceed certain time or quantity minimum, such as those offered in the form of certificates of deposit, may be obtained by a lawyer or law firm on some or all of the deposit funds so long as there is no impairment of the right to withdraw or transfer principal immediately.

(v) Lawyers or law firms shall direct the depository institution:

(A) to remit to the Georgia Bar Foundation interest or dividends, net of any charges or fees on that account, on the average monthly balance in that account, or as otherwise computed in accordance with a financial institution's standard accounting practice, at least quarterly. Any bank fees or charges in excess of the interest earned on that account for any

month shall be paid by the lawyer or law firm in whose names such account appears, if required by the bank;

(B) to transmit with each remittance to the Foundation a statement showing the name of the lawyer or law firm for whom the remittance is sent, the rate of interest applied, the average monthly balance against which the interest rate is applied, the service charges or fees applied, and the net interest remittance;

(C) to transmit to the depositing lawyer or law firm at the same time a report showing the amount paid to the Foundation, the rate of interest applied, the average account balance of the period for which the report is made, and such other information provided to non-lawyer customers with similar accounts.

(3) No charge of ethical impropriety or other breach of professional conduct shall attend the determination that such funds are nominal in amount or to be held for a short period of time, or to the decision to invest clients' funds in a pooled interest-bearing account.

(4) Whether the funds are designated short-term or nominal or not, a lawyer or law firm may elect to remit all interest earned, or interest earned net of charges, to his client or clients.

**The maximum penalty for a violation of Rule 1.15(II)(a) and Rule 1.15(II)(b) is disbarment. The maximum penalty for a violation of Rule 1.15(II)(c) is a public reprimand.**

#### **COMMENT**

[1] The personal money permitted to be kept in the lawyer's trust account by this Rule shall not be used for any purpose other than to cover the bank fees and if used for any other purpose the lawyer shall have violated this rule. If the lawyer wishes to reduce the amount of personal money in the trust account, the change must be properly noted in the lawyer's financial records and the monies transferred to the lawyer's business account.

[2] Nothing in this Rule shall prohibit a lawyer from removing from the trust account fees which have been earned on a regular basis which coincides with the lawyer's billing cycles rather than removing the fees earned on an hour-by-hour basis.

**RULE 1.15(III)            RECORD KEEPING; TRUST ACCOUNT OVERDRAFT  
NOTIFICATION; EXAMINATION OF RECORDS**

**(a)      Required Bank Accounts.**

Every lawyer who practices law in Georgia and who receives money or other property on behalf of a client or in any other fiduciary capacity shall maintain, in an approved financial institution as defined by this Rule, a trust account or accounts, separate from any business and personal accounts. Funds received by the lawyer on behalf of a client or in any other fiduciary capacity shall be deposited into this account. The financial institution shall be in Georgia or in the state where the lawyer's office is located, or elsewhere with the written consent and at the written request of the client or third person

**(b)      Description of Accounts.**

(1)      A lawyer shall designate all trust accounts, whether general or specific, as well as all deposit slips and checks drawn thereon, as either an "Attorney Trust Account," "Attorney Escrow Account" or "Attorney Fiduciary Account."

(2)      A lawyer shall designate all business accounts, as well as all deposit slips and all checks drawn thereon, as a "Business Account," a "Professional Account," an "Office Account," a "General Account," a "Payroll Account", an "Operating Account" or a "Regular Account."

(3)      Nothing in this Standard shall prohibit a lawyer from using any additional description or designation for a specific business or trust account including fiduciary accounts maintained by the lawyer as executor, guardian, trustee, receiver, agent or in any other fiduciary capacity.

**(c)      Procedure**

**(1)      Approved Institutions**

(i)      A lawyer shall maintain his or her trust account only in a financial institution approved by the State Bar, which shall annually publish a list of approved institutions. Such institutions shall be located within the State of Georgia, within the state where the lawyer's office is located, or elsewhere with the written consent and at the written request of the client or fiduciary. The institution shall be authorized by federal or state law to do business in the jurisdiction where located and shall be federally insured. A financial institution shall be approved as a depository for lawyer trust accounts if it abides by an agreement to report to the State Disciplinary Board whenever any properly payable instrument is presented against a lawyer trust account containing insufficient funds, and the instrument is not honored. The agreement shall apply to all branches of the financial

institution and shall not be canceled except upon thirty days notice in writing to the State Disciplinary Board. The agreement shall be filed with the Office of General Counsel on a form approved by the State Disciplinary Board. The agreement shall provide that all reports made by the financial institution shall be in writing and shall include the same information customarily forwarded to the depositor when an instrument is presented against insufficient funds. If the financial institution is located outside of the State of Georgia it shall also agree in writing to honor any properly issued State Bar of Georgia subpoena.

(ii) The State Disciplinary Board shall establish procedures for a lawyer or law firm to be excused from the requirements of this Rule if the lawyer or law firm has its principal office in a county where no bank, credit union, or savings and loan association will agree to comply with the provisions of this Rule.

**(2) Timing of Reports**

(i) The financial institution shall file a report with the Office of General Counsel of the State Bar of Georgia in every instance where a properly payable instrument is presented against a lawyer trust account containing insufficient funds and said instrument is not honored within three business days of presentation.

(ii) The report shall be filed with the Office of General Counsel within fifteen days of the date of the presentation of the instrument, even if the instrument is subsequently honored after the three business days provided in (2)(i) above.

(3) Nothing shall preclude a financial institution from charging a particular lawyer or law firm for the reasonable cost of producing the reports and records required by this Rule.

(4) Every lawyer and law firm maintaining a trust account as provided by these Rules is hereby and shall be conclusively deemed to have consented to the reporting and production requirements mandated by this Rule and shall indemnify and hold harmless each financial institution for its compliance with the aforesaid reporting and production requirements.

**(d) Effect on Financial Institution of Compliance**

The agreement by a financial institution to offer accounts pursuant to this Rule shall be a procedure to advise the State Disciplinary Board of conduct by attorneys and shall not be deemed to create a duty to exercise a standard of care or a contract with third parties that may sustain a loss as a result of lawyers overdrawing attorney trust accounts.

**(e) Availability of Records**

**A lawyer shall not fail to produce any of the records required to be maintained by these Standards at the request of the Investigative Panel of the State Disciplinary Board or the Supreme Court. This obligation shall be in addition to and not in lieu of the procedures contained in Part IV of these Rules for the production of documents and evidence.**

**(f) Audit for Cause.**

**A lawyer shall not fail to submit to an Audit for Cause conducted by the State Disciplinary Board pursuant to Bar Rule 4-111.**

**The maximum penalty for a violation of this Rule is disbarment.**

**Comment**

[1] Each financial institution wishing to be approved as a depository of client trust funds must file an overdraft notification agreement with the State Disciplinary Board of the State Bar of Georgia. The State Bar of Georgia will publish a list of approved institutions at least annually.

[2] The overdraft agreement requires that all overdrafts be reported to the Office of General Counsel of the State Bar of Georgia whether or not the instrument is honored. It is improper for a lawyer to accept "overdraft privileges" or any other arrangement for a personal loan on a client trust account, particularly in exchange for the institution's promise to delay or not to report an overdraft. The institution must notify the Office of General Counsel of all overdrafts even where the institution is certain that its own error caused the overdraft or that the matter could have been resolved between the institution and the lawyer within a reasonable period of time.

[3] The overdraft notification provision is not intended to result in the discipline of every lawyer who overdraws a trust account. The lawyer or institution may explain occasional errors. The provision merely intends that the Office of General Counsel receive an early warning of improprieties so that corrective action, including audits for cause, may be taken.

*Audits*

[4] Every lawyer's financial records and trust account records are required records and therefore are properly subject to audit for cause. The audit provisions are intended to uncover errors and omissions before the public is harmed, to deter those lawyers who may be tempted to misuse client's funds and to educate and instruct lawyers as to proper trust accounting methods. Although the auditors will be employed by the Office of General Counsel of the State Bar of Georgia, it is intended that disciplinary

proceedings will be brought only when the auditors have reasonable cause to believe discrepancies or irregularities exist. Otherwise, the auditors should only educate the lawyer and the lawyer's staff as to proper trust accounting methods.

[5] An audit for cause may be conducted at any time and without advance notice if the Office of General Counsel receives sufficient evidence that a lawyer poses a threat of harm to clients or the public. The Office of General Counsel must have the written approval of the Chairman of the Investigative Panel of the State Disciplinary Board and the President-elect of the State Bar of Georgia to conduct an audit for cause.

#### **RULE 1.16 DECLINING OR TERMINATING REPRESENTATION**

**(a) Except as stated in paragraph (c), a lawyer shall not represent a client or, where representation has commenced, shall withdraw from the representation of a client if:**

- (1) the representation will result in violation of the Georgia Rules of Professional Conduct or other law;**
- (2) the lawyer's physical or mental condition materially impairs the lawyer's ability to represent the client; or**
- (3) the lawyer is discharged.**

**(b) except as stated in paragraph (c), a lawyer may withdraw from representing a client if withdrawal can be accomplished without material adverse effect on the interests of the client, or if:**

- (1) the client persists in a course of action involving the lawyer's services that the lawyer reasonably believes is criminal or fraudulent;**
- (2) the client has used the lawyer's services to perpetrate a crime or fraud;**
- (3) the client insists upon pursuing an objective that the lawyer considers repugnant or imprudent;**
- (4) the client fails substantially to fulfill an obligation to the lawyer regarding the lawyer's services and has been given reasonable warning that the lawyer will withdraw unless the obligation is fulfilled;**
- (5) the representation will result in an unreasonable financial burden on the lawyer or has been rendered unreasonably difficult by the client; or**
- (6) other good cause for withdrawal exists.**

**(c) When a lawyer withdraws it shall be done in compliance with applicable laws and rules. When ordered to do so by a tribunal, a lawyer shall continue representation notwithstanding good cause for terminating the representation.**



(d) Upon termination of representation, a lawyer shall take steps to the extent reasonably practicable to protect a client's interests, such as giving reasonable notice to the client, allowing time for employment of other counsel, surrendering papers and property to which the client is entitled and refunding any advance payment of fee that has not been earned.

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1] A lawyer should not accept representation in a matter unless it can be performed competently, promptly, without improper conflict of interest and to completion. *But see Rule 1.2(c): Scope of Representation.*

### *Mandatory Withdrawal*

[2] A lawyer ordinarily must decline or withdraw from representation if the client demands that the lawyer engage in conduct that is illegal or violates the Georgia Rules of Professional Conduct or other law. The lawyer is not obliged to decline or withdraw simply because the client suggests such a course of conduct; a client may make such a suggestion in the hope that a lawyer will not be constrained by a professional obligation.

[3] When a lawyer has been appointed to represent a client, withdrawal ordinarily requires approval of the appointing authority. See also *Rule 6.2: Accepting Appointments*. Difficulty may be encountered if withdrawal is based on the client's demand that the lawyer engage in unprofessional conduct. The court may wish an explanation for the withdrawal, while the lawyer may be bound to keep confidential the facts that would constitute such an explanation. The lawyer's statement that professional considerations require termination of the representation ordinarily should be accepted as sufficient.

### *Discharge*

[4] A client has a right to discharge a lawyer at any time, with or without cause, subject to liability for payment for the lawyer's services. Where future dispute about the withdrawal may be anticipated, it may be advisable to prepare a written statement reciting the circumstances.

[5] Whether a client can discharge appointed counsel may depend on applicable law. To the extent possible, the lawyer should give the client an explanation of the consequences. These consequences may include a decision by the appointing authority that appointment of successor counsel is unjustified, thus requiring the client to be self-represented.

[6] If the client is mentally incompetent, the client may lack the legal capacity to discharge the lawyer, and in any event the discharge may be seriously adverse to the client's interests. The lawyer should make special effort to help the client consider the consequences and, in an extreme case, may initiate proceedings for a conservatorship or similar protection of the client. See *Rule 1.14: Client under a Disability*.

#### *Optional Withdrawal*

[7] The lawyer has the option to withdraw if it can be accomplished without material adverse effect on the client's interests. Withdrawal is also justified if the client persists in a course of action that the lawyer reasonably believes is criminal or fraudulent, for a lawyer is not required to be associated with such conduct even if the lawyer does not further it. Withdrawal is also permitted if the lawyer's services were misused in the past even if that would materially prejudice the client. The lawyer also may withdraw where the client insists on a repugnant or imprudent objective. The lawyer's statement that professional considerations require termination of the representation ordinarily should be accepted as sufficient.

[8] A lawyer may withdraw if the client refuses to abide by the terms of an agreement relating to the representation, such as an agreement concerning fees or court costs or an agreement limiting the objectives of the representation.

#### *Assisting the Client upon Withdrawal*

[9] Even if the lawyer has been unfairly discharged by the client, a lawyer must take all reasonable steps to mitigate the consequences to the client.

[10] Whether or not a lawyer for an organization may under certain unusual circumstances have a legal obligation to the organization after withdrawing or being discharged by the organization's highest authority is beyond the scope of these Rules.

### **RULE 1.17 SALE OF LAW PRACTICE**

**A lawyer or a law firm may sell or purchase a law practice, including good will, if the following conditions are satisfied:**

- (a) **Reserved.**
- (b) **The practice is sold as an entirety to another lawyer or law firm;**
- (c) **Actual written notice is given to each of the seller's clients regarding:**
  - (1) **the proposed sale;**
  - (2) **the terms of any proposed change in the fee arrangement authorized by paragraph (d);**

(3) the client's right to retain other counsel or to take possession of the file; and

(4) the fact that the client's consent to the sale will be presumed if the client does not take any action or does not otherwise object within ninety (90) days of receipt of the notice.

If a client cannot be given notice, the representation of that client may be transferred to the purchaser only upon entry of an order so authorizing by a court having jurisdiction. The seller may disclose to the court *in camera* information relating to the representation only to the extent necessary to obtain an order authorizing the transfer of a file.

(d) The fees charged clients shall not be increased by reason of the sale. The purchaser may, however, refuse to undertake the representation unless the client consents to pay the purchaser fees at a rate not exceeding the fees charged by the purchaser for rendering substantially similar services prior to the initiation of the purchase negotiations.

The maximum penalty for a violation of this Rule is a public reprimand.

#### Comment

[1] The practice of law is a profession, not merely a business. Clients are not commodities that can be purchased and sold at will. Pursuant to this Rule, when another lawyer or firm takes over the representation, the selling lawyer or firm may obtain compensation for the reasonable value of the practice as may withdrawing partners of law firms. See Rules 5.4: *Professional Independence of a Lawyer* and 5.6: *Restrictions on Right to Practice*.

#### *Termination of Practice by the Seller*

[2] The requirement that all of the private practice be sold is satisfied if the seller in good faith makes the entire practice available for sale to the purchaser. The fact that a number of the seller's clients decide not to be represented by the purchaser but take their matters elsewhere, therefore, does not result in a violation. Neither does a return to private practice as a result of an unanticipated change in circumstances result in a violation. For example, a lawyer who has sold the practice to accept an appointment to judicial office does not violate the requirement that the sale be attendant to cessation of practice if the lawyer later resumes private practice upon being defeated in a contested or a retention election for the office.

[3] Reserved.

[4] Reserved.

### *Single Purchaser*

[5] The Rule requires a single purchaser. The prohibition against piecemeal sale of a practice protects those clients whose matters are less lucrative and who might find it difficult to secure other counsel if a sale could be limited to substantial fee-generating matters. The purchaser is required to undertake all client matters in the practice, subject to client consent. If, however, the purchaser is unable to undertake all client matters because of a conflict of interest in a specific matter respecting which the purchaser is not permitted by *Rule 1.7: Conflict of Interest* or another rule to represent the client, the requirement that there be a single purchaser is nevertheless satisfied.

### *Client Confidences, Consent and Notice*

[6] Negotiations between seller and prospective purchaser prior to disclosure of information relating to a specific representation of an identifiable client no more violate the confidentiality provisions of *Model Rule 1.6: Confidentiality of Information* than do preliminary discussions concerning the possible association of another lawyer or mergers between firms, with respect to which client consent is not required. Providing the purchaser access to client-specific information relating to the representation and to the file, however, requires client consent. The Rule provides that before such information can be disclosed by the seller to the purchaser the client must be given actual written notice of the contemplated sale, including the identity of the purchaser and any proposed change in the terms of future representation, and must be told that the decision to consent or make other arrangements must be made within 90 days. If nothing is heard from the client within that time, consent to the sale is presumed.

[7] A lawyer or law firm ceasing to practice cannot be required to remain in practice because some clients cannot be given actual notice of the proposed purchase. Since these clients cannot themselves consent to the purchase or direct any other disposition of their files, the Rule requires an order from a court having jurisdiction authorizing their transfer or other disposition. The Court can be expected to determine whether reasonable efforts to locate the client have been exhausted, and whether the absent client's legitimate interests will be served by authorizing the transfer of the file so that the purchaser may continue the representation. Preservation of client confidences requires that the petition for a court order be considered *in camera*.

[8] All the elements of client autonomy, including the client's absolute right to discharge a lawyer and transfer the representation to another, survive the sale of the practice.

### *Fee Arrangements Between Client and Purchaser*

[9] The sale may not be financed by increases in fees charged the clients of the practice. Existing agreements between the seller and the client as to fees and the scope of the work must be honored by the purchaser, unless the client consents. The purchaser

may, however, advise the client that the purchaser will not undertake the representation unless the client consents to pay the higher fees the purchaser usually charges. To prevent client financing of the sale, the higher fee the purchaser may charge must not exceed the fees charged by the purchaser for substantially similar services rendered prior to the initiation of the purchase negotiations.

[10] The purchaser may not intentionally fragment the practice which is the subject of the sale by charging significantly different fees in substantially similar matters. Doing so would make it possible for the purchaser to avoid the obligation to take over the entire practice by charging arbitrarily higher fees for less lucrative matters, thereby increasing the likelihood that those clients would not consent to the new representation.

#### *Other Applicable Ethical Standards*

[11] Lawyers participating in the sale of a law practice are subject to the ethical standards applicable to involving another lawyer in the representation of a client. These include, for example, the seller's obligation to exercise competence in identifying a purchaser qualified to assume the practice and the purchaser's obligation to undertake the representation competently (see Rule 1.1: Competence); the obligation to avoid disqualifying conflicts, and to secure client consent after consultation for those conflicts which can be agreed to (see *Rule 1.7: Conflict of Interest*); and the obligation to protect information relating to the representation (see Rules 1.6 and 1.9).

[12] If approval of the substitution of the purchasing lawyer for the selling lawyer is required by the rules of any tribunal in which a matter is pending, such approval must be obtained before the matter can be included in the sale (see *Rule 1.16: Declining or Terminating Representation*).

#### *Applicability of the Rule*

[13] This Rule applies to the sale of a law practice by representatives of a deceased, disabled or disappeared lawyer. Thus, the seller may be represented by a non-lawyer representative not subject to these Rules. Since, however, no lawyer may participate in a sale of a law practice which does not conform to the requirements of this Rule, the representatives of the seller as well as the purchasing lawyer can be expected to see to it that they are met.

[14] Admission to or retirement from a law partnership or professional association, retirement plans and similar arrangements, and a sale of tangible assets of a law practice, do not constitute a sale or purchase governed by this Rule.

[15] This Rule does not apply to the transfers of legal representation between lawyers when such transfers are unrelated to the sale of a practice.

**PART TWO**  
**COUNSELOR**

**RULE 2.1      ADVISOR**

**In representing a client, a lawyer shall exercise independent professional judgment and render candid advice. A lawyer should not be deterred from giving candid advice by the prospect that the advice will be unpalatable to the client.**

**The maximum penalty for a violation of this Rule is disbarment.**

**Comment**

*Scope of Advice*

[1] A client is entitled to straightforward advice expressing the lawyer's honest assessment. Legal advice often involves unpleasant facts and alternatives that a client may be disinclined to confront. In presenting advice, a lawyer endeavors to sustain the client's morale and may put advice in as acceptable a form as honesty permits. However, a lawyer should not be deterred from giving candid advice by the prospect that the advice will be unpalatable to the client.

[2] In rendering advice, a lawyer may refer not only to law but to other considerations such as moral, economic, social and political factors that may be relevant to the client's situation. Advice couched in narrowly legal terms may be of little value to a client, especially where practical considerations, such as cost or effects on other people, are predominant. Purely technical legal advice, therefore, can sometimes be inadequate. It is proper for a lawyer to refer to relevant moral and ethical considerations in giving advice.

[3] A client may expressly or impliedly ask the lawyer for purely technical advice. When such a request is made by a client experienced in legal matters, the lawyer may accept it at face value. When such a request is made by a client inexperienced in legal matters, however, the lawyer's responsibility as advisor may include indicating that more may be involved than strictly legal considerations.

[4] Matters that go beyond strictly legal questions may also be in the domain of another profession. Family matters can involve problems within the professional competence of psychiatry, clinical psychology or social work; business matters can involve problems within the competence of the accounting profession or of financial specialists. Where consultation with a professional in another field is itself something a competent lawyer would recommend, the lawyer should make such a recommendation. At the same

time, a lawyer's advice at its best often consists of recommending a course of action in the face of conflicting recommendations of experts.

### *Offering Advice*

[5] In general, a lawyer is not expected to give advice until asked by the client. However, when a lawyer knows that a client proposes a course of action that is likely to result in substantial adverse legal consequences to the client, duty to the client under *Rule 1.4: Communication* may require that the lawyer act if the client's course of action is related to the representation. A lawyer ordinarily has no duty to initiate investigation of a client's affairs or to give advice that the client has indicated is unwanted, but a lawyer may initiate advice to a client when doing so appears to be in the client's interest.

## **RULE 2.2 INTERMEDIARY**

**(a) A lawyer acting as an intermediary by representing two or more parties with potentially conflicting interests shall withdraw if:**

- (1) any of the clients so request; or**
- (2) there comes into existence any of the conditions which would cause an attorney "not to accept or continue the representation" under the provisions of Rule 1.7.**

**(b) Upon withdrawal, the lawyer shall not continue to represent any of the clients in the matter that was the subject of the intermediation.**

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

[1] A lawyer acts as intermediary under this Rule when the lawyer represents two or more parties with potentially conflicting interests. A key factor in defining the relationship is whether the parties share responsibility for the lawyer's fee, but the common representation may be inferred from other circumstances. Because confusion can arise as to the lawyer's role where each party is not separately represented, it is important that the lawyer make clear the relationship.

[2] The Rule does not apply to a lawyer acting as arbitrator or mediator between or among parties who are not clients of the lawyer, even where the lawyer has been appointed with the concurrence of the parties. In performing such a role the lawyer may be subject to applicable codes of ethics, such as the Code of Ethics for Arbitration in Commercial Disputes prepared by a joint Committee of the American Bar Association and the American Arbitration Association.

[3] A lawyer acts as intermediary in seeking to establish or adjust a relationship between clients on an amicable and mutually advantageous basis; for example, in helping to organize a business in which two or more clients are entrepreneurs, working out the financial reorganization of an enterprise in which two or more clients have an interest, arranging a property distribution in settlement of an estate or mediating a dispute between clients. The lawyer seeks to resolve potentially conflicting interests by developing the parties' mutual interests. The alternative can be that each party may have to obtain separate representation, with the possibility in some situations of incurring additional cost, complication or even litigation. Given these and other relevant factors, all the clients may prefer that the lawyer act as intermediary.

[4] In considering whether to act as intermediary between clients, a lawyer should be mindful that if the intermediation fails the result can be additional cost, embarrassment and recrimination. In some situations the risk of failure is so great that intermediation is plainly impossible. For example, a lawyer cannot undertake common representation of clients between whom contentious litigation is imminent or who contemplate contentious negotiations. More generally, if the relationship between the parties has already assumed definite antagonism, the possibility that the clients' interests can be adjusted by intermediation ordinarily is not very good.

[5] The appropriateness of intermediation can depend on its form. Forms of intermediation range from informal arbitration, where each client's case is presented by the respective client and the lawyer decides the outcome, to mediation, to common representation where the clients' interests are substantially though not entirely compatible. One form may be appropriate in circumstances where another would not. Other relevant factors are whether the lawyer subsequently will represent both parties on a continuing basis and whether the situation involves creating a relationship between the parties or terminating one. The lawyer must reasonably believe that the matter can be resolved on terms compatible with the clients' best interests, that each client will be able to make adequately informed decisions in the matter and that there is little risk of material prejudice to the interests of any of the clients if the contemplated resolution is unsuccessful; and the lawyer reasonably believes that the common representation can be undertaken impartially and without improper effect on other responsibilities the lawyer has to any of the clients.

### *Confidentiality and Privilege*

[6] A particularly important factor in determining the appropriateness of intermediation is the effect on client-lawyer confidentiality and the attorney-client privilege. In a common representation, the lawyer is still required both to keep each client adequately informed and to maintain confidentiality of information relating to the representation. See Rules 1.4 and 1.6. Complying with both requirements while acting as intermediary requires a delicate balance. If the balance cannot be maintained, the common representation is improper. With regard to the attorney-client privilege, the prevailing rule is that as between commonly represented clients the privilege does not attach. Hence, it



must be assumed that if litigation eventuates between the clients, the privilege will not protect any such communications, and the clients should be so advised.

[7] Since the lawyer is required to be impartial between commonly represented clients, intermediation is improper when that impartiality cannot be maintained. For example, a lawyer who has represented one of the clients for a long period and in a variety of matters might have difficulty being impartial between that client and one to whom the lawyer has only recently been introduced.

#### *Consultation*

[8] In acting as intermediary between clients, the lawyer is required to consult with the clients on the implications of doing so, and proceed only upon consent based on such a consultation. The consultation should make clear that the lawyer's role is not that of partisanship normally expected in other circumstances.

[9] Paragraph (b) is an application of the principle expressed in *Rule 1.4: Communication*. Where the lawyer is intermediary, the clients ordinarily must assume greater responsibility for decisions than when each client is independently represented.

#### *Withdrawal*

[10] Common representation does not diminish the rights of each client in the client-lawyer relationship. Each has the right to loyal and diligent representation, the right to discharge the lawyer as stated in *Rule 1.16: Declining or Terminating Representation*, and the protection of *Rule 1.9: Conflict of Interest: Former Client* concerning obligations to a former client.

### **RULE 2.3 EVALUATION FOR USE BY THIRD PERSONS**

**(a) A lawyer may undertake an evaluation of a matter affecting a client for the use of someone other than the client if:**

- (1) the lawyer reasonably believes that making the evaluation is compatible with other aspects of the lawyer's relationship with the client;**
- and**
- (2) the client consents after consultation.**

**(b) Except as disclosure is required in connection with a report of an evaluation, information relating to the evaluation is otherwise protected by Rule 1.6.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

## **Comment**

### *Definition*

[1] An evaluation may be performed at the client's direction but for the primary purpose of establishing information for the benefit of third parties; for example, an opinion concerning the title of property rendered at the behest of a vendor for the information of a prospective purchaser, or at the behest of a borrower for the information of a prospective lender. In some situations, the evaluation may be required by a government entity; for example, an opinion concerning the legality of the securities registered for sale under the securities laws. In other instances, the evaluation may be required by a third person, such as a purchaser of a business.

[2] Lawyers for the government may be called upon to give a formal opinion on the legality of contemplated government entity action. In making such an evaluation, the government lawyer acts at the behest of the government as the client but for the purpose of establishing the limits of the agency's authorized activity. Such an opinion is to be distinguished from confidential legal advice given agency officials. The critical question is whether the opinion is to be made public.

[3] A legal evaluation should be distinguished from an investigation of a person with whom the lawyer does not have a client-lawyer relationship. For example, a lawyer retained by a purchaser to analyze a vendor's title to property does not have a client-lawyer relationship with the vendor. So also, an investigation into a person's affairs by a government lawyer, or by special counsel employed by the government, is not an evaluation as that term is used in this Rule. The question is whether the lawyer is retained by the person whose affairs are being examined. When the lawyer is retained by that person, the general rules concerning loyalty to client and preservation of confidences apply, which is not the case if the lawyer is retained by someone else. For this reason, it is essential to identify the person by whom the lawyer is retained. This should be made clear not only to the person under examination, but also to others to whom the results are to be made available.

### *Duty to Third Person*

[4] When the evaluation is intended for the information or use of a third person, a legal duty to that person may or may not arise. That legal question is beyond the scope of this Rule. However, since such an evaluation involves a departure from the normal client-lawyer relationship, careful analysis of the situation is required. The lawyer must be satisfied as a matter of professional judgment that making the evaluation is compatible with other functions undertaken in behalf of the client. For example, if the lawyer is acting as advocate in defending the client against charges of fraud, it would normally be incompatible with that responsibility for the lawyer to perform an evaluation for others concerning the same or a related transaction. Assuming no such impediment is apparent, however, the lawyer should advise the client of the implications of the evaluation,

particularly the lawyer's responsibilities to third persons and the duty to disseminate the findings.

#### *Access to and Disclosure of Information*

[5] The quality of an evaluation depends on the freedom and extent of the investigation upon which it is based. Ordinarily a lawyer should have whatever latitude of investigation seems necessary as a matter of professional judgment. Under some circumstances, however, the terms of the evaluation may be limited. For example, certain issues or sources may be categorically excluded, or the scope of search may be limited by time constraints or the noncooperation of persons having relevant information. Any such limitations which are material to the evaluation should be described in the report. If after a lawyer has commenced an evaluation, the client refuses to comply with the terms upon which it was understood the evaluation was to have been made, the lawyer's obligations are determined by law, having reference to the terms of the client's agreement and the surrounding circumstances.

#### *Financial Auditors' Requests for Information*

[6] When a question concerning the legal situation of a client arises at the instance of the client's financial auditor and the question is referred to the lawyer, the lawyer's response may be made in accordance with procedures recognized in the legal profession. Such a procedure is set forth in the American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information, adopted in 1975.

### **PART THREE**

#### **ADVOCATE**

#### **Rule 3.1      MERITORIOUS CLAIMS AND CONTENTIONS**

**In the representation of a client, a lawyer shall not:**

(a)      **file a suit, assert a position, conduct a defense, delay a trial, or take other action on behalf of the client when the lawyer knows or when it is obvious that such action would serve merely to harass or maliciously injure another;**

(b)      **knowingly advance a claim or defense that is unwarranted under existing law, except that the lawyer may advance such claim or defense if it can be supported by good faith argument for an extension, modification or reversal of existing law.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] The advocate has a duty to use legal procedure for the fullest benefit of the client's cause, but also a duty not to abuse legal procedure. The law, both procedural and substantive, establishes the limits within which an advocate may proceed. However, the law is not always clear and never is static. Accordingly, in determining the proper scope of advocacy, account must be taken of the law's ambiguities and potential for change.

[2] The filing of an action or defense or similar action taken for a client is not frivolous merely because the facts have not first been fully substantiated or because the lawyer expects to develop vital evidence only by discovery. Such action is not frivolous even though the lawyer believes that the client's position ultimately will not prevail. The action is frivolous, however, if the client desires to have the action taken primarily for the purpose of harassing or maliciously injuring a person, or, if the lawyer is unable either to make a good faith argument on the merits of the action taken or to support the action taken by a good faith argument for an extension, modification or reversal of existing law.

[3] It is not ethically improper for a lawyer to file a lawsuit before complete factual support for the claim has been established provided that the lawyer determines that a reasonable lawyer would conclude that there is a reasonable possibility that facts supporting the cause of action can be established after the filing of the claim; and provided further that the lawyer is not required by rules of procedure, or otherwise to represent that the cause of action has an adequate factual basis. If after filing it is discovered that the lawsuit has no merit, the lawyer will dismiss the lawsuit or in the alternative withdraw.

[4] The decision of a court that a claim is not meritorious is not necessarily conclusive of a violation of this Rule.

**Rule 3.2 EXPEDITING LITIGATION**

**A lawyer shall make reasonable efforts to expedite litigation consistent with the interests of the client.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] Dilatory practices bring the administration of justice into disrepute.

[2] The reasonableness of a lawyer's effort to expedite litigation must be judged by all of the controlling factors. "Reasonable efforts" do not equate to "instant efforts" and are sufficient if reasonable under the relevant circumstances.

### **Rule 3.3      CANDOR TOWARD THE TRIBUNAL**

- (a) A lawyer shall not knowingly:
- (1) make a false statement of material fact or law to a tribunal;
  - (2) fail to disclose a material fact to a tribunal when disclosure is necessary to avoid assisting a criminal;
  - (3) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel; or
  - (4) offer evidence that the lawyer knows to be false. If a lawyer has offered material evidence and comes to know of its falsity, the lawyer shall take reasonable remedial measures.

(b) The duties stated in paragraph (a) continue to the conclusion of the proceeding, and apply even if compliance requires disclosure of information otherwise protected by Rule 1.6.

(c) A lawyer may refuse to offer evidence that the lawyer reasonably believes is false.

(d) In an *ex parte* proceeding, a lawyer shall inform the tribunal of all material facts known to the lawyer that the lawyer reasonably believes are necessary to enable the tribunal to make an informed decision, whether or not the facts are adverse.

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] The advocate's task is to present the client's case with persuasive force. Performance of that duty while maintaining confidences of the client is qualified by the advocate's duty of candor to the tribunal. However, an advocate does not vouch for the evidence submitted in a cause; the tribunal is responsible for assessing its probative value.

#### *Representations by a Lawyer*

[2] An advocate is responsible for pleadings and other documents prepared for litigation, but is usually not required to have personal knowledge of matters asserted therein, for litigation documents ordinarily present assertions by the client, or by someone on the client's behalf, and not assertions by the lawyer. Compare *Rule 3.1: Meritorious Claims and Contentions*. However, an assertion purporting to be on the lawyer's own knowledge, as in an affidavit by the lawyer or in a statement in open court, may properly be made only when the lawyer knows the assertion is true or believes it to be true on the

basis of a reasonably diligent inquiry. There are circumstances where failure to make a disclosure is the equivalent of an affirmative misrepresentation. Whether disclosure is necessary shall be considered in light of all of the relevant circumstances. The obligation prescribed in *Rule 1.2(d): Scope of Representation* not to counsel a client to commit or assist the client in committing a fraud applies in litigation. Regarding compliance with *Rule 1.2(d): Scope of Representation*, see the Comment to that Rule. See also the Comment to *Rule 8.4(b): Misconduct*.

### *Misleading Legal Argument*

[3] Legal argument based on a knowingly false representation of law constitutes dishonesty toward the tribunal. A lawyer is not required to make a disinterested exposition of the law, but must recognize the existence of pertinent legal authorities. Furthermore, as stated in paragraph (a)(3), an advocate has a duty to disclose directly adverse authority in the controlling jurisdiction which has not been disclosed by the opposing party. The underlying concept is that legal argument is a discussion seeking to determine the legal premises properly applicable to the case.

### *False Evidence*

[4] When evidence that a lawyer knows to be false is provided by a person who is not the client, the lawyer must refuse to offer it regardless of the client's wishes.

[5] When false evidence is offered by the client, however, a conflict may arise between the lawyer's duty to keep the client's revelations confidential and the duty of candor to the court. Upon ascertaining that material evidence is false, the lawyer should seek to persuade the client that the evidence should not be offered or, if it has been offered, that its false character should immediately be disclosed. If the persuasion is ineffective, the lawyer must take reasonable remedial measures.

[6] Except in the defense of a criminal accused, the rule generally recognized is that, if necessary to rectify the situation, an advocate must disclose the existence of the client's deception to the court or to the other party. Such a disclosure can result in grave consequences to the client, including not only a sense of betrayal but also loss of the case and perhaps a prosecution for perjury. But the alternative is that the lawyer cooperate in deceiving the court, thereby subverting the truth-finding process which the adversary system is designed to implement. See *Rule 1.2(d): Scope of Representation*. Furthermore, unless it is clearly understood that the lawyer will act upon the duty to disclose the existence of false evidence, the client can simply reject the lawyer's advice to reveal the false evidence and insist that the lawyer keep silent.

### *Perjury by a Criminal Defendant*

[7] Whether an advocate for a criminally accused has the same duty of disclosure has been intensely debated. While it is agreed that the lawyer should seek to persuade the client to refrain from perjurious testimony, there has been dispute concerning the lawyer's duty when that persuasion fails. If the confrontation with the client occurs before trial, the lawyer ordinarily can withdraw. Withdrawal before trial may not be possible, however, either because trial is imminent, or because the confrontation with the client does not take place until the trial itself, or because no other counsel is available.

[8] The most difficult situation, therefore, arises in a criminal case where the accused insists on testifying when the lawyer knows that the testimony is perjurious. The lawyer's effort to rectify the situation can increase the likelihood of the client's being convicted as well as opening the possibility of a prosecution for perjury. On the other hand, if the lawyer does not exercise control over the proof, the lawyer participates, although in a merely passive way, in deception of the court.

[9] Three resolutions of this dilemma have been proposed. One is to permit the accused to testify by a narrative without guidance through the lawyer's questioning. This compromises both contending principles; it exempts the lawyer from the duty to disclose false evidence but subjects the client to an implicit disclosure of information imparted to counsel. Another suggested resolution, of relatively recent origin, is that the advocate be entirely excused from the duty to reveal perjury if the perjury is that of the client. This is a coherent solution but makes the advocate a knowing instrument of perjury.

[10] The other resolution of the dilemma is that the lawyer must reveal the client's perjury if necessary to rectify the situation. A criminal accused has a right to the assistance of an advocate, a right to testify and a right of confidential communication with counsel. However, an accused should not have a right to assistance of counsel in committing perjury. Furthermore, an advocate has an obligation, not only in professional ethics but under the law as well, to avoid implication in the commission of perjury or other falsification of evidence. See *Rule 1.2(d): Scope of Representation*.

### *Remedial Measures*

[11] If perjured testimony or false evidence has been offered, the advocate's proper course ordinarily is to remonstrate with the client confidentially. If that fails, the advocate should seek to withdraw if that will remedy the situation. If withdrawal will not remedy the situation or is impossible, the advocate should make disclosure to the court. It is for the court then to determine what should be done-making a statement about the matter to the trier of fact, ordering a mistrial or perhaps nothing. If the false testimony was that of the client, the client may controvert the lawyer's version of their communication when the lawyer discloses the situation to the court. If there is an issue whether the client has committed perjury, the lawyer cannot represent the client in

resolution of the issue, and a mistrial may be unavoidable. An unscrupulous client might in this way attempt to produce a series of mistrials and thus escape prosecution. However, a second such encounter could be construed as a deliberate abuse of the right to counsel and as such a waiver of the right to further representation.

### *Constitutional Requirements*

[12] The general rule - that an advocate must disclose the existence of perjury with respect to a material fact, even that of a client - applies to defense counsel in criminal cases, as well as in other instances. However, the definition of the lawyer's ethical duty in such a situation may be qualified by constitutional provisions for due process and the right to counsel in criminal cases. In some jurisdictions these provisions have been construed to require that counsel present an accused as a witness if the accused wishes to testify, even if counsel knows the testimony will be false. The obligation of the advocate under these Rules is subordinate to such a constitutional requirement.

### *Duration of Obligation*

[13] A practical time limit on the obligation to rectify the presentation of false evidence has to be established. The conclusion of the proceeding is a reasonably definite point for the termination of the obligation.

### *Refusing to Offer Proof Believed to Be False*

[14] Generally speaking, a lawyer has authority to refuse to offer testimony or other proof that the lawyer believes is untrustworthy. Offering such proof may reflect adversely on the lawyer's ability to discriminate in the quality of evidence and thus impair the lawyer's effectiveness as an advocate. In criminal cases, however, a lawyer may, in some jurisdictions, be denied this authority by constitutional requirements governing the right to counsel.

### *Ex Parte Proceedings*

[15] Ordinarily, an advocate has the limited responsibility of presenting one side of the matters that a tribunal should consider in reaching a decision; the conflicting position is expected to be presented by the opposing party. However, in any *ex parte* proceeding, such as an application for a temporary restraining order, there is no balance of presentation by opposing advocates. The object of an *ex parte* proceeding is nevertheless to yield a substantially just result. The judge has an affirmative responsibility to accord the absent party just consideration. The lawyer for the represented party has the correlative duty to make disclosures of material facts known to the lawyer and that the lawyer reasonably believes are necessary to an informed decision.

## **RULE 3.4 FAIRNESS TO OPPOSING PARTY AND COUNSEL**



**A lawyer shall not:**

**(a) 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;**

**(b) (1) falsify evidence;**

**(2) counsel or assist a witness to testify falsely;**

**(3) pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of the testimony or the outcome of the case. But a lawyer may advance, guarantee, or acquiesce in the payment of:**

**(i) expenses reasonably incurred by a witness in preparation, attending or testifying;**

**(ii) reasonable compensation to a witness for the loss of time in preparing, attending or testifying;**

**(iii) a reasonable fee for the professional services of an expert witness;**

**(c) Reserved.;**

**(d) Reserved.;**

**(e) Reserved.;**

**(f) request a person other than a client to refrain from voluntarily giving relevant information to another party unless:**

**(1) the person is a relative or an employee or other agent of a client; or**

**(2) the information is subject to the assertion of a privilege by the client;**

**and**

**(3) the lawyer reasonably believes that the person's interests will not be adversely affected by refraining from giving such information and the request is not otherwise prohibited by law;**

**(g) use methods of obtaining evidence that violate the legal rights of the opposing party or counsel; or**

**(h) present, participate in presenting or threaten to present criminal charges solely to obtain an advantage in a civil matter.**

**The maximum penalty for a violation of this Rule is disbarment.**

## Comment

[1] The procedure of the adversary system contemplates that the evidence in a case is to be marshaled competitively by the contending parties. Fair competition in the adversary system is secured by prohibitions against destruction or concealment of evidence, improperly influencing witnesses, obstructive tactics in discovery procedure, and the like.

[2] Documents and other items of evidence are often essential to establish a claim or defense. Subject to evidentiary privileges, the right of an opposing party, including the government, to obtain evidence through discovery or subpoena is an important procedural right. The exercise of that right can be frustrated if relevant material is altered, concealed or destroyed. Applicable law in many jurisdictions makes it an offense to destroy material for purpose of impairing its availability in a pending proceeding or one whose commencement can be foreseen. Falsifying evidence is also generally a criminal offense. Paragraph (a) applies to evidentiary material generally, including computerized information.

[3] Reserved.

[4] Paragraph (f) permits a lawyer to advise employees of a client to refrain from giving information to another party, for the employees may identify their interests with those of the client. See also *Rule 4.2: Communication with Persons Represented by Counsel*.

[5] As to paragraph (g), the responsibility to a client requires a lawyer to subordinate the interests of others to those of the client, but that responsibility does not imply that a lawyer may disregard the rights of the opposing party or counsel. It is impractical to catalogue all such rights, but they include legal restrictions on methods of obtaining evidence.

## **RULE 3.5 IMPARTIALITY AND DECORUM OF THE TRIBUNAL**

**A lawyer shall not, without regard to whether the lawyer represents a client in the matter:**

**(a) seek to influence a judge, juror, prospective juror or other official by means prohibited by law;**

**(b) communicate *ex parte* with such a person except as permitted by law;**  
**or**

**(c) engage in conduct intended to disrupt a tribunal.**

**The maximum penalty for a violation of part (a) of this Rule is disbarment. The maximum penalty for a violation of part (b) or part (c) of this Rule is a public reprimand.**

## Comment

[1] Many forms of improper influence upon the tribunal are proscribed by criminal law. All of those are specified in the *Georgia Code of Judicial Conduct* with which an advocate should be familiar. Attention is also directed to *Rule 8.4: Misconduct*, which governs other instances of improper conduct by a lawyer/candidate.

[2] If we are to maintain the integrity of the judicial process, it is imperative that an advocate's function be limited to the presentation of evidence and argument, to allow a cause to be decided according to law. The exertion of improper influence is detrimental to that process. Regardless of an advocate's innocent intention, actions which give the appearance of tampering with judicial impartiality are to be avoided. The activity proscribed by this Rule should be observed by the advocate in such a careful manner that there be no appearance of impropriety.

[3] The Rule with respect to *ex parte* communications limits direct communications except as may be permitted by law. Thus, court rules or case law must be referred to in order to determine whether certain *ex parte* communications are legitimate. *Ex parte* communications may be permitted by statutory authorization.

[3A] A lawyer who obtains a judge's signature on a decree in the absence of the opposing lawyer where certain aspects of the decree are still in dispute, may have violated *Rule 3.5: Impartiality and Decorum of the Tribunal* regardless of the lawyer's good intentions or good faith.

[4] A lawyer may communicate as to the merits of the cause with a judge in the course of official proceedings in the case, in writing if he simultaneously delivers a copy of the writing to opposing counsel or to the adverse party if the party is not represented by a lawyer, or orally upon adequate notice to opposing counsel or to the adverse party if the party is not represented by a lawyer.

[5] If the lawyer knowingly instigates or causes another to instigate a communication proscribed by *Rule 3.5: Impartiality and Decorum of the Tribunal*, a violation may occur.

[6] Direct or indirect communication with a juror during the trial is clearly prohibited. A lawyer may not avoid the proscription of *Rule 3.5: Impartiality and Decorum of the Tribunal* by using agents to communicate improperly with jurors. A lawyer may be held responsible if the lawyer was aware of the client's desire to establish contact with jurors and assisted the client in doing so.

[7] Reserved.

[8] While a lawyer may stand firm against abuse by a judge, the lawyer's actions should avoid reciprocation. Fair and impartiality of the trial process is strengthened by the lawyer's protection of the record for subsequent review and preserves the professional integrity of the legal profession by patient firmness.

### **RULE 3.6 TRIAL PUBLICITY**

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

(b) Reserved.

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

(d) No lawyer associated in a firm or government entity with a lawyer subject to paragraph (a) shall make a statement prohibited by paragraph (a).

**The maximum penalty for a violation of this Rule is a public reprimand.**

#### **Comment**

[1] It is difficult to strike a balance between protecting the right to a fair trial and safeguarding the right of free expression. Preserving the right to a fair trial necessarily entails some curtailment of the information that may be disseminated about a party prior to trial, particularly where trial by jury is involved. If there were no such limits, the result would be the practical nullification of the protective effect of the rules of forensic decorum and the exclusionary rules of evidence. On the other hand, there are vital social interests served by the free dissemination of information about events having legal consequences and about legal proceedings themselves. The public has a right to know about threats to its safety and measures aimed at assuring its security. It also has a legitimate interest in the conduct of judicial proceedings, particularly in matters of general public concern. Furthermore, the subject matter of legal proceedings is often of direct significance in debate and deliberation over questions of public policy.

[2] Special rules of confidentiality may validly govern proceedings in juvenile, domestic relations and mental disability proceedings, and perhaps other types of litigation.

*Rule 3.4(c): Fairness to Opposing Party and Counsel* requires compliance with such rules.

[3] The Rule sets forth a basic general prohibition against a lawyer's making statements that the lawyer knows or should know will have a substantial likelihood of materially prejudicing an adjudicative proceeding. Recognizing that the public value of informed commentary is great and the likelihood of prejudice to a proceeding by the commentary of a lawyer who is not involved in the proceeding is small, the rule applies only to lawyers who are, or who have been involved in the investigation or litigation of a case, and their associates.

[4] Paragraph (b) identifies specific matters about which a lawyer's statements would not ordinarily be considered to present a substantial likelihood of material prejudice, and should not in any event be considered prohibited by the general prohibition of paragraph (a). Paragraph (b) is not intended to be an exhaustive listing of the subjects upon which a lawyer may make a statement, but statements on other matters may be subject to paragraph (a).

[5] There are, on the other hand, certain subjects which are more likely than not to have a material prejudicial effect on a proceeding, particularly when they refer to a civil matter triable to a jury, a criminal matter, or any other proceeding that could result in incarceration. These subjects relate to:

(a) the character, credibility, reputation or criminal record of a party, suspect in a criminal investigation or witness, or the identity of a witness, or the expected testimony of a party or witness;

(b) in a criminal case or proceeding that could result in incarceration, the possibility of a plea of guilty to the offense or the existence or contents of any confession, admission, or statement given by a defendant or suspect or that person's refusal or failure to make a statement;

(c) the performance or results of any examination or test or the refusal or failure of a person to submit to an examination or test, or the identity or nature of physical evidence expected to be presented;

(d) any opinion as to the guilt or innocence of a defendant or suspect in a criminal case or proceeding that could result in incarceration;

(e) information that the lawyer knows or reasonably should know is likely to be inadmissible as evidence in a trial and that would, if disclosed, create a substantial risk of prejudicing an impartial trial; or

(f) the fact that a defendant has been charged with a crime, unless there is included therein a statement explaining that the charge is merely an accusation and that the defendant is presumed innocent until and unless proven guilty.

[5A] In addition, there are certain subjects which are more likely than not to have no material prejudicial effect of a proceeding. Thus, a lawyer may usually state:

(a) the claim, offense or defense involved and, except when prohibited by law, the identity of the persons involved;

- (b) information contained in a public record;
- (c) that an investigation of a matter is in progress;
- (d) the scheduling or result of any step in litigation;
- (e) a request for assistance in obtaining evidence and information necessary thereto;
- (f) 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 to the public interest; and
- (g) in a criminal case, in addition to subparagraphs (a) through (f):
  - (i) the identity, residence, occupation and family status of the accused;
  - (ii) if the accused has not been apprehended, information necessary to aid in apprehension of that person;
  - (iii) the fact, time and place of arrest; and
  - (iv) the identity of investigating and arresting officers or agencies and the length of the investigation.

[6] Another relevant factor in determining prejudice is the nature of the proceeding involved. Criminal jury trials will be most sensitive to extrajudicial speech. Civil trials may be less sensitive. Non-jury hearings and arbitration proceedings may be even less affected. The Rule will still place limitations on prejudicial comments in these cases, but the likelihood of prejudice may be different depending on the type of proceeding.

[7] Finally, extrajudicial statements that might otherwise raise a question under this Rule may be permissible when they are made in response to statements made publicly by another party, another party's lawyer, or third persons, where a reasonable lawyer would believe a public response is required in order to avoid prejudice to the lawyer's client. When prejudicial statements have been publicly made by others, responsive statements may have the salutary effect of lessening any resulting adverse impact on the adjudicative proceeding. Such responsive statements should be limited to contain only such information as is necessary to mitigate undue prejudice created by the statements made by others.

### **RULE 3.7 LAWYER AS WITNESS**

- (a) **A lawyer shall not act as advocate at a trial in which the lawyer is likely to be a necessary witness except where:**
  - (1) **the testimony relates to an uncontested issue;**
  - (2) **the testimony relates to the nature and value of legal services rendered in the case; or**
  - (3) **disqualification of the lawyer would work substantial hardship on the client.**

**(b) 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.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

#### **Comment**

[1] Combining the roles of advocate and witness can prejudice the opposing party and can involve a conflict of interest between the lawyer and client.

[2] The opposing party has proper objection where the combination of roles may prejudice that party's rights in the litigation. A witness is required to testify on the basis of personal knowledge, while an advocate is expected to explain and comment on evidence given by others. It may not be clear whether a statement by an advocate-witness should be taken as proof or as an analysis of the proof.

[3] Paragraph (a)(1) recognizes that if the testimony will be uncontested, the ambiguities in the dual role are purely theoretical. Paragraph (a)(2) recognizes that where the testimony concerns the extent and value of legal services rendered in the action in which the testimony is offered, permitting the lawyers to testify avoids the need for a second trial with new counsel to resolve that issue. Moreover, in such a situation the judge has firsthand knowledge of the matter in issue; hence, there is less dependence on the adversary process to test the credibility of the testimony.

[4] Apart from these two exceptions, paragraph (a)(3) recognizes that a balancing is required between the interests of the client and those of the opposing party. Whether the opposing party is likely to suffer prejudice depends on the nature of the case, the importance and probable tenor of the lawyer's testimony, and the probability that the lawyer's testimony will conflict with that of other witnesses. Even if there is risk of such prejudice, in determining whether the lawyer should be disqualified, due regard must be given to the effect of disqualification on the lawyer's client. It is relevant that one or both parties could reasonably foresee that the lawyer would probably be a witness. The principle of imputed disqualification stated in *Rule 1.10: Imputed Disqualification* has no application to this aspect of the problem.

[5] Whether the combination of roles involves an improper conflict of interest with respect to the client is determined by *Rule 1.7: Conflict of Interest* or 1.9. For example, if there is likely to be substantial conflict between the testimony of the client and that of the lawyer or a member of the lawyer's firm, the representation is improper. The problem can arise whether the lawyer is called as a witness on behalf of the client or is called by the opposing party. Determining whether or not such a conflict exists is primarily the responsibility of the lawyer involved. See Comment to *Rule 1.7: Conflict of Interest*. If a lawyer who is a member of a firm may not act as both advocate and witness

by reason of conflict of interest, *Rule 1.10: Imputed Disqualification* disqualifies the firm also.

### **RULE 3.8 SPECIAL RESPONSIBILITIES OF A PROSECUTOR**

**The prosecutor in a criminal case shall:**

- (a) refrain from prosecuting a charge that the prosecutor knows is not supported by probable cause;**
- (b) refrain from making any effort to prevent the accused from exercising a reasonable effort to obtain counsel;**
- (c) Reserved.**
- (d) make timely disclosure to the defense of all evidence or information known to the prosecutor that tends to negate the guilt of the accused or that mitigates the offense;**
- (e) exercise reasonable care to prevent persons who are under the direct supervision of the prosecutor; e.g., investigators, law enforcement personnel, employees or other persons, from making an extrajudicial statement that the prosecutor would be prohibited from making under subsection (g) of this Rule;**
- (f) not subpoena a lawyer in a grand jury or other criminal proceeding to present evidence about a past or present client unless the prosecutor reasonably believes:**
  - (1) the information sought is not protected from disclosure by any applicable privilege;**
  - (2) the evidence sought is essential to the successful completion of an ongoing investigation or prosecution; and**
  - (3) there is no other feasible alternative to obtain the information; and**
- (g) except for statements that are necessary to inform the public of the nature and extent of the prosecutor's action and that serve a legitimate law enforcement purpose, refrain from making extrajudicial comments that have a substantial likelihood of heightening public condemnation of the accused.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

#### **Comment**

[1] A prosecutor has the responsibility of a minister of justice and not simply that of an advocate. This responsibility carries with it specific obligations to see that the defendant is accorded procedural justice and that guilt is decided upon the basis of sufficient evidence. Precisely how far the prosecutor is required to go in this direction is a matter of debate and varies



in different jurisdictions. Many jurisdictions have adopted the ABA Standards of Criminal Justice Relating to the Prosecution Function, which in turn are the product of prolonged and careful deliberation by lawyers experienced in both criminal prosecution and defense. See also *Rule 3.3(d): Candor toward the Tribunal*, governing *ex parte* proceedings, among which grand jury proceedings are included. Applicable law may require other measures by the prosecutor and knowing disregard of those obligations or a systematic abuse of prosecutorial discretion could constitute a violation of *Rule 8.4: Misconduct*.

[2] Reserved.

[3] Reserved.

[4] Paragraph (f) is intended to limit the issuance of lawyer subpoenas in grand jury and other criminal proceedings to those situations in which there is a genuine need to intrude into the client-lawyer relationship.

[5] Paragraph (g) supplements *Rule 3.6: Trial Publicity*, which prohibits extrajudicial statements that have a substantial likelihood of prejudicing an adjudicatory proceeding. In the context of a criminal prosecution, a prosecutor's extrajudicial statement can create the additional problem of increasing public condemnation of the accused. Although the announcement of an indictment, for example, will necessarily have severe consequences for the accused, a prosecutor can, and should, avoid comments which have no legitimate law enforcement purpose and have a substantial likelihood of increasing public opprobrium of the accused. Nothing in this Comment is intended to restrict the statements which a prosecutor may make which comply with *Rule 3.6(b) or 3.6(c): Trial Publicity*.

## **RULE 3.9 ADVOCATE IN NONADJUDICATIVE PROCEEDINGS**

**A lawyer representing a client before a legislative or administrative tribunal in a nonadjudicative proceeding shall disclose that the appearance is in a representative capacity and shall conform to the provisions of Rules 3.3 (a) through (c), 3.4(a) through (c), and 3.5.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1] In representation before bodies such as legislatures, municipal councils, and executive and administrative agencies acting in a rule making or policy making capacity, lawyers present facts, formulate issues and advance argument in the matters under consideration. The decision making body, like a court, should be able to rely on the integrity of the submissions made to it. A lawyer appearing before such a body should deal with the tribunal honestly and in conformity with applicable rules of procedures.

[2] Lawyers have no exclusive right to appear before nonadjudicative bodies, as they do before a court. The requirements of this Rule therefore may subject lawyers to regulations inapplicable to advocates who are not lawyers. However, legislatures and administrative agencies have a right to expect lawyers to deal with them as they deal with courts.

[3] This Rule does not apply to representation of a client in a negotiation or other bilateral transaction with a governmental entity; representation in such a transaction is governed by Rules 4.1 through 4.4.

## **PART FOUR**

### **TRANSACTIONS WITH PERSONS OTHER THAN CLIENTS**

#### **RULE 4.1 TRUTHFULNESS IN STATEMENTS TO OTHERS**

**In the course of representing a client a lawyer shall not knowingly:**

- (a) make a false statement of material fact or law to a third person; or**
- (b) fail to disclose a material fact to a third person when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client, unless disclosure is prohibited by Rule 1.6.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

##### *Misrepresentation*

[1] A lawyer is required to be truthful when dealing with others on a client's behalf, but generally has no affirmative duty to inform an opposing party of relevant facts. A misrepresentation can occur if the lawyer incorporates or affirms a statement of another person that the lawyer knows is false. Misrepresentations can also occur by failure to act.

##### *Statements of Fact*

[2] This Rule refers to statements of fact. Whether a particular statement should be regarded as one of fact can depend on the circumstances. Under generally accepted conventions in negotiation, certain types of statements ordinarily are not taken as statements of material fact. Comments which fall under the general category of “puffing” do not violate this rule. Estimates of price or value placed on the subject of a transaction and a party's intentions as to an acceptable settlement of a claim are in this category, and

so is the existence of an undisclosed principal except where nondisclosure of the principal would constitute fraud.

#### *Fraud by Client*

[3] Paragraph (b) recognizes that substantive law may require a lawyer to disclose certain information to avoid being deemed to have assisted the client's crime or fraud. The requirement of disclosure created by this paragraph is, however, subject to the obligations created by *Rule 1.6: Confidentiality of Information*.

### **Rule 4.2      COMMUNICATION WITH PERSON REPRESENTED BY COUNSEL**

**(a)      A lawyer who is representing a client in a matter shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by constitutional law or statute.**

**(b)      Attorneys for the State and Federal Government shall be subject to this Rule in the same manner as other attorneys in this State.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] This Rule does not prohibit communication with a represented person, or an employee or agent of such a person, concerning matters outside the representation. For example, the existence of a controversy between a government entity and a private party, or between two organizations, does not prohibit a lawyer for either from communicating with nonlawyer representatives of the other regarding a separate matter. Also, parties to a matter may communicate directly with each other and a lawyer having independent justification or legal authorization for communicating with a represented person is permitted to do so. Communications authorized by law include, for example, the right of a party to a controversy with a government entity to speak with government officials about the matter.

[2] Communications authorized by law also include constitutionally permissible investigative activities of lawyers representing governmental entities, directly or through investigative agents, prior to the commencement of criminal or civil enforcement proceedings, when there is applicable judicial precedent that either has found the activity permissible under this Rule or has found this Rule inapplicable. However, the Rule imposes ethical restrictions that go beyond those imposed by constitutional provisions.

[3] This Rule applies to communications with any person, whether or not a party to a formal adjudicative proceeding, contract or negotiation, who is represented by counsel concerning the matter to which the communication relates.

[4] In the case of an organization, this Rule prohibits communications by a lawyer for another person or entity concerning the matter in representation with persons having a managerial responsibility on behalf of the organization, and with any other person whose act or omission in connection with that matter may be imputed to the organization for purposes of civil or criminal liability or whose statement may constitute an admission on the part of the organization. If an agent or employee of the organization is represented in the matter by his or her own counsel, the consent by that counsel to a communication will be sufficient for purposes of this Rule. Compare *Rule 3.4(f): Fairness to Opposing Party and Counsel*.

[4A] In administering this Rule it should be anticipated that in many instances, prior to the beginning of the interview, the interviewing lawyer will not possess sufficient information to determine whether or not the relationship of the interviewee to the entity is sufficiently close to place the person in the “represented” category. In those situations the good faith of the lawyer in undertaking the interview should be considered. Evidence of good faith includes an immediate and candid statement of the interest of the person on whose behalf the interview is being taken, a full explanation of why that person’s position is adverse to the interests of the entity with which the interviewee is associated, the exploration of the relationship issue at the outset of the interview and the cessation of the interview immediately upon determination that the interview is improper.

[5] The prohibition on communications with a represented person only applies, however, in circumstances where the lawyer knows that the person is in fact represented in the matter to be discussed. This means that the lawyer has actual knowledge of the fact of the representation; but such actual knowledge may be inferred from the circumstances. See Terminology. Such an inference may arise in circumstances where there is substantial reason to believe that the person with whom communication is sought is represented in the matter to be discussed. Thus, a lawyer cannot evade the requirement of obtaining the consent of counsel by ignoring the obvious.

[6] In the event the person with whom the lawyer communicates is not known to be represented by counsel in the matter, the lawyer's communications are subject to *Rule 4.3: Dealing with Unrepresented Person*.

[7] The anti-contact rule serves important public interests which preserve the proper functioning of the judicial system and the administration of justice by a) protecting against misuse of the imbalance of legal skill between a lawyer and layperson; b) safeguarding the client-attorney relationship from interference by adverse counsel; c) ensuring that all valid claims and defenses are raised in response to inquiry from adverse counsel; d) reducing the likelihood that clients will disclose privileged or other information that might

harm their interests; and e) maintaining the lawyers ability to monitor the case and effectively represent the client.

[8] This Rule is not intended to affect communications between parties to an action entered into independent of and not at the request or direction of counsel.

#### **RULE 4.3 DEALING WITH UNREPRESENTED PERSON**

**In dealing on behalf of a client with a person who is not represented by counsel, a lawyer shall not:**

(a) state or imply that the lawyer is disinterested when the lawyer knows or reasonably should know that the unrepresented person misunderstands the lawyer's role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding;

(b) give advice other than the advice to secure counsel; and

(c) initiate any contact with a potentially adverse party in a matter concerning personal injury or wrongful death or otherwise related to an accident or disaster involving the person to whom the contact is addressed or a relative of that person, unless the accident or disaster occurred more than 30 days prior to the contact.

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] An unrepresented person, particularly one not experienced in dealing with legal matters, might assume that a lawyer is disinterested in loyalties or is a disinterested authority on the law even when the lawyer represents a client.

[2] In some circumstances a lawyer must deal with a person who is unrepresented. In such an instance, a lawyer should not undertake to give advice to that person, other than the advice to obtain counsel.

#### **RULE 4.4 RESPECT FOR RIGHTS OF THIRD PERSONS**

**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.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

#### **Comment**

[1] Responsibility to a client requires a lawyer to subordinate the interests of others to those of the client, but that responsibility does not imply that a lawyer may disregard the rights of third persons. It is impractical to catalogue all such rights, but they include legal restrictions on methods of obtaining evidence from third persons.

### **PART FIVE**

#### **LAW FIRMS AND ASSOCIATIONS**

#### **RULE 5.1 RESPONSIBILITIES OF A PARTNER OR SUPERVISORY LAWYER**

(a) A partner in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that all lawyers in the firm conform to the Georgia Rules of Professional Conduct.

(b) A lawyer having direct supervisory authority over another lawyer shall make reasonable efforts to ensure that the other lawyer conforms to the Georgia Rules of Professional Conduct.

(c) A lawyer shall be responsible for another lawyer's violation of the Georgia Rules of Professional Conduct if:

(1) the partner or supervisory lawyer orders or, with knowledge of the specific conduct, ratifies the conduct involved; or

(2) the lawyer is a partner in the law firm in which the other lawyer practices or has direct supervisory authority over the other lawyer, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

**The maximum penalty for a violation of this Rule is disbarment.**

## Comment

[1] Paragraphs (a) and (b) refer to lawyers who have supervisory authority over the professional work of a firm or legal department of a government entity. This includes members of a partnership and the shareholders in a law firm organized as a professional corporation; lawyers having supervisory authority in the law department of an enterprise or government entity; and lawyers who have intermediate managerial responsibilities in a firm.

[2] The measures required to fulfill the responsibility prescribed in paragraphs (a) and (b) can depend on the firm's structure and the nature of its practice. In a small firm, informal supervision and occasional admonition ordinarily might be sufficient. In a large firm, or in practice situations in which intensely difficult ethical problems frequently arise, more elaborate procedures may be necessary. Some firms, for example, have a procedure whereby junior lawyers can make confidential referral of ethical problems directly to a designated senior partner or special committee. See *Rule 5.2: Responsibilities of a Subordinate Lawyer*. Firms, whether large or small, may also rely on continuing legal education in professional ethics. In any event, the ethical atmosphere of a firm can influence the conduct of all its members and a lawyer having authority over the work of another may not assume that the subordinate lawyer will inevitably conform to the Rules.

[3] Paragraph (c)(1) expresses a general principle of responsibility for acts of another. See also *Rule 8.4(a): Misconduct*.

[4] Paragraph (c)(2) defines the duty of a lawyer having direct supervisory authority over performance of specific legal work by another lawyer. Whether a lawyer has such supervisory authority in particular circumstances is a question of fact. Partners of a private firm have at least indirect responsibility for all work being done by the firm, while a partner in charge of a particular matter ordinarily has direct authority over other firm lawyers engaged in the matter. Appropriate remedial action by a partner would depend on the immediacy of the partner's involvement and the seriousness of the misconduct. The supervisor is required to intervene to prevent avoidable consequences of misconduct if the supervisor knows that the misconduct occurred. Thus, if a supervising lawyer knows that a subordinate misrepresented a matter to an opposing party in negotiation, the supervisor as well as the subordinate has a duty to correct the resulting misapprehension.

[5] Professional misconduct by a lawyer under supervision could reveal a violation of paragraph (b) on the part of the supervisory lawyer even though it does not entail a violation of paragraph (c) because there was no direction, ratification or knowledge of the violation.

[6] Apart from this Rule and *Rule 8.4(a): Misconduct*, a lawyer does not have disciplinary liability for the conduct of a partner, associate or subordinate. Whether a

lawyer may be liable civilly or criminally for another lawyer's conduct is a question of law beyond the scope of these Rules.

## **RULE 5.2 RESPONSIBILITIES OF A SUBORDINATE LAWYER**

(a) A lawyer is bound by the Georgia Rules of Professional Conduct notwithstanding that the lawyer acted at the direction of another person.

(b) A subordinate lawyer does not violate the Georgia Rules of Professional Conduct if that lawyer acts in accordance with a supervisory lawyer's reasonable resolution of an arguable question of professional duty.

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

[1] Although a lawyer is not relieved of responsibility for a violation by the fact that the lawyer acted at the direction of a supervisor, that fact may be relevant in determining whether a lawyer had the knowledge required to render conduct a violation of the Rules. For example, if a subordinate filed a frivolous pleading at the direction of a supervisor, the subordinate would not be guilty of a professional violation unless the subordinate knew of the document's frivolous character.

[2] When lawyers in a supervisor-subordinate relationship encounter a matter involving professional judgment as to ethical duty, the supervisor may assume responsibility for making the judgment. Otherwise a consistent course of action or position could not be taken. If the question can reasonably be answered only one way, the duty of both lawyers is clear and they are equally responsible for fulfilling it. However, if the question is reasonably arguable, someone has to decide upon the course of action. That authority ordinarily reposes in the supervisor and a subordinate may be guided accordingly. For example, if a question arises whether the interests of two clients conflict under *Rule 1.7: Conflict of Interest*, the supervisor's reasonable resolution of the question should protect the subordinate professionally if the resolution is subsequently challenged.

## **RULE 5.3 RESPONSIBILITIES REGARDING NONLAWYER ASSISTANTS**

**With respect to a nonlawyer employed or retained by or associated with a lawyer:**

(a) a partner in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person's conduct is compatible with the professional obligations of the lawyer;



**(b) a lawyer having direct supervisory authority over the nonlawyer shall make reasonable efforts to ensure that the person's conduct is compatible with the professional obligations of the lawyer; and**

**(c) a lawyer shall be responsible for conduct of such a person that would be a violation of the Georgia Rules of Professional Conduct if engaged in by a lawyer if:**

**(1) the lawyer orders or, with the knowledge of the specific conduct, ratifies the conduct involved; or**

**(2) the lawyer is a partner in the law firm in which the person is employed, or has direct supervisory authority over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.**

**(d) a lawyer shall not allow any person who has been suspended or disbarred and who maintains a presence in an office where the practice of law is conducted by the lawyer, to:**

**(1) represent himself or herself as a lawyer or person with similar status;**

**(2) have any contact with the clients of the lawyer either in person, by telephone or in writing; or**

**(3) have any contact with persons who have legal dealings with the office either in person, by telephone or in writing.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] Lawyers generally employ assistants in their practice, including secretaries, investigators, law student interns, and paraprofessionals. Such assistants, whether employees or independent contractors, act for the lawyer in rendition of the lawyer's professional services. A lawyer should give such assistants appropriate instruction and supervision concerning the ethical aspects of their employment, particularly regarding the obligation not to disclose information relating to representation of the client, and should be responsible for their work product. The measures employed in supervising nonlawyers should take account of the fact that they do not have legal training and are not subject to professional discipline.

[2] The prohibitions of paragraph (d) apply to professional conduct and not to social conversation unrelated to the representation of clients or legal dealings of the law office, or the gathering of general information in the course of working in a law office. The thrust of the restriction is to prevent the unauthorized practice of law in a law office by a person who has been suspended or disbarred.

#### **RULE 5.4 PROFESSIONAL INDEPENDENCE OF A LAWYER**

(a) A lawyer or law firm shall not share legal fees with a nonlawyer, except that:

(1) an agreement by a lawyer with the lawyer's firm, partner, or associate may provide for the payment of money, over a reasonable period of time after the lawyer's death, to the lawyer's estate or to one or more specified persons;

(2) a lawyer or law firm who purchases the practice of a deceased, disabled, or disappeared lawyer may, pursuant to the provisions of Rule 1.17, pay to the estate or other representative of that lawyer the agreed-upon purchase price; and

(3) a lawyer or law firm may include nonlawyer employees in a compensation or retirement plan, even though the plan is based in whole or in part on a profit-sharing arrangement; and

(4) a lawyer who undertakes to complete unfinished business of a deceased lawyer may pay to the estate of the deceased lawyer that proportion of the total compensation which fairly represents the services rendered by the deceased lawyer.

(b) A lawyer shall not form a partnership with a nonlawyer if any of the activities of the partnership consist of the practice of law.

(c) A lawyer shall not permit a person who recommends, employs, or pays the lawyer to render legal services for another to direct or regulate the lawyer's professional judgment in rendering such legal services.

(d) A lawyer shall not practice with or in the form of a professional corporation or association authorized to practice law for a profit, if:

(1) a nonlawyer owns any interest therein, except that a fiduciary representative of the estate of a lawyer may hold the stock or interest of the lawyer for a reasonable time during administration;

(2) a nonlawyer is a corporate director or officer thereof; or

(3) a nonlawyer has the right to direct or control the professional judgment of a lawyer.

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

The provisions of this Rule express traditional limitations on sharing fees. These limitations are to protect the lawyer's professional independence of judgment. Where someone other than the client pays the lawyer's fee or salary, or recommends employment of the lawyer, that arrangement does not modify the lawyer's obligation to the client. As stated in paragraph (c), such arrangements should not interfere with the lawyer's professional judgment.

## **RULE 5.5      UNAUTHORIZED PRACTICE OF LAW**

**A lawyer shall not:**

- (a)      practice law in a jurisdiction where doing so violates the regulation of the legal profession in that jurisdiction; or**
- (b)      assist a person who is not a member of the bar in the performance of activity that constitutes the unauthorized practice of law.**

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

The definition of the practice of law is established by law and varies from one jurisdiction to another. Whatever the definition, limiting the practice of law to members of the bar protects the public against rendition of legal services by unqualified persons. Paragraph (b) does not prohibit a lawyer from employing the services of paraprofessionals and delegating functions to them, so long as the lawyer supervises the delegated work and retains responsibility for their work. See *Rule 5.3: Responsibilities Regarding Nonlawyer Assistants*. Likewise, it does not prohibit lawyers from providing professional advice and instruction to nonlawyers whose employment requires knowledge of law; for example, claims adjusters, employees of financial or commercial institutions, social workers, accountants and persons employed in government agencies. In addition, a lawyer may counsel nonlawyers who wish to proceed *pro se*.

## **RULE 5.6      RESTRICTIONS ON RIGHT TO PRACTICE**

**A lawyer shall not participate in offering or making:**

- (a)      a partnership or employment agreement that restricts the right of a lawyer to practice after termination of the relationship, except an agreement concerning benefits upon retirement; or**
- (b)      an agreement in which a restriction on the lawyer's right to practice is part of the settlement of a controversy between private parties.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

## **Comment**

[1] An agreement restricting the right of partners or associates to practice after leaving a firm not only limits their professional autonomy but also limits the freedom of clients to choose a lawyer. Paragraph (a) prohibits such agreements except for restrictions incident to provisions concerning retirement benefits for service with the firm.

[2] Paragraph (b) prohibits a lawyer from agreeing not to represent other persons in connection with settling a claim on behalf of a client.

[3] This Rule does not apply to prohibit restrictions that may be included in the terms of the sale of a law practice pursuant to *Rule 1.17: Sale of Law Practice*.

## **RULE 5.7 RESPONSIBILITIES REGARDING LAW-RELATED SERVICES**

**(a) A lawyer shall be subject to the Georgia Rules of Professional Conduct with respect to the provision of law-related services, as defined in paragraph (b), if the law-related services are provided:**

**(1) by the lawyer in circumstances that are not distinct from the lawyer's provision of legal services to clients; or**

**(2) by a separate entity controlled by the lawyer individually or with others if the lawyer fails to take reasonable measures to assure that a person obtaining the law-related services knows that the services of the separate entity are not legal services and that the protections of the client-lawyer relationship do not exist.**

**(b) The term "law-related services" denotes services that might reasonably be performed in conjunction with and in substance are related to the provision of legal services, and that are not prohibited as unauthorized practice of law when provided by a nonlawyer.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

## **Comment**

[1] When a lawyer performs law-related services or controls an organization that does so, there exists the potential for ethical problems. Principal among these is the possibility that the person for whom the law-related services are performed fails to understand that the services may not carry with them the protections normally afforded as part of the client-lawyer relationship. The recipient of the law-related services may expect, for example, that the protection of client confidences, prohibitions against representation of persons with conflicting interests, and obligations of a lawyer to maintain professional independence apply to the provision of law-related services when that may not be the case.

[2] *Rule 5.7: Restrictions Regarding Law-Related Services* applies to the provision of law-related services by a lawyer even when the lawyer does not provide any legal services to the person for whom the law-related services are performed. The Rule identifies the circumstances in which all of the Georgia Rules of Professional Conduct apply to the provision of law-related services. Even when those circumstances do not exist, however, the conduct of a lawyer involved in the provision of law-related services is subject to those Rules that apply generally to lawyer conduct, regardless of whether the conduct involves the provision of legal services. See, e.g., *Rule 8.4: Misconduct*.

[3] When law-related services are provided by a lawyer under circumstances that are distinct from the lawyer's provision of legal services to clients, the lawyer in providing the law-related services need not adhere to the requirements of the Georgia Rules of Professional Conduct as provided in *Rule 5.7(a)(1): Restrictions Regarding Law-Related Services*.

[4] Law-related services also may be provided through an entity that is distinct from that through which the lawyer provides legal services. If the lawyer individually or with others has control of such an entity's operations, the Rule requires the lawyer to take reasonable measures to assure that each person using the services of the entity knows that the services provided by the entity are not legal services and that the Georgia Rules of Professional Conduct that relate to the client-lawyer relationship do not apply. A lawyer's control of an entity extends to the ability to direct its operation. Whether a lawyer has such control will depend upon the circumstances of the particular case.

[5] When a client-lawyer relationship exists with a person who is referred by a lawyer to a separate law-related service entity controlled by the lawyer, individually or with others, the lawyer must comply with *Rule 1.8(a): Conflict of Interest*.

[6] In taking the reasonable measures referred to in paragraph (a)(2) to assure that a person using law-related services understands the practical effect or significance of the inapplicability of the Georgia Rules of Professional Conduct, the lawyer should communicate to the person receiving the law-related services, in a manner sufficient to assure that the person understands the significance of the fact, that the relationship of the person to the business entity will not be a client-lawyer relationship. The communication should be made before entering into an agreement for provision of or providing law-related services, and preferably should be in writing.

[7] The burden is upon the lawyer to show that the lawyer has taken reasonable measures under the circumstances to communicate the desired understanding. For instance, a sophisticated user of law-related services, such as a publicly held corporation, may require a lesser explanation than someone unaccustomed to making distinctions between legal services and law-related services, such as an individual seeking tax advice from a lawyer-accountant or investigative services in connection with a lawsuit.

[8] Regardless of the sophistication of potential recipients of law-related services, a lawyer should take special care to keep separate the provision of law-related and legal services in order to minimize the risk that the recipient will assume that the law-related services are legal services. The risk of such confusion is especially acute when the lawyer renders both types of services with respect to the same matter. Under some circumstances the legal and law-related services may be so closely entwined that they cannot be distinguished from each other, and the requirement of disclosure and consultation imposed by paragraph (a)(2) of the Rule cannot be met. In such a case a lawyer will be responsible for assuring that both the lawyer's conduct and, to the extent required by *Rule 5.3: Responsibilities Regarding Nonlawyer Assistants*, that of nonlawyer employees in the distinct entity which the lawyer controls complies in all respects with the Georgia Rules of Professional Conduct.

[9] A broad range of economic and other interests of clients may be served by lawyers' engaging in the delivery of law-related services. Examples of law-related services include providing title insurance, financial planning, accounting, trust services, real estate counseling, legislative lobbying, economic analysis, social work, psychological counseling, tax preparation, and patent, medical or environmental consulting.

[10] When a lawyer is obliged to accord the recipients of such services the protections of those Rules that apply to the client-lawyer relationship, the lawyer must take special care to heed the proscriptions of the Rules addressing conflict of interest (Rules 1.7 through 1.11, especially Rules 1.7(b) and 1.8(a),(b) and (f)), and to scrupulously adhere to the requirements of *Rule 1.6: Confidentiality of Information* relating to disclosure of confidential information. The promotion of the law-related services must also in all respects comply with Rules 7.1 through 7.3, dealing with advertising and solicitation. In that regard, lawyers should take special care to identify the obligations that may be imposed as a result of a jurisdiction's decisional law.

[11] When the full protections of all of the Georgia Rules of Professional Conduct do not apply to the provision of law-related services, principles of law external to the Rules, for example, the law of principal and agent, govern the legal duties owed to those receiving the services. Those other legal principles may establish a different degree of protection for the recipient with respect to confidentiality of information, conflicts of interest and permissible business relationships with clients. See also *Rule 8.4: Misconduct*.

**PART SIX**  
**PUBLIC SERVICE**

**RULE 6.1 VOLUNTARY PRO BONO PUBLICO SERVICE**

A lawyer should aspire to render at least (50) hours of pro bono publico legal services per year. In fulfilling this responsibility, the lawyer should:

(a) provide a substantial majority of the (50) hours of legal services without fee or expectation of fee to:

- (1) persons of limited means or
- (2) charitable, religious, civic, community, governmental and educational organizations in matters which are designed primarily to address the needs of persons of limited means; and

(b) provide any additional services through:

- (1) delivery of legal services at no fee or substantially reduced fee to individuals, groups or organizations seeking to secure or protect civil rights, civil liberties or public rights, or charitable, religious, civic, community, governmental and educational organizations in matters in furtherance of their organizational purposes, where the payment of standard legal fees would significantly deplete the organization's economic resources or would be otherwise inappropriate;
- (2) delivery of legal services at a substantially reduced fee to persons of limited means; or
- (3) participation in activities for improving the law, the legal system or the legal profession.

In addition, a lawyer should voluntarily contribute financial support to organizations that provide legal services to persons of limited means.

**There is no disciplinary penalty for a violation of this Rule.**

**Comment**

[1] Every lawyer, regardless of professional prominence or professional work load, has a responsibility to provide legal services to those unable to pay, and personal involvement in the problems of the disadvantaged can be one of the most rewarding experiences in the life of a lawyer. The American Bar Association urges all lawyers to provide a minimum of 50 hours of pro bono services annually. States, however, may decide to choose a higher or lower number of hours of annual service (which may be expressed as a percentage of a lawyer's professional time) depending upon local needs and local conditions. It is recognized that in some years a lawyer may render greater or fewer hours than the annual standard specified, but during the course of his or her legal career,

each lawyer should render on average per year, the number of hours set forth in this Rule. Services can be performed in civil matters or in criminal or quasi-criminal matters for which there is no government obligation to provide funds for legal representation, such as post-conviction death penalty appeal cases.

[2] Paragraphs (a)(1) and (2) recognize the critical need for legal services that exists among persons of limited means by providing that a substantial majority of the legal services rendered annually to the disadvantaged be furnished without fee or expectation of fee. Legal services under these paragraphs consist of a full range of activities, including individual and class representation, the provision of legal advice, legislative lobbying, administrative rule making and the provision of free training or mentoring to those who represent persons of limited means. The variety of these activities should facilitate participation by government lawyers, even when restrictions exist on their engaging in the outside practice of law.

[3] Persons eligible for legal services under paragraphs (a)(1) and (2) are those who qualify for participation in programs funded by the Legal Services Corporation and those whose incomes and financial resources are slightly above the guidelines utilized by such programs but who nevertheless cannot afford counsel. Legal services can be rendered to individuals or to organizations such as homeless shelters, battered women's centers and food pantries that serve those of limited means. The term "governmental organizations" includes, but is not limited to, public protection programs and sections of governmental or public sector agencies.

[4] Because service must be provided without fee or expectation of fee, the intent of the lawyer to render free legal services is essential for the work performed to fall within the meaning of paragraphs (a)(1) and (2). Accordingly, services rendered cannot be considered pro bono if an anticipated fee is uncollected, but the award of statutory lawyers' fees in a case originally accepted as pro bono would not disqualify such services from inclusion under this section. Lawyers who do receive fees in such cases are encouraged to contribute an appropriate portion of such fees to organizations or projects that benefit persons of limited means.

[5] While it is possible for a lawyer to fulfill the annual responsibility to perform pro bono services exclusively through activities described in paragraphs (a)(1) and (2), to the extent that any hours of service remain unfulfilled, the remaining commitment can be met in a variety of ways as set forth in paragraph (b). Constitutional, statutory or regulatory restrictions may prohibit or impede government and public sector lawyers and judges from performing the pro bono services outlined in paragraphs (a)(1) and (2). Accordingly, where those restrictions apply, government and public sector lawyers and judges may fulfill their pro bono responsibility by performing services outlined in paragraph (b).

[6] Paragraph (b)(1) includes the provision of certain types of legal services to those whose incomes and financial resources place them above limited means. It also



permits the pro bono lawyer to accept a substantially reduced fee for services. Examples of the types of issues that may be addressed under this paragraph include First Amendment claims, Title VII claims and environmental protection claims. Additionally, a wide range of organizations may be represented, including social service, medical research, cultural and religious groups.

[7] Paragraph (b)(2) covers instances in which lawyers agree to and receive a modest fee for furnishing legal services to persons of limited means. Participation in judicare programs and acceptance of court appointments in which the fee is substantially below a lawyer's usual rate are encouraged under this section.

[8] Paragraph (b)(3) recognizes the value of lawyers engaging in activities that improve the law, the legal system or the legal profession. Serving on bar association committees, serving on boards of pro bono or legal services programs, taking part in Law Day activities, acting as a continuing legal education instructor, a mediator or an arbitrator and engaging in legislative lobbying to improve the law, the legal system or the profession are a few examples of the many activities that fall within this paragraph.

[9] Because the provision of pro bono services is a professional responsibility, it is the individual ethical commitment of each lawyer. Nevertheless, there may be times when it is not feasible for a lawyer to engage in pro bono services. At such times a lawyer may discharge the pro bono responsibility by providing financial support to organizations providing free legal services to persons of limited means. Such financial support should be reasonably equivalent to the value of the hours of service that would have otherwise been provided. In addition, at times it may be more feasible to satisfy the pro bono responsibility collectively, as by a firm's aggregate pro bono activities.

[10] Because the efforts of individual lawyers are not enough to meet the need for free legal services that exists among persons of limited means, the government and the profession have instituted additional programs to provide those services. Every lawyer should financially support such programs, in addition to either providing direct pro bono services or making financial contributions when pro bono service is not feasible.

[11] The responsibility set forth in this Rule is not intended to be enforced through disciplinary process.

## **RULE 6.2 ACCEPTING APPOINTMENTS**

**For good cause a lawyer may seek to avoid appointment by a tribunal to represent a person.**

**There is no disciplinary penalty for a violation of this Rule.**

## Comment

[1] A lawyer ordinarily is not obliged to accept a client whose character or cause the lawyer regards as repugnant. The lawyer's freedom to select clients is, however, qualified. All lawyers have a responsibility to assist in providing *pro bono publico* service. See *Rule 6.1: Voluntary Pro Bono Publico Service*. An individual lawyer fulfills this responsibility by accepting a fair share of unpopular matters or indigent or unpopular clients. A lawyer may also be subject to appointment by a court to serve unpopular clients or persons unable to afford legal services.

### *Appointed Counsel*

[2] For good cause a lawyer may seek to decline an appointment to represent a person who cannot afford to retain counsel or whose cause is unpopular. Good cause exists if the lawyer could not handle the matter competently, see Rule 1.1: Competence, or if undertaking the representation would result in an improper conflict of interest, for example, when the client or the cause is so repugnant to the lawyer as to be likely to impair the client-lawyer relationship or the lawyer's ability to represent the client. A lawyer may also seek to decline an appointment if acceptance would be unreasonably burdensome, for example, when it would impose a financial sacrifice so great as to be unjust.

[3] An appointed lawyer has the same obligations to the client as retained counsel, including the obligations of loyalty and confidentiality, and is subject to the same limitations on the client-lawyer relationship, such as the obligation to refrain from assisting the client in violation of the Rules.

[4] This Rule is not intended to be enforced through disciplinary process.

## **RULE 6.3 MEMBERSHIP IN LEGAL SERVICES ORGANIZATION**

**A lawyer may serve as a director, officer or member of a legal services organization, apart from the law firm in which the lawyer practices, notwithstanding that the organization serves persons having interests adverse to a client of the lawyer. The lawyer shall not knowingly participate in a decision or action of the organization:**

**(a) if participating in the decision or action would be incompatible with the lawyer's obligations to a client under Rule 1.7; or**

**(b) where the decision or action could have a material adverse effect on the representation of a client of the organization whose interests are adverse to a client of the lawyer.**

**There is no disciplinary penalty for a violation of this Rule.**

**Comment**

[1] Lawyers should be encouraged to support and participate in legal service organizations. A lawyer who is an officer or a member of such an organization does not thereby have a client-lawyer relationship with persons served by the organization. However, there is potential conflict between the interests of such persons and the interests of the lawyer's clients. If the possibility of such conflict disqualified a lawyer from serving on the board of a legal services organization, the profession's involvement in such organizations would be severely curtailed.

[2] It may be necessary in appropriate cases to reassure a client of the organization that the representation will not be affected by conflicting loyalties of a member of the board. Established, written policies in this respect can enhance the credibility of such assurances.

**RULE 6.4 LAW REFORM ACTIVITIES AFFECTING CLIENT INTERESTS**

**A lawyer may serve as a director, officer or member of an organization involved in reform of the law or its administration notwithstanding that the reform may affect the interests of a client of the lawyer. When the lawyer knows that the interests of a client may be materially benefited by a decision in which the lawyer participates, the lawyer shall disclose that fact but need not identify the client.**

**There is no disciplinary penalty for a violation of this Rule.**

**Comment**

[1] Lawyers involved in organizations seeking law reform generally do not have a client-lawyer relationship with the organization. See also *Rule 1.2(b): Scope of Representation*. Without this Rule, it might follow that a lawyer could not be involved in a bar association law reform program that might indirectly affect a client. For example, a lawyer specializing in antitrust litigation might be regarded as disqualified from participating in drafting revisions of rules governing that subject. In determining the nature and scope of participation in such activities, a lawyer should be mindful of obligations to clients under other Rules, particularly *Rule 1.7: Conflict of Interest*. A lawyer is professionally obligated to protect the integrity of the program by making an appropriate disclosure within the organization when the lawyer knows a private client might be materially benefited.

## **PART SEVEN**

### **INFORMATION ABOUT LEGAL SERVICES**

#### **RULE 7.1 COMMUNICATIONS CONCERNING A LAWYER'S SERVICES**

(a) A lawyer may advertise through all forms of public media and through written communication not involving personal contact so long as the communication is not false, fraudulent, deceptive or misleading. By way of illustration, but not limitation, a communication is false, fraudulent, deceptive or misleading if it:

(1) contains a material misrepresentation of fact or law or omits a fact necessary to make the statement considered as a whole not materially misleading;

(2) is likely to create an unjustified expectation about results the lawyer can achieve, or states or implies that the lawyer can achieve results by means that violate the Georgia Rules of Professional Conduct or other law;

(3) compares the lawyer's services with other lawyers' services unless the comparison can be factually substantiated;

(4) fails to include the name of at least one lawyer responsible for its content; or

(5) contains any information regarding contingent fees, and fails to conspicuously present the following disclaimer:

"Contingent attorneys' fees refers only to those fees charged by attorneys for their legal services. Such fees are not permitted in all types of cases. Court costs and other additional expenses of legal action usually must be paid by the client."

(6) contains the language 'no fee unless you win or collect' or any similar phrase and fails to conspicuously present the following disclaimer:

"No fee unless you win or collect" [or insert the similar language used in the communication] refers only to fees charged by the attorney. Court costs and other additional expenses of legal action usually must be paid by the client. Contingent fees are not permitted in all types of cases.

(b) A public communication for which a lawyer has given value must be identified as such unless it is apparent from the context that it is such a communication.

(c) A lawyer retains ultimate responsibility to insure that all communications concerning the lawyer or the lawyer's services comply with the Georgia Rules of Professional Conduct.

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] This rule governs the content of all communications about a lawyer's services, including the various types of advertising permitted by Rules 7.3 through 7.5. Whatever means are used to make known a lawyer's services, statements about them should be truthful.

[2] The prohibition in sub-paragraph (a)(2) of this *Rule 7.1: Communications Concerning a Lawyer's Services* of statements that may create "unjustified expectations" would ordinarily preclude advertisements about results obtained on behalf of a client, such as the amount of a damage award or the lawyer's record in obtaining favorable verdicts, and advertisements containing client endorsements. Such information may create the unjustified expectation that similar results can be obtained for others without reference to the specific factual and legal circumstances.

*Affirmative Disclosure*

[3] In general, the intrusion on the First Amendment right of commercial speech resulting from rationally-based affirmative disclosure requirements is minimal, and is therefore a preferable form of regulation to absolute bans or other similar restrictions. For example, there is no significant interest in failing to include the name of at least one accountable attorney in all communications promoting the services of a lawyer or law firm as required by sub-paragraph (a)(5) of *Rule 7.1: Communications Concerning a Lawyer's Services*. Nor is there any substantial burden imposed as a result of the affirmative disclaimer requirement of sub-paragraph (a)(6) upon a lawyer who wishes to make a claim in the nature of "no fee unless you win." Indeed, the United States Supreme Court has specifically recognized that affirmative disclosure of a client's liability for costs and expenses of litigation may be required to prevent consumer confusion over the technical distinction between the meaning and effect of the use of such terms as "fees" and "costs" in an advertisement.

[4] Certain promotional communications of a lawyer may, as a result of content or circumstance, tend to mislead a consumer to mistakenly believe that the communication is something other than a form of promotional communication for which the lawyer has paid. Examples of such a communication might include advertisements for seminars on legal topics directed to the lay public when such seminars are sponsored by the lawyer, or a newsletter or newspaper column which appears to inform or to educate about the law. Paragraph (b) of this *Rule 7.1: Communications Concerning a Lawyer's Services* would require affirmative disclosure that a lawyer has given value in order to generate these types of public communications if such is in fact the case.

*Accountability*

[5] Paragraph (c) makes explicit an advertising attorney's ultimate responsibility for all the lawyer's promotional communications and would suggest that review by the lawyer prior to dissemination is advisable if any doubts exist concerning conformity of the end product with these Rules. Although prior review by disciplinary authorities is not required by these Rules, lawyers are certainly encouraged to contact disciplinary authorities prior to authorizing a promotional communication if there are any doubts concerning either an interpretation of these Rules or their application to the communication.

## **Rule 7.2      ADVERTISING**

**(a)      Subject to the requirements of Rules 7.1 and 7.3, a lawyer may advertise services through:**

- (1)      public media, such as a telephone directory, legal directory, newspaper or other periodical;**
- (2)      outdoor advertising;**
- (3)      radio or television;**
- (4)      written, electronic or recorded communication.**

**(b)      A copy or recording of an advertisement or communication shall be kept for two years after its last dissemination along with a record of when and where it was used.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1]      To assist the public in obtaining legal services, lawyers should be allowed to make known their services not only through reputation but also through organized information campaigns in the form of advertising. Advertising involves an active quest for clients, contrary to the tradition that a lawyer should not seek clientele. However, the public's need to know about legal services can be fulfilled in part through advertising. This need is particularly acute in the case of persons of moderate means who have not made extensive use of legal services. The interest in expanding public information about legal services ought to prevail over considerations of tradition. Nevertheless, advertising by lawyers entails the risk of practices that are misleading or overreaching.

[2]      This Rule permits public dissemination of information concerning a lawyer's name or firm name, address and telephone number; the kinds of services the lawyer will undertake; the basis on which the lawyer's fees are determined, including prices for specific services and payment and credit arrangements; a lawyer's foreign language ability; names of references and, with their consent, names of clients regularly represented; and other information that might invite the attention of those seeking legal assistance.

[3] Questions of effectiveness and taste in advertising are matters of speculation and subjective judgment. Some jurisdictions have had extensive prohibitions against television advertising, against advertising going beyond specified facts about a lawyer, or against "undignified" advertising. Television is now one of the most powerful media for getting information to the public, particularly persons of low and moderate income; prohibiting television advertising, therefore, would impede the flow of information about legal services to many sectors of the public. Limiting the information that may be advertised has a similar effect and assumes that the bar can accurately forecast the kind of information that the public would regard as relevant.

[4] Neither this Rule nor *Rule 7.3: Direct Contact with Prospective Clients* prohibits communications authorized by law, such as notice to members of a class in class action litigation.

#### *Record of Advertising*

[5] Paragraph (b) requires that a record of the content and use of advertising be kept in order to facilitate enforcement of this Rule.

### **RULE 7.3 DIRECT CONTACT WITH PROSPECTIVE CLIENTS**

(a) A lawyer shall not send, or knowingly permit to be sent, on behalf of the lawyer, the lawyer's firm, lawyer's partner, associate, or any other lawyer affiliated with the lawyer or the lawyer's firm, a written communication to a prospective client for the purpose of obtaining professional employment if:

(1) it has been made known to the lawyer that a person does not desire to receive communications from the lawyer;

(2) the communication involves coercion, duress, fraud, overreaching, harassment, intimidation or undue influence;

(3) the written communication concerns an action for personal injury or wrongful death or otherwise relates to an accident or disaster involving the person to whom the communication is addressed or a relative of that person, unless the accident or disaster occurred more than 30 days prior to the mailing of the communication; or

(4) the lawyer knows or reasonably should know that the physical, emotional or mental state of the person is such that the person could not exercise reasonable judgment in employing a lawyer.

(b) Written communications to a prospective client, other than a close friend, relative, former client or one whom the lawyer reasonably believes is a former client, for the purpose of obtaining professional employment shall be plainly marked "Advertisement" on the face of the envelope and on the top of each page of

the written communication in type size no smaller than the largest type size used in the body of the letter.

(c) A lawyer shall not compensate or give anything of value to a person or organization to recommend or secure the lawyer's employment by a client, or as a reward for having made a recommendation resulting in the lawyer's employment by a client; except that the lawyer may pay for public communications permitted by Rule 7.1 and except as follows:

(1) A lawyer may pay the usual and reasonable fees or dues charged by a bona fide lawyer referral service operated by an organization authorized by law and qualified to do business in this state; provided, however, such organization has filed with the State Disciplinary Board, at least annually, a report showing its terms, its subscription charges, agreements with counsel, the number of lawyers participating, and the names and addresses of lawyers participating in the service;

(2) A lawyer may pay the usual and reasonable fees to a qualified legal services plan or insurer providing legal services insurance as authorized by law to promote the use of the lawyer's services, the lawyer's partner or associates services so long as the communications of the organization are not false, fraudulent, deceptive or misleading;

(3) A lawyer may pay the usual and reasonable fees charged by a lay public relations or marketing organization provided the activities of such organization on behalf of the lawyer are otherwise in accordance with these Rules.

(4) A lawyer may pay for a law practice in accordance with Rule 1.17: *Sale of Law Practice*.

(d) A lawyer shall not solicit professional employment as a private practitioner for the lawyer, a partner or associate through direct personal contact or through live telephone contact, with a non-lawyer who has not sought advice regarding employment of a lawyer.

(e) A lawyer shall not accept employment when the lawyer knows or it is obvious that the person who seeks to employ the lawyer does so as a result of conduct by any person or organization prohibited under Rules 7.3(c)(1), 7.3(c)(2) or 7.3(d): *Direct Contact with Prospective Clients*.

The maximum penalty for a violation of this Rule is a public reprimand.



## Comment

### *Direct Personal Contact*

[1] There is a potential for abuse inherent in solicitation through direct personal contact by a lawyer of prospective clients known to need legal services. It subjects the lay person to the private importuning of a trained advocate, in a direct interpersonal encounter. A prospective client often feels overwhelmed by the situation giving rise to the need for legal services, and may have an impaired capacity for reason, judgment and protective self-interest. Furthermore, the lawyer seeking the retainer is faced with a conflict stemming from the lawyer's own interest, which may color the advice and representation offered the vulnerable prospect.

[2] The situation is therefore fraught with the possibility of undue influence, intimidation, and overreaching. The potential for abuse inherent in solicitation of prospective clients through personal contact justifies its prohibition, particularly since the direct written contact permitted under paragraph (b) of this Rule offers an alternative means of communicating necessary information to those who may be in need of legal services. Also included in the prohibited types of personal contact are direct personal contact through an intermediary and live contact by telephone.

### *Direct Mail Solicitation*

[3] Subject to the requirements of *Rule 7.1: Communications Concerning a Lawyer's Services* and paragraphs (b) and (c) of this *Rule 7.3: Direct Contact with Prospective Clients*, promotional communication by a lawyer through direct written contact is generally permissible. The public's need to receive information concerning their legal rights and the availability of legal services has been consistently recognized as a basis for permitting direct written communication since this type of communication may often be the best and most effective means of informing. So long as this stream of information flows cleanly, it will be permitted to flow freely.

[4] Certain narrowly-drawn restrictions on this type of communication are justified by a substantial state interest in facilitating the public's intelligent selection of counsel, including the restrictions of sub-paragraph (a)(3) & (4) which proscribe direct mailings to persons such as an injured and hospitalized accident victim or the bereaved family of a deceased.

[5] In order to make it clear that the communication is commercial in nature, paragraph (b) requires inclusion of an appropriate affirmative "advertisement" disclaimer. Again, the traditional exception for contact with close friends, relatives and former clients is recognized and permits elimination of the disclaimer in direct written contact with these persons.

[6] This Rule does not prohibit communications authorized by law, such as notice to members of a class in class action litigation.

*Paying Others to Recommend a Lawyer*

[7] A lawyer is allowed to pay for communications permitted by these Rules, but otherwise is not permitted to pay another person for channeling professional work. This restriction does not prevent an organization or person other than the lawyer from advertising or recommending the lawyer's services. Thus, a legal aid agency, a prepaid legal services plan or prepaid legal insurance organization may pay to advertise legal services provided under its auspices. Likewise, a lawyer may participate in lawyer referral programs and pay the usual fees charged by such programs, provided the programs are in compliance with the registration requirements of sub-paragraph (d)(1) of this *Rule 7.3: Direct Contact with Prospective Clients* and the communications and practices of the organization are not deceptive or misleading.

[8] A lawyer may not indirectly engage in promotional activities through a lay public relations or marketing firm if such activities would be prohibited by these Rules if engaged in directly by the lawyer.

**Rule 7.4 COMMUNICATION OF FIELDS OF PRACTICE**

**A lawyer may communicate the fact that the lawyer does or does not practice in particular fields of law. A lawyer who is a specialist in a particular field of law by experience, specialized training or education, or is certified by a recognized and bona fide professional entity, may communicate such specialty or certification so long as the statement is not false or misleading.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] This Rule permits a lawyer to indicate areas of practice in communications about the lawyer's services. If a lawyer practices only in certain fields, or will not accept matters except in such fields, the lawyer is permitted to so indicate.

[2] A lawyer may truthfully communicate the fact that the lawyer is a specialist or is certified in a particular field of law by experience or as a result of having been certified as a "specialist" by successfully completing a particular program of legal specialization. An example of a proper use of the term would be "Certified as a Civil Trial Specialist by XYZ Institute" provided such was in fact the case, such statement would not be false or misleading and provided further that the Civil Trial Specialist program of XYZ Institute is a recognized and bona fide professional entity.

## **RULE 7.5 FIRM NAMES AND LETTERHEADS**

(a) A lawyer shall not use a firm name, letterhead or other professional designation that violates Rule 7.1.

(b) A law firm with offices in more than one jurisdiction may use the same name in each jurisdiction, but identification of the lawyers in an office of the firm shall indicate the jurisdictional limitations on those not licensed to practice in the jurisdiction where the office is located.

(c) The name of a lawyer holding public office shall not be used in the name of a law firm, or in communications on its behalf, during any substantial period in which the lawyer is not actively and regularly practicing with the firm.

(d) Lawyers may state or imply that they practice in a partnership or other organization only when that is the fact.

(e) A trade name may be used by a lawyer in private practice if:

(1) the trade name includes the name of at least one of the lawyers practicing under said name. A law firm name consisting solely of the name or names of deceased or retired members of the firm does not have to include the name of an active member of the firm; and

(2) the trade name does not imply a connection with a government entity, with a public or charitable legal services organization or any other organization, association or institution or entity, unless there is, in fact, a connection.

**The maximum penalty for a violation of this Rule is a public reprimand.**

### **Comment**

[1] Firm names and letterheads are subject to the general requirement of all advertising that the communication must not be false, fraudulent, deceptive or misleading. Therefore, lawyers sharing office facilities, but who are not in fact partners, may not denominate themselves as, for example, "Smith and Jones," for that title suggests partnership in the practice of law. Nor may a firm engage in practice in Georgia under more than one name. For example, a firm practicing as A, B and C may not set up a separate office called "ABC Legal Clinic."

[2] Trade names may be used so long as the name includes the name of at least one or more of the lawyers actively practicing with the firm. Firm names consisting entirely of the names of deceased or retired partners have traditionally been permitted and have proven a useful means of identification. Sub-paragraph (e)(1) permits their continued use as an exception to the requirement that a firm name include the name of at least one active member.

## **PART EIGHT**

### **MAINTAINING THE INTEGRITY OF THE PROFESSION**

#### **RULE 8.1 BAR ADMISSION AND DISCIPLINARY MATTERS**

**An applicant for admission to the bar, or a lawyer in connection with a bar admission application or in connection with a disciplinary matter, shall not:**

- (a) knowingly make a false statement of material fact; or**
- (b) fail to disclose a fact necessary to correct a misapprehension known by the person to have arisen in the matter, or knowingly fail to respond to a lawful demand for information from an admissions or disciplinary authority, except that this rule does not require disclosure of information otherwise protected by Rule 1.6.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] The duty imposed by this Rule extends to persons seeking admission to the bar as well as to lawyers. Hence, if a person makes a material false statement in connection with an application for admission, it may be the basis for subsequent disciplinary action if the person is admitted, and in any event may be relevant in a subsequent admission application. The duty imposed by this Rule applies to a lawyer's own admission or discipline as well as that of others. Thus, it is a separate professional offense for a lawyer to knowingly make a misrepresentation or omission in connection with a disciplinary investigation of the lawyer's own conduct. This Rule also requires affirmative clarification of any misunderstanding on the part of the admissions or disciplinary authority of which the person involved becomes aware.

[2] This Rule is subject to the provisions of the Fifth Amendment of the United States Constitution and corresponding provisions of state constitutions. A person relying on such a provision in response to a question, however, should do so openly and not use the right of nondisclosure as a justification for failure to comply with this Rule.

[3] A lawyer representing an applicant for admission to the bar, or representing a lawyer who is the subject of a disciplinary inquiry or proceeding, is governed by the rules applicable to the client-lawyer relationship.

## **RULE 8.2 JUDICIAL AND LEGAL OFFICIALS**

(a) **Reserved.**

(b) **A lawyer who is a candidate for judicial office shall comply with the applicable provisions of the Code of Judicial Conduct.**

**The maximum penalty for a violation of this Rule is disbarment.**

### **Comment**

[1] Assessments by lawyers are relied on in evaluating the professional or personal fitness of persons being considered for election or appointment to judicial office and to public legal offices, such as attorney general, prosecuting attorney and public defender. Expressing honest and candid opinions on such matters contributes to improving the administration of justice. Conversely, false statements by a lawyer can unfairly undermine public confidence in the administration of justice.

[2] When a lawyer seeks judicial office, the lawyer should be bound by applicable limitations on political activity.

[3] To maintain the fair and independent administration of justice, lawyers are encouraged to continue traditional efforts to defend judges and courts unjustly criticized.

## **RULE 8.3 REPORTING PROFESSIONAL MISCONDUCT**

(a) **A lawyer having knowledge that another lawyer has committed a violation of the Georgia Rules of Professional Conduct that raises a substantial question as to that lawyer's honesty, trustworthiness or fitness as a lawyer in other respects, should inform the appropriate professional authority.**

(b) **A lawyer having knowledge that a judge has committed a violation of applicable rules of judicial conduct that raises a substantial question as to the judge's fitness for office should inform the appropriate authority.**

**There is no disciplinary penalty for a violation of this Rule.**

### **Comment**

[1] Self-regulation of the legal profession requires that members of the profession initiate disciplinary investigations when they know of a violation of the Georgia Rules of Professional Conduct. Lawyers have a similar obligation with respect to judicial misconduct. An apparently isolated violation may indicate a pattern of misconduct that

only a disciplinary investigation can uncover. Reporting a violation is especially important where the victim is unlikely to discover the offense.

#### **RULE 8.4 MISCONDUCT**

**(a) It shall be a violation of the Georgia Rules of Professional Conduct for a lawyer to:**

- (1) violate or attempt to violate the Georgia Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another;**
- (2) be convicted of a felony;**
- (3) be convicted of a misdemeanor involving moral turpitude where the underlying conduct relates to the lawyer's fitness to practice law;**
- (4) engage in professional conduct involving dishonesty, fraud, deceit or misrepresentation;**
- (5) fail to pay any final judgment or rule absolute rendered against such lawyer for money collected by him as a lawyer within ten (10) days after the time appointed in the order or judgment. In such cases the record of the judgment is conclusive evidence unless obtained without valid service of process.**

**(b) (1) For purposes of this Rule, conviction shall include:**

- (i) a guilty plea;**
- (ii) a plea of nolo contendere;**
- (iii) a verdict of guilty; or**
- (iv) a verdict of guilty but mentally ill.**

**(2) The record of a conviction or disposition in any jurisdiction based upon a guilty plea, a plea of nolo contendere, a verdict of guilty, or a verdict of guilty but mentally ill, or upon the imposition of first offender probation shall be conclusive evidence of such conviction or disposition and shall be admissible in proceedings under these disciplinary rules.**

**(c) This Rule shall not be construed to cause any infringement of the existing inherent right of Georgia Superior Courts to suspend and disbar lawyers from practice based upon a conviction of a crime as specified in paragraphs (a)(1), (a)(2) and (a)(3) above.**

**The maximum penalty for a violation of this Rule is disbarment.**

#### **Comment**

[1] The prohibitions of this Rule as well as the prohibitions of Bar Rule 4-102 prohibit a lawyer from attempting to violate the Georgia Rules of Professional Conduct or from knowingly aiding or abetting, or providing direct or indirect assistance or inducement

to another person who violates or attempts to violate a rule of professional conduct. A lawyer may not avoid a violation of the rules by instructing a nonlawyer, who is not subject to the rules, to act where the lawyer can not.

[2] This Rule, as its predecessor, is drawn in terms of acts involving “moral turpitude” with, however, a recognition that some such offenses concern matters of personal morality and have no specific connection to fitness for the practice of law. Here the concern

is limited to those matters which fall under both the rubric of “moral turpitude” and involve underlying conduct relating to the fitness of the lawyer to practice law.

[3] Many kinds of illegal conduct reflect adversely on fitness to practice law, such as offenses involving fraud and the offense of willful failure to file an income tax return. However, some kinds of offenses carry no such implication. Traditionally, the distinction was drawn in terms of offenses involving “moral turpitude.” That concept can be construed to include offenses concerning some matters of personal morality, such as adultery and comparable offenses, that have no specific connection to fitness for the practice of law. Although a lawyer is personally answerable to the entire criminal law, a lawyer should be professionally answerable only for offenses that indicate lack of those characteristics relevant to law practice. Offenses involving violence, dishonesty, breach of trust, or serious interference with the administration of justice are in that category. A pattern of repeated offenses, even ones of minor significance when considered separately, can indicate indifference to legal obligation.

## **RULE 8.5 DISCIPLINARY AUTHORITY; CHOICE OF LAW.**

(a) **Disciplinary Authority.** A lawyer admitted to practice in this jurisdiction is subject to the disciplinary authority of this jurisdiction, regardless of where the lawyer's conduct occurs. A lawyer may be subject to the disciplinary authority of both this jurisdiction and another jurisdiction where the lawyer is admitted for the same conduct.

(b) **Choice of Law.** In any exercise of the disciplinary authority of this jurisdiction, the rules of professional conduct to be applied shall be as follows:

(1) for conduct in connection with a proceeding in a court before which a lawyer has been admitted to practice (either generally or for purposes of that proceeding), the rules to be applied shall be the rules of the jurisdiction in which the court sits, unless the rules of the court provide otherwise; and

(2) for any other conduct,

(i) if the lawyer is licensed to practice only in this jurisdiction, the rules to be applied shall be the rules of this jurisdiction, and

(ii) if the lawyer is licensed to practice in this and another jurisdiction, the rules to be applied shall be the rules of the admitting jurisdiction in which the lawyer principally practices; provided, however, that if particular conduct clearly has its predominant effect in another jurisdiction in which the lawyer is licensed to practice, the rules of that jurisdiction shall be applied to that conduct.

**There is no disciplinary penalty for a violation of this Rule.**

## **Comment**

### *Disciplinary Authority*

[1] Paragraph (a) restates long-standing law.

### *Choice of Law*

[2] A lawyer may be potentially subject to more than one set of rules of professional conduct which impose different obligations. The lawyer may be licensed to practice in more than one jurisdiction with differing rules, or may be admitted to practice before a particular court with rules that differ from those of the jurisdiction or jurisdictions in which the lawyer is licensed to practice. In the past, decisions have not developed clear or consistent guidance as to which rules apply in such circumstances.

[3] Paragraph (b) seeks to resolve such potential conflicts. Its premise is that minimizing conflicts between rules, as well as uncertainty about which rules are applicable, is in the best interest of both clients and the profession (as well as the bodies having authority to regulate the profession). Accordingly, it takes the approach of (i) providing that any particular conduct of a lawyer shall be subject to only one set of rules of professional conduct, and (ii) making the determination of which set of rules applies to particular conduct as straightforward as possible, consistent with recognition of appropriate regulatory interests of relevant jurisdictions.

[4] Paragraph (b) provides that as to a lawyer's conduct relating to a proceeding in a court before which the lawyer is admitted to practice (either generally or pro hac vice), the lawyer shall be subject only to the rules of professional conduct of that court. As to all other conduct, paragraph (b) provides that a lawyer licensed to practice only in this jurisdiction shall be subject to the rules of professional conduct of this jurisdiction, and that a lawyer licensed in multiple jurisdictions shall be subject only to the rules of the jurisdiction where he or she (as an individual, not his or her firm) principally practices, but with one exception: if particular conduct clearly has its predominant effect in another admitting jurisdiction, then only the rules of that jurisdiction shall apply. The intention is for the latter exception to be a narrow one. It would be appropriately applied, for example, to a situation in which a lawyer admitted in, and principally practicing in, State A, but also admitted in State B, handled an acquisition by a company whose



headquarters and operations were in State B of another, similar such company. The exception would not appropriately be applied, on the other hand, if the lawyer handled an acquisition by a company whose headquarters and operations were in State A of a company whose headquarters and main operations were in State A, but which also had some operations in State B.

[5] If two admitting jurisdictions were to proceed against a lawyer for the same conduct, they should, applying this Rule, identify the same governing ethics rules. They should take all appropriate steps to see that they do apply the same rule to the same conduct, and in all events should avoid proceeding against a lawyer on the basis of two inconsistent rules.

[6] The choice of law provision is not intended to apply to transnational practice.

## **PART NINE**

### **MISCELLANEOUS**

#### **RULE 9.1 REPORTING REQUIREMENTS**

**Members of the State Bar of Georgia shall notify the State Bar of Georgia of:**

**(a) all other jurisdictions in which the member is admitted to the practice of law and the dates of admission; and**

**(b) the conviction of any felony or of a misdemeanor involving moral turpitude where the underlying conduct relates to the lawyer's fitness to practice law, within sixty days of conviction.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

#### **Comment**

[1] The State Bar of Georgia is the regulatory authority created by the Supreme Court of Georgia to oversee the practice of law in Georgia. In order to provide effective disciplinary programs, the State Bar of Georgia needs information about its members.

#### **RULE 9.2 SETTLEMENT OF CLAIMS**

**In connection with the settlement of a controversy or suit involving misuse of funds held in a fiduciary capacity, a lawyer shall not enter into an agreement that**

**the person bringing the claim will be prohibited or restricted from filing, or will be required to dismiss a pending complaint concerning that conduct with the agency responsible for discipline of attorneys.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] The disciplinary system provides protection to the general public from those lawyers who are not morally fit to practice law. One problem in the past has been the lawyer who settles the civil claim/disciplinary complaint with the injured party on the basis that the injured party not bring a disciplinary complaint or dismiss a pending disciplinary complaint. The lawyer is then is free to injure other members of the general public.

[2] To prevent such abuses in settlements, this rule prohibits a lawyer from settling any controversy or suit involving misuse of funds on any basis which prevents the person bringing the claim from pursuing a disciplinary complaint.

**RULE 9.3 COOPERATION WITH DISCIPLINARY AUTHORITY**

**During the investigation of a grievance filed under these Rules, the lawyer complained against shall respond to disciplinary authorities in accordance with State Bar Rules.**

**The maximum penalty for a violation of this Rule is a public reprimand.**

**Comment**

[1] Much of the work in the disciplinary process is performed by volunteer lawyers and lay persons. In order to make good use of their valuable time, it is imperative that the lawyer complained against cooperate with the investigation. In particular, the lawyer must file a sworn response with the member of the Investigative Panel charged with the responsibility of investigating the complaint.

[2] Nothing in this Rule prohibits a lawyer from responding by making a Fifth Amendment objection, if appropriate. However, disciplinary proceedings are civil in nature and the use of a Fifth Amendment objection will give rise to a presumption against the lawyer.

#### **RULE 9.4      RECIPROCAL DISCIPLINE**

**(a)      Disbarment or suspension by another jurisdiction is a ground for discipline in the State of Georgia.**

**(b)      The record of disbarment or suspension in another jurisdiction shall be conclusive evidence of such disbarment or suspension and shall be admissible in disciplinary proceedings.**

**There is no disciplinary penalty for a violation of this Rule.**

#### **Comment**

[1]      If a lawyer has been the subject of disciplinary proceedings in another jurisdiction which resulted in the lawyer being suspended or disbarred, that outcome will be the basis for discipline in Georgia without a retrial of the underlying charges. Oftentimes if a Georgia lawyer is the subject of a disciplinary proceeding in another jurisdiction, it is because the offense occurred in that jurisdiction. To retry the underlying charges would be a needless waste of time and resources.

[2]      This rule does not necessarily adopt the disciplinary sanction imposed by the other jurisdiction as the sanction in Georgia. The lawyer will be able to present mitigating evidence in the Georgia proceedings, including evidence as to the rule and the procedure used in the other jurisdiction.

[3]      For the purposes of this rule, the word "jurisdiction" means other states, territories, countries, and federal courts.

#### **RULE 9.5      LAWYER AS A PUBLIC OFFICIAL**

**(a)      A lawyer who is a public official and represents the State, a municipal corporation in the State, the United States government, their agencies or officials, is bound by the provisions of these Rules.**

**(b)      No provision of these Rules shall be construed to prohibit such a lawyer from taking a legal position adverse to the State, a municipal corporation in the State, the United States government, their agencies or officials, when such action is authorized or required by the U. S. Constitution, the Georgia Constitution or statutes of the United States or Georgia.**