Chicago-Kent Law Review

Volume 56 | Issue 4 Article 10

December 1980

Attorney Disqualification

Linda E. Lacy

ATTORNEY DISQUALIFICATION

Novo Terapeutisk Laboratorium A/S v. Baxter Travenol Laboratories, Inc.

607 F.2d 186 (7th Cir. 1979)

The attorney's conduct towards clients and former clients is always subject to the ethical obligations of the legal profession.[1] In particular, the attorney owes to clients a general duty of loyalty which includes the obligation to preserve the confidentiality inherent in, and necessary to, the lawyer-client relationship.[2] Because of this duty, an attorney generally should decline employment which involves representing an interest adverse to that of a former client.[3] If the attorney accepts the adverse employment, the former client may seek the attorney's disqualification from further participation in the matter.[4]

The United States Court of Appeals for the Seventh Circuit recently dealt with such a situation in *Novo Terapeutisk Laboratorium A/S v. Baxter Travenol Laboratories, Inc.*[5] The court in *Novo* examined the issues involved when a party seeks to have its former law firm disqualified from representing an opposing party in a suit, and

1. *See generally* H. DRINKER, LEGAL ETHICS (1953); G. HAZARD, ETHICS IN THE PRACTICE OF LAW (1978) [hereinafter cited as HAZARD]; R. WISE, LEGAL ETHICS (2d ed. 1970).

2. The ABA CODE OF PROFESSIONAL RESPONSIBILITY [hereinafter referred to in text as the *Code of Professional Responsibility*] explains the justification for this requirement as follows:

> A client must feel free to discuss whatever he wishes with his lawyer and a lawyer must be equally free to obtain information beyond that volunteered by his client. A lawyer should be fully informed of all the facts of the matter he is handling in order for his client to obtain the full advantage of our legal system. . . . The observance of the ethical obligation of a lawyer to hold inviolate the confidences and secrets of his client not only facilitates the full development of facts essential to proper representation of the client but also encourages laymen to seek early legal assistance.

Id. ETHICAL CONSIDERATION 4-1 (footnotes omitted). *See also* United States v. Standard Oil Co., 136 F. Supp. 345, 355 (S.D.N.Y. 1955).

3. *See, e.g.*, T.C. Theatre Corp. v. Warner Bros. Pictures, 113 F. Supp. 265 (S.D.N.Y. 1953), where the court explained that duty as "[a] lawyer's duty of absolute loyalty to his client's interests does not end with his retainer. He is enjoined for all time, except as he may be released by law, from disclosing matters revealed to him by reason of the confidential relationship." *Id.* at 268. The same restraint is imposed after termination of the attorney-client relationship by the ABA CODE OF PROFESSIONAL RESPONSIBILITY, ETHICAL CONSIDERATION 4-6.

4. *See* Annot., *Propriety and Effect of Attorney Representing Interest Adverse to that of Former Client*, 52 A.L.R.2d 1243 (1957):

> The comment may be made that an attorney's misconduct is not so limited in its effect as to give rise only to questions involving the attorney's professional status: the practice of law being, by its nature, representative, wrongful acts on the part of an attorney will inevitably touch upon the rights of his clients and his adversaries.

Id. at 1276.

5. 607 F.2d 186 (7th Cir. 1979).

concluded that, in the circumstances of *Novo*, disqualification was not required.

This case comment will examine the various ethical and policy considerations involved in disqualifications of counsel, as well as the body of case law which has developed in this area. The comment will analyze the Seventh Circuit's reasoning and establish that the court's recognition that an "appearance of impropriety" can be rebutted by an examination of the facts is a reasonable response to the complex issues involved. Moreover, it is more likely to yield equitable results than the application of a more rigid rule.

HISTORICAL BACKGROUND

The Code of Professional Responsibility

The American Bar Association's *Code of Professional Responsibility* provides one standard for analyzing the ethical responsibility of a lawyer.[6] When faced with disqualification issues, the courts have frequently turned to this standard for guidance.[7] Three specific canons of the *Code* are relevant in evaluating the ethical stance of the attorney representing an interest adverse to that of a former client.

Canon 4 provides that a "lawyer should preserve the confidences and secrets of a client."[8] The imposition of this duty encourages the free flow of information from client to attorney and facilitates the disclosure that is necessary for the lawyer to provide competent and informed legal services. The client may repose confidence in the attorney secure in the knowledge that any such confidences will never be used to the client's disadvantage regardless of whether the attorney-client relationship continues.[9]

Canon 5 provides that the attorney "exercise independent professional judgment" on his client's behalf, untainted by self-interest or the conflicting interests of another client.[10] Clearly, an attorney who repre-

6. The *Code* is composed of three parts. The canons are "statements of axiomatic norms," the ethical considerations are "aspirational . . . and represent the objective toward which every member of the profession should strive," and the disciplinary rules are "mandatory in character" representing the minimum level of professional conduct. PRELIMINARY STATEMENT, CODE OF PROFESSIONAL RESPONSIBILITY.

7. This comment will deal primarily with the treatment of disqualification in the federal courts. The *Code of Professional Responsibility* and its predecessor, the *Canons of Professional Ethics*, have been the basis for most of these decisions. In some cases, federal district courts have adopted the *Code* as part of their general rules. *See, e.g.*, N.D. ILL. GEN. R. 8A, 8D.

8. CODE OF PROFESSIONAL RESPONSIBILITY, CANON 4.

9. *See* note 4 *supra*.

10. *See* CODE OF PROFESSIONAL RESPONSIBILITY, CANON 5 and the related ethical considerations and disciplinary rules.

sents someone suing a former client would be in a difficult ethical position. He faces an inherent conflict between the duties owed to his two clients if he cannot exercise his best professional judgment on behalf of one client for fear of violating the duty of confidentiality owed to the other.[11] It is this ethical conflict that underlies the prohibition against representing an interest adverse to that of a former client.

A third *Code* provision, canon 9, provides that the lawyer should "avoid even the appearance of impropriety."[12] This requires that, when the conduct in question is ethically marginal, concern for the image of the profession as a whole should resolve any doubts in favor of the ethical posture. Occasionally, canon 9 has been used to require disqualification of attorneys when no actual conflict of interest existed.[13]

Additionally, the *Code* requires that, if an attorney is forced to withdraw from representing a particular interest, any attorney affiliated with him or his firm is likewise disqualified.[14] This vicarious disqualification[15] arises, in part, from the lawyer's duty to uphold the image of the profession by avoiding even the "appearance of impropriety."[16] It also rests upon the presumption that any client confidences are accessible to the professional associates of the lawyer in whom they were reposed.[17] If the confidential information can be used to the client's detriment, all attorneys in the firm are barred from the representation.[18]

These provisions of the *Code of Professional Responsibility* express the legal profession's concept of ethical conduct. They also provide the basic framework which the courts have used in deciding motions for

11. *See* Liebman, *The Changing Law of Disqualification: The Role of Presumption and Policy*, 73 NW. U.L. REV. 996, 997-98 (1979) [hereinafter referred to as Liebman].

12. CODE OF PROFESSIONAL RESPONSIBILITY, CANON 9.

13. The apparent basis of canon 9 is concern that merely avoiding actual impropriety is insufficient to instill public confidence and trust in the legal profession. O'Toole, *Canon 9 of the Code of Professional Responsibility: An Elusive Guideline*, 62 MARQ. L. REV. 313, 318 (1979) [hereinafter cited as O'Toole].

14. This is required by the CODE OF PROFESSIONAL RESPONSIBILITY, DISCIPLINARY RULE 5-105(d).

15. Vicarious disqualification is the term used when the attorney or law firm who is the subject of the disqualification motion has not had direct contact with the client seeking disqualification. Rather, the motion is based upon the attorney's or firm's association with another attorney who is tainted by having served in some legal capacity for that client. Note, *Attorney's Conflict of Interest: Representation of Interest Adverse to that of Former Client*, 55 B.U. L. REV. 61, 74 (1975) [hereinafter referred to as *Attorney's Conflict of Interest*].

16. CODE OF PROFESSIONAL RESPONSIBILITY, CANON 9.

17. *Attorney's Conflict of Interest*, *supra* note 15, at 70.

18. Government of India v. Cook Indus., Inc., 569 F.2d 737 (2d Cir. 1978); Schloetter v. Railoc, 546 F.2d 706 (7th Cir. 1976); Consolidated Theatres v. Warner Bros. Circuit Management Corp., 216 F.2d 920 (2d Cir. 1954).

disqualification. A concern for these basic principles underpins most of the disqualification decisions.

Tests Applied by the Courts

In addition to the profession's own official statements of ethics, the courts have developed certain tests and modes of analysis which they use in judging attorney conduct. One such test is the "substantial relationship test." First enunciated in *T.C. Theatre Corp. v. Warner Brothers Pictures*,[19] this test has been used frequently by the courts in determining the need for disqualification.[20] Under this rule, if an attorney represents someone suing a former client, and if the current action is substantially related to the work done for the former client, the attorney should be disqualified.

In *T.C. Theatre*, an attorney was representing theater owners in an antitrust suit against his former client, Universal. The attorney had previously defended Universal in the appeal of a government antitrust suit involving essentially the same allegations. Universal moved to have its former attorney disqualified from any further participation in the suit.

In discussing the duty of the attorney to preserve the confidences and secrets of a former client, the court stated that it must ask "whether it can reasonably be said that in the course of the former representation, the attorney might have acquired information related to the subject of his subsequent representation."[21] This concern for the preservation of client confidences is the foundation of the substantial relationship test. In a situation where there is no likelihood of client confidences being disclosed or used against the client, there is no need to disqualify the attorney.[22] No substantial relationship exists between the two representations. By requiring this relationship, the court in *T.C. Theatre* assumed that disqualification would not occur when there was no likelihood that relevant confidences had been disclosed to the attorney by the former client. In this way, the test protects attorney interests in accepting employment that does not actually violate the ethical precepts of the profession.

Implicit in the *T.C. Theatre* opinion is the presumption that, once the substantial relationship is found, actual disclosure of confidences

19. 113 F. Supp. 265 (S.D.N.Y. 1953).
20. *Id.* at 268 n.3.
21. *Id.* at 269.
22. *See* Liebman, *supra* note 11, at 1001.

from client to attorney will be conclusively presumed.[23] Once a reasonable probability that the client had made disclosures has been shown from the nature of the earlier representation, no further inquiry is needed. The attorney in *T.C. Theatre* claimed that he had dealt only with the "cold record"[24] in handling the Universal appeal; that is, that he had not discussed the case with the client but had merely prepared the appeal from the record of the trial. Thus, the only information he had received was that which had already been uncovered by the government in the trial. The *T.C. Theatre* court did not accept the attorney's contention that Universal should be required to prove some disclosure of confidences because any such requirement would necessarily "tear aside the protective cloak drawn about the lawyer client relationship."[25] Disclosure of confidences is presumed in the nature of the relationship.[26]

A second presumption operates to impute the same confidences to the disqualified attorney's partners and associates.[27] Under this view,

23. On this point, the court explained: "The court will assume that during the course of the former representation confidences were disclosed to the attorney bearing on the subject matter of the representation. It will not inquire into their nature and extent." 113 F. Supp. at 268.

24. *Id.* at 267.

25. *Id.* at 269. *But cf.* Consolidated Theatres v. Warner Bros. Circuit Management Corp., 216 F.2d 920 (2d Cir. 1954), where the court said "[p]erhaps in certain situations to prevent hardship to a lawyer not necessary to the protection of the client, the judge might ascertain the content of prior disclosures in an *in camera* session." *Id.* at 926. The court in *Consolidated Theatres*, however, found such a session too burdensome to be appropriate in the context of complex antitrust litigation.

26. The court in United States v. Standard Oil Co., 136 F. Supp. 345 (S.D.N.Y. 1955), explained this rule in the following terms:

> The rationale behind this rule is as sound as it is elementary. The confidences communicated by a client to his attorney must remain inviolate for all time if the public is to have reverence for the law and confidence in its guardians. . . . The client must be secure in his belief that the lawyer will be forever barred from disclosing confidences reposed in him. It follows that if, in order to protect his secret utterances to counsel, the client or former client is required to reveal these utterances, the very purpose of the rule of secrecy will be destroyed, and the free flow of information from client to attorney, so vital to our system of justice will be irreparably damaged. Therefore . . . the courts will assume that when a client entrusts an attorney with the handling of a particular matter, the client will reveal to that counsel all the information at his disposal. . . . This assumption, however, is reasonable only so long as there is a substantial relationship between those former matters and the lawsuit in which the confidence question is raised.

Id. at 355. *See also Attorney's Conflict of Interest*, *supra* note 15, at 74. *But cf.* Government of India v. Cook Indus., Inc., 569 F.2d 737 (2d Cir. 1978), where Judge Mansfield, in his concurring opinion stated that he was "reluctant to endorse the district court's unqualified statement to the effect that once a substantial relationship is shown . . . and that the lawyer's personal role in the former representation was more than peripheral, the presumption that the attorney had access to confidential information in the prior relationship is 'irrebuttable.'" *Id.* at 741 (Mansfield, J., concurring).

27. Government of India v. Cook Indus., Inc., 569 F.2d 737 (2d Cir. 1978); Schloetter v. Railoc, 546 F.2d 706 (7th Cir. 1978); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); Consolidated Theatres v. Warner Bros. Circuit Management Corp., 216 F.2d 920 (2d Cir. 1954).

the client is represented by the firm, collectively, through the attorney who is actually involved in the representation.[28] Consequently, the firm is bound by the ethical duty to the client. Factually, this imputation of client confidences rests on the real likelihood that these confidences might be disclosed within the firm. It recognizes that the firm's files are generally accessible to all attorneys and that, within that firm, lawyers might discuss current matters. As long as the association between the disqualified attorney and the law firm continues, all members of the firm are likewise disqualified.[29]

Once the association between the tainted attorney and the law firm has ended, the presumption that imputes the client confidences to other members of the law firm can generally be rebutted.[30] This principle was developed in *Laskey Brothers v. Warner Brothers Pictures*.[31] In *Laskey*, an attorney, Isacson, was disqualified from representing the plaintiff because of work he had done for one of the defendants in a substantially related matter.[32] Because of that, his partner, Malkan, was also disqualified from representing the plaintiff, despite the fact that the partnership was later dissolved. Malkan was conclusively presumed to have had access to confidential information about Isacson's former client.[33] However, in a second suit involving the same defend-

28. The court in Cinema 5, Ltd. v. Cinerama, Inc., 528 F.2d 1384 (2d Cir. 1976), espoused this view. In this case, the plaintiff's attorney had a partner who was also a partner in a firm in another city. That firm was representing the defendant. The court explained:

> Because he is a partner in the Jaeckle firm, Mr. Fleischmann owes the duty of undivided loyalty to that firm's client, Cinerama. Because he is a partner in the Webster firm, he owes the same duty to Cinema 5, Ltd. It can hardly be disputed that there is at least the appearance of impropriety where half his time is spent with partners who are defending Cinerama in multi-million dollar litigation, while the other half is spent with partners who are suing Cinerama in a lawsuit of equal substance.

Id. at 1387. The court viewed this case as involving the concurrent representation of adverse interests. In these cases, where the client is viewed to be the client of the firm rather than of the attorney who is handling the matter, the courts tend to see the marked appearance of impropriety and disqualify counsel regardless of any real possibility of disclosure of client confidences. Under this view, the same counsel is appearing for both sides in the litigation, a marked violation of the duty of loyalty to the client. *See, e.g.*, Westinghouse Elec. Corp. v. Kerr-McGee Corp., 580 F.2d 1311 (7th Cir.), *cert. denied*, 439 U.S. 955 (1978); International Business Machines Corp. v. Levin, 579 F.2d 271 (3d Cir. 1978).

29. Government of India v. Cook Indus., Inc., 569 F.2d 737 (2d Cir. 1978); Harmar Drive-In Theatre, Inc. v. Warner Bros. Pictures, Inc., 239 F.2d 555 (2d Cir. 1956); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); W.E. Bassett Co. v. H.C. Cook Co., 201 F. Supp. 821 (D. Conn. 1961), *aff'd per curiam*, 302 F.2d 268 (2d Cir. 1962).

30. Gas-a-tron v. Union Oil Co., 534 F.2d 1322 (9th Cir.) (per curiam), *cert. denied*, 429 U.S. 861 (1976); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); Fred Weber, Inc. v. Shell Oil Co., 432 F. Supp. 694 (E.D. Mo.), *aff'd*, 566 F.2d 602 (8th Cir. 1977), *cert. denied*, 436 U.S. 905 (1978). *See also Attorney's Conflict of Interest, supra* note 15, at 75.

31. 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956).

32. 224 F.2d at 826.

33. *Id.*

ant and a similar complaint, Malkan was permitted to rebut the presumption that he had received confidential information from Isacson. In the second suit, the plaintiff had sought Malkan's assistance after the partnership with Isacson had ended.[34] Arguably, since the same defendant and same type of suit were involved, it would seem that any presumptions should apply in the same manner to both. However, as long as the partnership continued, the appearance of unethical conduct as well as the possibility of actual disclosure continued. Once the relationship ended, that possibility of disclosure ended and the appearance of impropriety also was reduced.

In choosing to allow the presumption to be rebutted, the court in *Laskey Brothers* expressed concern over unjustified interference with the client's right to qualified counsel of his choice.[35] Particularly in specialized areas of law such as motion picture antitrust litigation, the area involved in *Laskey Brothers*, the court reasoned that it could become difficult to find an attorney with the requisite expertise who had not at some time been associated, at least vicariously, with the adverse party.[36] Perhaps it was the court's recognition of this problem, along with the diminished appearance of impropriety, that led the court to allow the presumption to be rebutted.[37]

The United States Court of Appeals for the Seventh Circuit recently considered a similar situation in *Schloetter v. Railoc*.[38] In the course of defending a patent infringement suit for Railoc, the defending firm discovered that a former partner in the firm, Jeffrey, had filed the patents for Schloetter that were the subject of the suit. At the time, Jeffrey had been handling patent matters for the firm's Washington,

34. *Id.*

35. *Id.* at 827.

36. In this regard, the court stated its opinion that: "The net effect of an overharsh rule of disqualification must be to hinder adequate protection of clients' interests in view of the difficulty in discovering technically trained attorneys in specialized areas who were not disqualified due to their peripheral or temporally remote connections with attorneys for the other side." *Id.*

37. The courts have expressed a related concern for the careers of young attorneys as well as government attorneys returning to private practice. *See, e.g.*, Silver Chrysler Plymouth, Inc. v. Chrysler Motors Corp., 518 F.2d 751 (2d Cir. 1975); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); Consolidated Theatres v. Warner Bros. Circuit Management Corp., 216 F.2d 920 (2d Cir. 1954); United States v. Standard Oil Co., 136 F. Supp. 345 (S.D.N.Y. 1955). *See generally* Liebman *supra* note 11. Through extensive contact with large or specialized law firms or government agencies, attorneys may be prohibited from representing a large number of clients. This would tend to inhibit their employment prospects as other firms would not wish to share their taint. The problems of former government attorneys have been written about extensively. *See, e.g.*, Kaufman, *The Former Government Attorney and the Canons of Professional Ethics*, 70 HARV. L. REV. 657 (1957); Note, *Conflicts of Interest and the Former Government Attorney*, 65 GEO. L.J. 1025 (1977); HAZARD, *supra* note 1, at 107-19.

38. 546 F.2d 706 (7th Cir. 1976).

D.C. office. The district court found the evidence insufficient to rebut the presumption that Jeffrey had shared confidences with other members of the firm,[39] and the Seventh Circuit agreed.[40] In addition, the Seventh Circuit recognized that canon 9[41] required the firm's disqualification. Several factors led to that conclusion. Because of the continuity of the membership in the firm, many of the lawyers who had been present in the firm when Jeffrey had filed the patents were still members of the firm.[42] Also relevant was the identical subject matter of the two representations: the firm was in the position of attacking a patent which it had filed.[43] Finally, it was not at all clear that the relationship between Jeffrey and the firm was completely ended. The firm had been reorganized into two offices and several attorneys were partners in both the "parent" firm and the "associated" firm of which Jeffrey was still a member. While treating the presumption as rebuttable, the court relied heavily on canon 9's proscription where conduct was marginally ethical.[44]

Generally, as the courts have applied the ethical requirements of the legal profession to different fact situations, they have maintained a flexible posture. Although these rules and tests have been developed, their application to different situations has not been rigid. Rather, the courts have tended to balance concern for the image of the profession with certain policy considerations,[45] at least as long as there was no real likelihood of harm to the client's interests. It is against this background that the decision in *Novo Terapeutisk Laboratorium A/S v. Baxter Travenol Laboratories, Inc.*[46] must be examined.

39. *Id.* at 711.
40. *Id.*
41. *See* text accompanying note 12 *supra.*
42. 546 F.2d at 711.
43. *Id.* at 712.
44. *Id.* at 709-10.
45. *See generally* O'Toole *supra* note 13. O'Toole's analysis of federal cases identifies five interests which affect the courts' use of canon 9:

> 1. The public's and the legal profession's interest in maintaining the highest standards of professional conduct and in ensuring the scrupulous administration of justice;
> 2. The litigant's interest in freely selecting counsel and in maintaining an uninterrupted attorney-client relationship throughout the course of litigation;
> 3. The public's and the legal profession's interest in preventing inadvertent disclosure of confidential information acquired in the course of a former representation and in avoiding possible conflicts of interest;
> 4. The social policy interest vindicated by litigation which may be thwarted if the motion to disqualify is granted, and finally;
> 5. The practicing attorney's career interests.

Id. at 321-22.
46. 607 F.2d 186 (7th Cir. 1979). Novo Terapeutisk Laboratorium A/S is hereinafter referred to as Novo. Baxter Travenol Laboratories, Inc. is hereinafter referred to as Baxter.

NOVO TERAPEUTISK LABORATORIUM A/S V. BAXTER TRAVENOL LABORATORIES, INC.

Facts of the Case

This litigation arose from a patent infringement claim. In November 1966, Novo filed a patent application for a milk-coagulating enzyme; in December 1967, Baxter filed a similar application. In 1971, the United States Patent Office declared an interference between the two patents which was resolved in Novo's favor in February 1976. During 1975 and 1976, Baxter retained the law firm of Hume, Clements, Brinks, Willian and Olds[47] as outside patent counsel. However, the Hume firm was not involved in the patent interference action with Novo. During 1975-76, most of Baxter's work was handled by Granger Cook, a partner in the Hume firm. This work included a two hour meeting in July 1976, with Baxter in-house attorneys, conferring on a matter which Cook later claimed involved the same enzyme which was the subject of the patent infringement suit.[48] It was this conference which gave rise to Baxter's motion to have the Hume firm disqualified.[49] In December 1976, Cook left the Hume firm to form his own firm, and Baxter chose to continue as his client.

In February 1977, the plaintiff, Novo, filed a patent infringement action against Baxter in the United States District Court for the District of South Carolina.[50] The case was transferred to the Northern District of Illinois, and the Hume firm was granted leave to appear as counsel for Novo over Baxter's objections.[51] Baxter then filed a motion seeking to disqualify the Hume firm from representing the plaintiff, claiming that the July 1976 matter handled by Cook was substantially related to the patent infringement litigation, and that the Hume firm was thus precluded from representing Novo.[52] The district court disagreed with Baxter's contention. The court held that, even if it could be assumed that the two representations were related, the July representation constituted only two percent of the work done by the Hume firm for Baxter.[53] Since the only matter in question had been handled by Cook, who was still acting as Baxter's attorney, the court did not consider the

47. Hereinafter referred to as the Hume firm.
48. 607 F.2d at 195.
49. *Id.*
50. *Id.* at 187.
51. *Id.*
52. *Id.*
53. *Id.* at 189. The district court opinion was not published.

matter substantially related and denied the motion.[54]

The Seventh Circuit's Panel and En Banc Opinions

Baxter appealed the denial and the case was heard by a three-judge panel of the United States Court of Appeals for the Seventh Circuit.[55] The court reversed the district court and granted the motion for disqualification.[56] The Seventh Circuit held that the district court's decision was based upon a misunderstanding of the substantial relationship test, and that the two representations were substantially related.[57] On that basis, the court presumed that Baxter had disclosed confidential information to Cook.[58] The court concluded that canon 9 of the *Code of Professional Responsibility* necessarily barred the Hume firm from representing Novo in this litigation regardless of whether any other member of the firm had shared in those confidences.[59]

Novo moved for a rehearing, and that motion was granted. The case was reheard by the court *en banc* in April 1979. The majority opinion[60] agreed with the earlier panel opinion that the representations were substantially related, and that it must be presumed that Cook received confidential information from Baxter. The *en banc* majority held, however, that any presumption that Cook in turn had shared those confidences with other members of the Hume firm should be rebuttable and had been rebutted in this case.[61] Three judges dissented "for the reasoning given in the panel opinion."[62]

The Substantial Relationship Test

Both the panel and *en banc* opinions applied the same approach to the substantial relationship determination:

> Initially, the trial judge must make a factual reconstruction of the scope of the prior legal representation. Second, it must be determined whether it is reasonable to infer that the confidential information allegedly given would have been given to a lawyer in those matters. Finally, it must be determined whether that information is relevant to the issues raised in the litigation pending against the former client.[63]

54. *Id.* at 188.
55. The panel consisted of Circuit Judges Fairchild and Cummings and, sitting by designation, Senior District Judge Grant.
56. 607 F.2d at 186.
57. *Id.* at 189.
58. *Id.* at 192.
59. *Id.* at 192-93.
60. 607 F.2d 194 (7th Cir. 1979).
61. *Id.* at 197.
62. *Id.* (Swygert, Cummings, Sprecher, JJ., dissenting).
63. *Id.* at 190, 195.

The court rejected the district court's "quantitative analysis" which had viewed as not substantial a representation which constituted only two percent of Baxter's business with the Hume firm.[64] The Seventh Circuit reasoned that "[e]ven the briefest conversation between a lawyer and a client can result in the disclosure of confidences. It is the relationship between the prior representation and the present litigation that must be evaluated rather than simply the duration and extent of the past representation."[65] In applying the test, the court found that the prior representation, the two hour July meeting, involved the same enzyme which was the subject of the patent infringement suit. Under those circumstances, it was reasonable to assume that confidential information was disclosed, and that such information would be relevant in the patent action. Accordingly, the court found a substantial relationship between the two matters.[66]

Presumptions of Access to Information

Both the panel opinion and the *en banc* majority recognized the presumption that imputes confidential information to Cook once the substantial relationship test is met.[67] Both opinions also accepted as realistic the presumption that confidences are shared among partners in a law firm.[68] However, where the panel viewed the presumption as dispositive of the issue,[69] the *en banc* majority rejected that approach as overly rigid.[70] Cook had alleged that he had shared confidences about Baxter with other members of the Hume firm, but the allegations were not specific. On the other hand, each remaining member of the Hume firm had signed an affidavit specifically denying that he or she had received any information about the July representation in question.[71]

64. *Id.* at 195.
65. *Id.*
66. *Id.* at 195-96. The Seventh Circuit used a similarly broad construction of the substantial relationship test in Westinghouse v. Gulf Oil Corp., 588 F.2d 221 (7th Cir. 1978). In that case, the trial court had found no relationship between the law firm's representation of Gulf in regard to their mineral holdings and their subsequent representation of United Nuclear Corp. in defending a uranium price-fixing charge. Where the trial court viewed one representation as a property matter and the other an antitrust matter, the court of appeals found that the law firm's knowledge of Gulf's mineral holdings could be relevant and disqualified the firm stating that "relevance . . . must be measured against the potential avenues of proof and not against the expected." *Id.* at 226.
67. 607 F.2d at 192, 196.
68. *Id.* at 191, 196.
69. *Id.* at 192.
70. *Id.* at 197.
71. *Id.* at 196 n.4.

The panel opinion regarded the affidavits as being in conflict, creating a doubt which should be resolved in favor of disqualification.[72] The *en banc* majority made clear that an important factual basis for its holding was the lack of any specific allegation by Cook that the July 1976 representation was ever discussed with anyone else in the firm.[73] Given that Cook was the person best in a position to know what confidences he may have disclosed to his associates, and that he was no longer associated with the Hume firm, the *en banc* court held that the presumption had been rebutted.[74]

ANALYSIS

A major distinction between *Novo* and earlier cases is the court's willingness to treat Baxter as Cook's client rather than the client of the Hume firm.[75] Baxter had come to the Hume firm for legal advice and Cook, as a member of the firm, had handled the matter. This differs from a more typical vicarious disqualification case where an attorney is associated with a client at one law firm, then moves to a new firm. The new firm can then be barred from handling any matter adverse to the former client because of the association with the tainted attorney.[76] Only when the association with that attorney ends does the presumption that other members of the firm have received client confidences

72. *Id.* at 192. The panel majority's view of the affidavits was based upon these doubts:

> Judge Fairchild, in his dissent, is of the opinion that Attorney Cook did not allege, even in general terms, that any confidences were shared or exist. We read . . . the Cook affidavit in a different light . . . . Although further questioning by Judge Fairchild [at oral argument] revealed that there was no specific allegation in the Cook affidavit that confidences received in the 2¼ hours were shared, we find enough of a doubt to resolve the question in favor of disqualification.

Id. at n.8.

73. The court explained its position as follows:

> Because the conclusion we reach in this case may not have a factual basis in every other case, it is important to note the following: (1) While Cook's affidavit states that he conferred generally with other members of the Hume firm about the Baxter account, and that other members of the firm received confidential information about Baxter, there is no allegation that the July, 1976 representations (which are discussed separately in the affidavit) were ever discussed with anyone else in the firm. Cook, of course, is in a position to know whether confidences were shared since it was he who presumably received those confidences and who would have shared them if they had been shared. (2) There are affidavits in the record from all the remaining members of the Hume firm stating that none of them had any knowledge of the July, 1976 representations.

Id. at 196 n.4.

74. *Id.* at 197.

75. *See* text at notes 27-29 *supra.*

76. Government of India v. Cook Indus., Inc., 569 F.2d 737 (2d Cir. 1978); Harmar Drive-In Theatre, Inc. v. Warner Bros. Pictures, Inc., 239 F.2d 555 (2d Cir. 1956); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956); W.E. Bassett Co. v. H.C. Cook Co., 201 F. Supp. 821 (D. Conn. 1961), *aff'd per curiam*, 302 F.2d 268 (2d Cir. 1962).

become rebuttable.[77] It is the appearance of impropriety that is the foundation of disqualification in most of these cases since the courts generally have refused to assume that a law firm or attorney actually would take unethical advantage of an associate's knowledge of an adversary or that the involved attorney would breach his own ethical duty to preserve the confidences of his former client.[78]

As noted above, however, Baxter had been a client of the Hume firm. One of the underlying reasons for applying vicarious disqualification to law firms is that lawyers within a firm will seek each other's advice and discuss current legal matters, sometimes informally.[79] Clearly, Cook could have freely consulted with his colleagues at the Hume firm about the Baxter account without any breach of his duty to the client. It follows that, when the law firm to be disqualified has actually represented the former client, there is a greater possibility that disclosures of confidences about the former client were actually made within the firm. Possibly, there is also less justification for allowing the rebuttal of the presumption that those disclosures did occur.

The court did not discuss the level and type of evidence needed to rebut the presumption. The panel majority viewed the possibly conflicting affidavits as sufficient to create a factual doubt which should be resolved in favor of disqualification.[80] The *en banc* majority found no conflict and therefore found no need to discuss the "quality or quantity

77. Gas-a-tron v. Union Oil Co., 534 F.2d 1322 (9th Cir.) (per curiam), *cert. denied*, 429 U.S. 861 (1976); Laskey Bros. v. Warner Bros. Pictures, 224 F.2d 824 (2d Cir. 1955), *cert. denied*, 350 U.S. 932 (1956).

78. *See, e.g.*, Cinema 5, Ltd. v. Cinerama, Inc., 528 F.2d 1384 (2d Cir. 1976), where the court noted that "[n]othing we have heretofore said is intended as criticism of the character and professional integrity of Mr. Fleischmann and his partners. We are convinced that the dual representation came about inadvertently and unknowingly." *Id.* at 1387. And, in T.C. Theatre Corp. v. Warner Bros. Pictures, 113 F. Supp. 265 (S.D.N.Y. 1953), the court stated: "The Court is not required to indulge in any presumption that Cooke has divulged confidences reposed in him by his former clients simply because he is now engaged in a law suit with them. The presumption would be to the contrary." *Id.* at 272.

79. The Seventh Circuit has been reluctant to modify the presumptions of access to information for large law firms. *See* Westinghouse Elec. Corp. v. Kerr-McGee Corp., 580 F.2d 1311 (7th Cir.), *cert. denied*, 439 U.S. 955 (1978). *But see* Silver Chrysler Plymouth, Inc. v. Chrysler Motors Corp., 518 F.2d 751 (2d Cir. 1975), where the Second Circuit did allow some modification stating that it was "absurd to conclude that immediately upon their entry on duty [new attorneys] become the recipients . . . of knowledge of all the files . . . and all confidential disclosures . . . to any lawyer in the firm." *Id.* at 753-54. In very large firms, it may be difficult even to discover conflict within the firm. In *Westinghouse*, the firm of Kirkland & Ellis did not discover that the two offices of the firm were doing work for opposing sides in litigation until the suit was actually filed. *See also* Note, *Unchanging Rules in Changing Times: The Canons of Ethics and Intra-Firm Conflicts of Interest*, 73 YALE L.J. 1058, 1073 (1964), where the author found most firms' procedures for discovering conflicts inadequate.

80. 607 F.2d at 192. *Accord*, International Business Machines Corp. v. Levin, 579 F.2d 271, 283 (3d Cir. 1978); Hull v. Celanese Corp., 513 F.2d 568, 571 (2d Cir. 1975); Chugach Elec. Ass'n v. United States District Court, 370 F.2d 441, 444 (9th Cir. 1966), *cert. denied*, 389 U.S. 820 (1967).

of proof . . . required to rebut the presumption."[81] The Seventh Circuit thus left open whether a specific denial that any confidences had been received would always be sufficient to rebut the presumption. Such a denial probably would be enough only in the absence of any specific allegation to the contrary.

To permit the law firm's denial to rebut the presumption in all cases is clearly insufficient protection of the client's interests. When there is a factual dispute as to whether confidences have been disclosed within a law firm, the client is in no position to prove or disprove that specific events occurred. In that situation, it would be appropriate for the court to apply canon 9,[82] and resolve the doubts in favor of disqualification. When there is *no* factual dispute, there is no appearance of impropriety. Any "appearance" has been refuted by the facts. Given a district court's refusal to accept similar denials in *Schloetter v. Railoc*,[83] where there was some dispute as to whether confidences had been shared, and the Seventh Circuit's approval of *Schloetter*,[84] it seems likely that the Seventh Circuit might follow such a course as the one outlined above. It should be kept in mind that the clear absence of factual dispute in *Novo* is rare. A significant element of the court's holding in *Novo* is its recognition that the only people who would know what confidences have been disclosed are now opposing counsel, and they still are not in conflict as to the fact of disclosure. This configuration of parties would probably not occur often, and the holding in *Novo* may be limited to just such situations.

Another difficulty with the majority opinion is its failure to deal directly with the issue of canon 9. While the Seventh Circuit panel opinion apparently viewed the appearance of impropriety as dispositive of the issue,[85] the court *en banc* regarded appearance as irrelevant when no actual impropriety existed.[86] This points out one of the difficulties inherent in canon 9. There is no standard by which "appearances" can be judged.[87] It is unclear whether a judge should apply his own personal standards, attempt a generalized professional standard, or perhaps avoid any situation which a layman, uninformed of the facts, might think improper. It has been suggested that the layman

81. 607 F.2d at 197.
82. *See* text accompanying note 12 *supra*.
83. *See* 546 F.2d at 711.
84. *See* 607 F.2d at 195-96.
85. *Id.* at 193.
86. *Id.* at 197.
87. *See generally* O'Toole, *supra* note 13, at 337.

might look with disfavor upon an overly scrupulous attention to canon 9.[88] The Fifth Circuit in *Woods v. Covington County Bank*[89] remarked:

> Inasmuch as attorneys now commonly use disqualification motions for purely strategic purposes, such an extreme approach would often unfairly deny a litigant the counsel of his choosing. Indeed, the more frequently a litigant is delayed or otherwise disadvantaged by the unnecessary disqualification of his lawyer under the appearance of impropriety doctrine, the greater the likelihood of public suspicion of both the bar and the judiciary.[90]

There is also the possibility that the ethical principles of the *Code of Professional Responsibility* may become devalued in the eyes of the public and the profession because of their use as a mere tactic in the litigation process.[91]

It is perhaps because of these difficulties that the Seventh Circuit chose not to rely solely on the "appearances" of the situation. By allowing fact to refute appearance, the court may be establishing a standard by which appearances of impropriety can be judged. Appearances would be examined from the viewpoint of someone like the reasonable prudent person of tort law: the objective, informed observer. Despite the court's failure to explain its application or lack of application of canon 9 in *Novo*, the decision yields an equitable result and will serve as a sound basis for consistent and fair treatment of similar cases in the future.

CONCLUSION

The Seventh Circuit's application of the rebuttable presumption in *Novo* preserves the spirit of the *Code of Professional Responsibility*. Client confidences are adequately protected by the *Novo* decision and canon 9 is applied in a reasonable manner. Appearances of impropriety were analyzed in *Novo*, not from the standpoint of one ignorant of the facts, but from the point of view of one who forms opinions based upon the facts. Overall, the Seventh Circuit has applied the rules governing attorney disqualification in such a manner as to give full weight

88. *Id.* at 333-41.

89. 537 F.2d 804 (5th Cir. 1976).

90. *Id.* at 813.

91. *See, e.g.*, Woods v. Covington County Bank, 537 F.2d 804 (5th Cir. 1976); International Elec. Corp. v. Flanzer, 527 F.2d 1288 (2d Cir. 1975); Greenebaum-Mountain Mortgage Co. v. Pioneer Nat'l Title Ins. Co., 421 F. Supp. 1348 (D. Colo. 1976). *See also* O'Toole, *supra* note 13, at 313-14. As a trial tactic, the motion to disqualify can be extremely burdensome to the client forced to change attorneys in the middle of litigation. For example, in Westinghouse Elec. Corp. v. Kerr-McGee Corp., 580 F.2d 1311 (7th Cir.), *cert. denied*, 439 U.S. 955 (1978), Westinghouse's counsel was disqualified almost two years after the litigation began. At times, the court will even bar the client's new counsel from using the disqualified attorney's work product. *See* First Wis. Mortgage Trust v. First Wis. Corp., 584 F.2d 201 (7th Cir. 1978). *See also* Note, *Access to Work Product of Disqualified Counsel*, 46 U. CHI. L. REV. 443 (1979), for a general analysis of this issue.

to the spirit of the *Code of Professional Responsibility* while achieving equitable results.

LINDA E. LACY