International Trademark Association

Features

The Impact of Effective Conflict of Interest Checks in Trademark Practice

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In the United States, a combination of legal and ethical rules governs conflicts of interest for lawyers.

Each state has its own set of rules for the professional conduct of attorneys, but some common principles generally apply across jurisdictions as the rules are often based on the American Bar Association's Model Rules of Professional Conduct. The highest court of each state usually adopts state rules, and the local state bar association enforces them.

Each state's rules of professional conduct generally prohibit lawyers from representing clients if there is a conflict of interest, which may arise in one of two ways:

1. When a lawyer's duty to one client conflicts with the interests of another client; or
2. When the lawyer's personal interests conflict with the interests of a client, past or present.

This is because lawyers owe a duty of loyalty to their clients, which obliges them to act in their clients' best interest. The conflicts of interest rules are intended to ensure that lawyers fulfill their loyalty obligations properly.

Reasonable Procedures

Since attorneys have a professional and ethical duty to identify and address conflicts of interest before taking on a new client (and, after the client has been engaged, if new adverse or potentially adverse parties are identified), it is imperative that they adopt reasonable procedures and implement systems to check for

potential conflicts of interest.

The procedures and systems discussed below apply to trademark practice, but not necessarily to patent work, where subject-matter conflicts lie at the core of conflict checks and attorneys decide on how to resolve perceived overlaps in technology.

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Different Approaches

A trademark conflict check may be straightforward for the solo practitioner who knows all the clients he or she has represented and even for the small firm with only a handful of attorneys who can easily check among themselves for any perceived conflict.

The issue becomes far more complicated, though, where the firm numbers dozens, hundreds, or even thousands of attorneys, some of whom inevitably join and depart over any given period and are located at geographically disparate offices. Regardless of the size of the firm and the location of its offices, the need to vet for trademark conflicts of interest starts when the prospective client expresses a desire for representation. At the outset, the responsible attorney should identify the name of the client and the nature of the engagement, whether it is a one-off trademark search and filing, a takeover of an existing trademark portfolio, representation in a litigation, or some other kind of matter. With these relevant details in hand, the attorney can proceed with the conflict check.

Firm Involvement

One way to check for trademark conflicts in a small or medium-sized firm is to circulate an email to all attorneys and paralegals which identifies the name of the prospective client and the nature of the representation. Within a reasonable time after circulating the email, if no one has weighed in with a potential conflict, you could argue that it is reasonable to conclude that the representation would not pose any conflict of interest.

To maximize the effectiveness of such a conflict-checking procedure, and the defensiveness of such an approach, the firm should develop a culture of responsiveness to such communications and periodically highlight their importance to the well-running operation of the firm. Email conflict checks may not be effective, though, in a large, general practice firm where correspondence overload may make the procedure impractical to implement. Indeed, those firms often have departments dedicated to searching for conflicts as a means to centralize the function and streamline the process.

Attorney Responsibility

Firms of any size should also consider reviewing their records as part of an effective trademark conflict-checking process. In a small or medium-sized firm, either before or after sending the email conflict check, the responsible attorney or his or her paralegal can search the firm's document management system by keywords, such as the name of the prospective client, the trademarks at issue, and any adverse parties.

The important thing to note is that records-based searching often leads to a hodgepodge of results which are difficult to sort through efficiently. For example, in a prospective representation of a large company (Company A), a search is likely to turn up countless references to the company which have nothing to do with any legal work performed for an existing firm client in a matter adverse to Company A.

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Tools for the Job

The relative inefficiency of records-based searching has led to the creation of specialized conflict-checking software. The software may include fields for information like adversaries, which would flag the above example with Company A as a party. Some programs even purport to use artificial intelligence (AI) to increase their effectiveness. One such program advertises that its conflicts software leverages AI and predictive modeling to accelerate the conflicts resolution process.

The system purportedly uses machine learning to continuously learn with use, facilitating constant improvement and accuracy. Large firms in particular may choose to custom develop their own conflict-checking software rather than subscribe to existing systems.

Checking Each Time

In addition to searching the name of a prospective new client, some firms may decide to run a conflict check on each new trademark. In addition to exponentially increasing the number of conflict checks to run, the practice raises a host of thorny issues, including the following:

1. Should the check be run on even descriptive terms which the client wishes to adopt as a mark? A records-based search for such a mark would likely be difficult to construct and effectively review.
2. What about where the client provides the attorney with a list of potential new marks? One could argue that it is unreasonable to expect attorneys and paralegals who receive an internal conflict check email listing numerous potential marks to take the time to consider and evaluate each one.

As a practical matter, a preliminary or comprehensive trademark search is more likely to turn up any such potential conflict of interest and provide the attorney with an opportunity to advise the client about it.

Language Issues

Firms outside the United States may run into the added complication of running conflict checks across the range of translations and transliterations into foreign languages.

Coral Toh of Ownership Ptd. Ltd. in Singapore advises that with English and Western marks coming into Asia, it may be prudent to conduct conflict checks covering the local language where the marks are words commonly understood by the local population.

As for transliterations, she notes that while there is no direct correspondence between an English or Western mark and a Chinese transliteration of it, some Asian languages like Japanese and Korean are more closely aligned with the transliterations, making it more important to consider them in the latter case than the former.

Liability Risk

A principal reason for law firms to institute effective conflict-checking procedures is to minimize the risk of liability. Conflicts of interest have long constituted a leading cause of legal malpractice claims, at least in the United States. As a result, insurance companies often require law firms to have procedures in place to check for conflicts of interest. They may also have guidelines to help law firms implement best practices.

For example, insurance provider CNA has an online self-assessment form with general risk control procedures that law firms can consult. The checklist has helpful points to consider, such as whether law firm staff have been trained to rerun a conflict check every time a new party is added to a case.

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In Writing

To demonstrate that the firm has undertaken reasonable steps to vet for conflicts and minimize the risk of liability or ethical violations, the firm should codify its written policies and procedures and periodically instruct all lawyers and relevant support staff in using the system. A firm's intranet is an ideal place to post the policies and/or procedures for easy access and reference.

Furthermore, the firm should document, and retain for a reasonable period of time, the steps taken in the conflict-check process. For example, the firm can store conflict-check emails and the results from any records-based searching on its document management system or network in a dedicated drive or file. This documentation can help the firm demonstrate that it took reasonable steps to identify conflicts and acted in accordance with the professional rules of conduct.

Of course, identifying a potential conflict of interest does not necessarily prevent the firm from representing the prospective client. In appropriate circumstances, the attorney may seek informed consent from the existing and prospective clients and draft suitable conflict waivers for them to sign. However, without the procedures and systems in place to turn up any such potential conflicts, the attorney will not be able to request consent, and the conflict may not turn up until it is too late to avoid liability and breach of ethical responsibilities.

Trust in Relationships

Identifying conflicts and approaching clients for consent should be seen as an opportunity to solidify client relationships and gain trust, as long as the attorney is prepared to deal gracefully with his or her client (and the prospective client) where consent is denied.

By diligently following the steps discussed above, trademark attorneys can minimize the risk of conflicts of interest and maintain the ethical standards required in the legal profession. Identifying conflicts early in the client-intake process helps ensure that attorneys can make informed decisions about whether to take on a new representation and seek consent where warranted. At the same time, it is helpful for practitioners to recognize that there does not appear to be any industry standard for a conflict-check procedure, so what works for one firm may not work for another, and each firm must establish and maintain sensible procedures given its own unique circumstances.

Although every effort has been made to verify the accuracy of this article, readers are urged to check independently on matters of specific concern or interest.

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