

Court Disqualifies Law Firm in Patent Suit, Finding No Quick Fix for Rule 1.7 Violation

New England IP Blog on **September 12, 2018**

Chief Judge Saris in the District of Massachusetts recently granted a motion to disqualify the Sunstein law firm from representing Altova in a patent suit against Syncro Soft, upon finding that the conflict was foreseeable based on the history of the parties' interactions and their status as direct competitors. Both companies operate in the market for extensible markup language ("XML") editor software. Altova alleged that version 19.0 of Syncro Soft's OXYGEN XML Editor Software, which includes a feature called "Quick Fix" that automatically fixes problems such as missing required attributes or invalid elements, infringes U.S. Patent No. 9,501,456 ("the '456 patent").

By way of background, in 2004, Syncro first retained Sunstein in response to a cease-and-desist letter it received for an unrelated trademark dispute. The engagement letter from Sunstein included a paragraph about withdrawal based on future conflicts of interest and that such withdrawal would occur "upon reasonable notice." In 2009, Syncro received another cease-and-desist letter, this time from Altova regarding copyright infringement and trade dress misappropriation, specifically that version 10.1 of Syncro Soft's OXYGEN copied the look and feel of Altova's XMLSpy product. Following the parties' exchange, Syncro Soft made changes to its product to both parties' satisfaction, and released versions 10.2 and 10.3. Altova's counsel indicated in a letter to Sunstein regarding this matter that Altova would "review the new release of OXYGEN 10.3 and continue to monitor this situation."

In 2011, before the '456 patent had been filed, Sunstein began representing Altova in trademark matters not adverse to Syncro Soft. In June 2017, Altova approached Sunstein regarding the present patent dispute involving Syncro Soft. Sunstein, in an attempt to avoid the conflict of interest, sent Syncro Soft a letter to terminate its relationship with Syncro Soft on July 6, 2017. The letter did not request Syncro Soft's consent to allow Sunstein to represent Altova in litigation against Syncro Soft. The response letter from Syncro Soft's CEO stated that Syncro Soft was not aware of any such issues that could affect the company. Syncro Soft did not provide written consent to Sunstein's representation of Altova.

Syncro Soft argued that Sunstein should be disqualified because the firm violated Rule 1.7 of the Massachusetts Rules of Professional Conduct, which governs conflicts of interest among current clients, or alternatively, Rule 1.9, which provides for a lawyer's duties to former clients.

The court found that Sunstein could not simultaneously uphold its duty of loyalty to Syncro Soft and its duty of confidentiality to Altova after Sunstein learned of the patent dispute and prior to termination of Sunstein's representation of Syncro. While not explicitly stating Massachusetts' position on the "hot potato" doctrine—that a firm may not drop a current client like a hot potato in favor of a more lucrative client—the court applied a similar line of reasoning upon determining that Sunstein breached the duty of loyalty and failed to comply with Rule 1.7. Specifically, the court rejected Sunstein's argument that it had billed Syncro for less than 50 hours of work, and found that Sunstein owed a duty of loyalty based on its thirteen-year relationship with Syncro Soft.

The court found that Sunstein failed to follow the proper course of action, which would have been to either disclose the conflict and obtain the informed consent of both clients, or withdraw from representation. The court further rejected Sunstein's attempt to rely on Comment 5 of Rule 1.7, which provides for the possibility of continued representation in light of an unforeseeable conflict. While acknowledging that Sunstein may not have known of the conflict back in 2011 when Sunstein first began representing Altova, the court stated that a reasonable lawyer should have known that there was a significant risk that Altova's interests would become adverse to Syncro Soft's no later than November 2016 when Altova's patent issued.

The case is *Altova GmbH et al v. Syncro Soft SRL*, Civil Action No. 17-11642-PBS (D. Mass.) before Hon. Patti B. Saris. A copy of the memorandum and order can be found [here](#).