ATTORNEY PROFESSIONALISM FORUM

To the Forum:

I was retained by a company that was sued in a trademark infringement case. The plaintiff company's Vice President for Marketing and Sales was recently deposed, and I chatted amicably with him during several breaks. Parenthetically, the Vice President is also an attorney (non-practicing) and he is the plaintiff's primary decision maker.

The plaintiff-company's lawyers have been very accusatory and difficult to deal with. I do not believe that it will be possible to settle the case with them, or that they have communicated my settlement offer to their client.

Can I speak with the Vice President directly after the deposition phase and advise him of the settlement offer? Would it make a difference if the Vice President was also the plaintiff-company's general counsel? What if the Vice President calls me after the deposition phase (without informing his company's attorney) to discuss settlement? Should I take the call? What if my client seeks my advice about directly approaching the plaintiff-company to settle the matter (and bypass the attorneys)?

In addition, I have been regularly using email to communicate with my adversary during the course of settlement negotiations. Recently, I received an email from my adversary with a "cc" to the Vice President. The email misstated my settlement offer and I saw this as a golden opportunity to communicate with the Vice President. I pressed "reply all" and sent an email that responded to my adversary's email and stated my settlement position. Opposing counsel went ballistic and accused me of communicating with his client in violation of the Rules of Professional Conduct. Since I was responding to a communication that had "cc'd" the plaintiff, I believe that opposing counsel invited the use of "reply all" and implicitly gave his prior consent.

Who is right?

Sincerely,

What A. Mess

Dear What A. Mess:

Rule 4.2 (the "no-contact rule") of the Rules of Professional Conduct (RPC) governs communications with persons represented by counsel. While the "no-contact rule" seems relatively straightforward on its face, it has been subject to extensive review and discussion and can often be tricky.

The answer to your question whether you may bypass your adversary and communicate settlement offers directly to an adverse party will depend on the actual role played by the opposing party's Vice President for Marketing and Sales (VPMS) in the pending litigation. Rule 4.2(a) states that "[i]n representing a client, a lawyer shall not communicate or cause another to communicate about the subject of the representation with a party the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the prior consent of the other lawyer or is authorized to do so by law." Although the VPMS happens to be an attorney, the circumstances described suggest that he is not acting in that capacity and that you would be precluded from having direct contact with him. It is probable that the acts committed by the person in charge of marketing and sales for a plaintiff in a trademark action are directly related to the subject matter at issue. *See Niesig v. Team I*, 76 N.Y.2d 363, 374 (1990) (contact by opposing counsel is prohibited "with those officials, but only those, who have the legal power to bind the corporation in the matter or who are responsible for implementing the advice of the corporation's lawyer, or any member of the organization whose own interests are directly at stake in a representation"). However, if the VPMS also happened to serve as part of the organization's in-house legal department (with a "counsel" title), there may be certain circumstances that would permit direct contact. Put in simple terms, is the VPMS acting as a "business person" or is he acting as a "lawyer"?

Prior to the RPC, the Association of the Bar of the City of New York Committee on Professional and Judicial Ethics (Committee) issued a formal opinion as to the applicability of the prior "no-contact rule" (the former DR 7-104 under the previous Code of Professional Responsibility (Code)) to contacts with in-house counsel. *See* N.Y. City Bar Op. 2007-1 (2007). In its 2007 opinion, the Committee suggested that contact with an organization's in-house counsel is permissible so long as the in-house counsel was "acting as a lawyer for the entity, though not necessarily with respect to . . . the communication at issue . . ." *Id.* The Committee further suggested that "the contacting lawyer must have a good faith belief based on objective evidence that the in-house counsel is acting as a lawyer representing the organization, and not merely as outside counsel's client." *Id.* To this end, the Committee proposed five objective indicia that may establish that in-house counsel is acting as a "lawyer" for the organization in question (although with the caveat that the indicia "will vary from case to case"). These may include:

> (1) Job title. Certain titles (e.g., "General Counsel," whether alone or conjoined with an officer title

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such as "Senior Vice President and General Counsel") presumptively signify that the person acts as lawyer for the organization, unless there is notice to the contrary. By contrast, other titles, such as "Director of Legal and Corporate Affairs" or "Director of Compliance" are ambiguous as to the role performed by the titleholder in a particular matter, and would not, standing alone, give rise to the same presumption.

(2) Court papers. If the matter in question is a litigation, papers filed in the case may list the in-house counsel as "Of Counsel." Such a reference would reasonably entitle another lawyer in the case to assume that the listed person is acting as a lawyer.

(3) Course of conduct. In both litigation and transactional matters, the course of conduct between the in-house counsel and the lawyer who wishes to contact him or her may give rise to the reasonable presumption that in-house counsel is acting as a lawyer. Course of conduct may also include prior, related, or similar proceedings; if in-house counsel actively represented the organization in such a proceeding, one could fairly presume that he or she is fulfilling the same role in the current proceeding as well.

(4) Membership in an in-house legal department. Corporations often maintain a legal department whose attorneys serve the needs of the business from a centralized location. In those instances, the similarity of the in-house lawyer's role to that of a member of an outside law firm is most pronounced, and ordinarily would indicate that the members of the department are serving the entity as lawyers.

(5) Inquiry. A lawyer who wishes to communicate with in-house counsel of another party can ask the in-house counsel if he or she is acting as attorney for the organization. In-house counsel should exercise candor in clarifying their role to opposing counsel and a lawyer who makes such inquiry can ordinarily rely on the response. *Id.* (internal citations omitted).

More likely than not, the VPMS wore his "business person" hat and would not meet the stated objective indicia which the Committee proposed in N.Y. City 2007-1, allowing you to directly communicate with him. Moreover, since he was previously deposed as a "fact" witness, Rule 3.7(a) may provide some guidance. It states that "[a] lawyer shall not act as advocate before a tribunal in a matter in which the lawyer is likely to be a witness on a significant issue of fact . . ." except under certain circumstances. Therefore, under Rule 3.7(a), it appears that the VPMS would not be acting as a "lawyer" in this scenario, and you would not be able to directly communicate with him.

With regard to your question concerning communicating settlement offers, it would be inappropriate for you to go around your adversary and communicate a settlement offer to an opposing party "absent the other lawyer's consent or specific legal authority to do so." N.Y. City Bar Op. 2009-1 (2009) (citing ABA Formal Op. 92-362). Even if the VPMS calls you on his own after the deposition to discuss the settlement offer you had previously communicated, the best practice would be to advise him that since his employer is represented by counsel, all communications should go through the organization's outside counsel.

In response to your inquiry whether you may advise your client to directly communicate with the plaintiff-company regarding settlement, Rule 4.2(b) states that "[n]otwithstanding the prohibitions of paragraph (a) [of Rule 4.2], and unless otherwise prohibited by law, a lawyer may cause a client to communicate with a represented person unless the represented person is not legally competent and may counsel the client with respect to those communications, provided the lawyer gives reasonable advance notice to the represented person's counsel that such communications will be taking place." Comment [11] to Rule 4.2 states that "[p]ersons represented in a matter may communicate directly with each other" and that "[a] lawyer may properly advise a client to communicate directly with a represented person, and may counsel the client with respect to those communications, provided the lawyer complies with paragraph (b) [of Rule 4.2]." Although direct communications between the clients are permitted by the rule, a lawyer cannot counsel a client to have direct communications with the opposing party unless the lawyer first gives reasonable advance notice to opposing counsel. This notice should always be given in writing or confirmed in writing if the notice is given orally. *See* Roy Simon, Simon's New York Rules of Professional Conduct Annotated at 845 (2012 ed.). The advance notice protocol contained in the Rule is not a request for consent or an invitation for an objection so you may proceed once you have given advance notice, even if your adversary should voice an objection.

It is unfortunately a sad reality that from time to time we encounter adversaries who act in a manner which may prevent the resolution of a case that should ultimately be settled. Some have suggested that if an attorney believes his adversary is not communicating offers of settlement to his client, then the attorney may request a settlement conference before the court with the client required to be at the conference, so that a settlement offer may be openly discussed before a judge. *See* Simon at 828.

Turning to your next question regarding email communications, the use of the "reply all" button is a convenient way of communicating with multiple parties but at times can be problematic, especially when attorneys "cc" their clients on an email to opposing counsel. The handful of ethics opinions that specifically discuss "reply all" emails in the context of the "no-contact rule" offer no clear-cut answer. While the opinions suggest that there may be situations where consent may be implied, the best practice is to avoid the minefield by resisting the temptation

to use "reply all" when responding to opposing counsel's email. N.Y. City 2009-1 (which dealt with DR 7-104(A)(1) under the former Code), discusses at length criteria for a finding of "prior consent" when clients are copied on letters and emails sent to opposing counsel. As the Committee observed, "consent to 'reply to all' communications may sometimes be inferred from the facts and circumstances presented." *Id*. The Committee addressed two important considerations: "(1) how the group communication is initiated and (2) whether the communication occurs in an adversarial setting." *Id*. Other jurisdictions have suggested additional factors, including the formality of the communication, since "[t]he more formal the communication, the less likely it is that consent may be implied." *See* State Bar of Calif. Standing Comm. on Prof. Resp. and Conduct Formal Op. No. 2011-181.

It can reasonably be argued that your adversary's email invited a discussion of the settlement offer. When he incorrectly stated the terms in an email and copied the client, a reasonable attorney could believe that he not only "consented" to your use of "reply all," but actually invited the discussion. As a result, your adversary's accusation that your "reply all" email violated the RPC is in our view a non-starter. In the words of the Committee "the absence of express consent does not necessarily establish a violation [of the ethics rules] if the represented person's lawyer otherwise has manifested her consent to the communication." *Id*. The case can be made that by sending the client a "cc" of the email to you, your adversary gave some form of consent permitting you to use "reply all" and copy the opposing party on your response. Your response with a copy to the opposing party certainly gave opposing counsel an opportunity to object and thereby cease future communications or, conversely, consent if the client continues to get a "cc" on further emails. Nonetheless, the contentious nature of the litigation should have put you on the prudent tack of not using "reply all." Why steer a course through uncharted waters and run the risk? Your dealings with opposing counsel should have led you to anticipate your adversary's reaction to your email or, at the very least, should have prompted you to think about whether you should ask for consent from opposing counsel (likely a futile gesture) before pressing "reply all."

In any event, this situation is a good lesson for any lawyer when communicating with an adversary. We suggest that the better practice would be for the attorney to separately forward emails to his client, instead of sending a "cc." In so doing the lawyer will clearly prevent anyone from using "reply all" as a way of directly communicating with a client.

Sincerely,

The Forum by
Vincent J. Syracuse, Esq.,
and Matthew R. Maron, Esq.,
Tannenbaum Helpern Syracuse
& Hirschtritt LLP

QUESTION FOR THE NEXT ATTORNEY PROFESSIONALISM FORUM:

My firm has long represented Edward Entrepreneur (Eddie).

Eddie calls one day and tells me that he and Paul Partner want to set up a hedge fund. Eddie and Paul tell me that they do not want to incur the expense of hiring multiple lawyers to draw up the agreements, and because I am the preeminent lawyer in the field, they want me to draft them all. Are there any problems with this request? If so, can I fix them and how?

During the representation, Eddie asks my firm to set up Hedge Fund GP, in which Eddie and Paul are equal partners. My firm draws up the papers for Hedge Fund GP to become the general partner of an onshore fund that my firm has organized called Hedge Fund Partners. Because of my firm's long relationship with Eddie, I saw no need to send Eddie an engagement letter for this work, and I chose not to run a conflict check. (1) What are the consequences of the failure to run a conflict check or to send an engagement letter under these circumstances; and (2) what should the engagement letter have said?

Lastly, during the course of our representation of Hedge Fund GP, Hedge Fund Partners, and Eddie, I have participated in hundreds of confidential communications. The hedge fund has now run into some trouble. Investors have sued, naming Hedge Fund GP, Hedge Fund Partners, Eddie and Paul as defendants. The SEC has commenced an investigation, and Eddie and Paul have stopped speaking with each other. Can I represent any of the defendants in the investor suit? If so, are there any limitations on the representation? What would I write in such an engagement letter? Also, can I represent any of the parties in the SEC investigation? If so, do I need a separate engagement letter for that representation and what should it provide? To whom does the attorney-client privilege for those confidential conversations belong?

Help!

Sincerely,

I. Needa Lawyer