ADVISORY ETHICS OPINION 94-09

SYNOPSIS:

An attorney may not enter into an agreement with a law firm that restricts the attorney's right to the use of information claimed to be proprietary by the law firm unless the agreement is carefully and narrowly drawn so that it does not restrict an attorney's right to practice law.

FACTS:

After commencing employment with the XYZ firm, Attorney A has been presented with a "confidentiality agreement" (the "Agreement") by the firm and has been told that other attorneys have already executed the Agreement. The Agreement requires that Attorney A keep confidential all information which the XYZ firm has designated "confidential material." The "confidential material" is not defined as clients' confidences and secrets under the Code, but rather as information concerning XYZ firm business activities, legal materials (including Attorney A-generated research and form documents), any materials which might be in XYZ's firm's possession, and other broad categories of information. The Agreement requires Attorney A to acknowledge that XYZ firm-designed "confidential material" is the sole and exclusive property of XYZ firm, and requires Attorney A to surrender all such information upon termination of employment. The Agreement is retroactive to Attorney A's starting date and continues for two years after cessation of employment. There are narrow exceptions to the Agreement's application - for example, Attorney A may disclose "confidential material" if required by law, legal process or court order, but only with prior written notice to XYZ firm, and Attorney A's obligations do not apply to information released in the public domain or known prior to commencing employment. The Agreement also requires Attorney A to agree that, inter alia, injunctive relief shall be granted to XYZ firm for any breach and chooses a foreign country's law as governing. In fact, the Agreement is supposed to be signed overseas. Attorney A asks our advice as to whether signing such an agreement is consistent with the proscriptions contained in DR 2-108(A) which prohibit an attorney from entering an agreement that restricts the attorney's right to practice law.

A copy of the Agreement (names deleted) is attached hereto.

ANALYSIS:

This request requires review of the interplay between DR 2-108(A), which prohibits agreements that restrict an attorney's right to practice law, and a law firm's proprietary interest in the protection of firm assets, broadly defined as including the written or recorded documentation of work performed by firm attorneys while carrying out firm business and for firm compensation.

DR 2-108(A) reads as follows:

DR 2-108 Agreements Restricting the Practice of a Lawyer.

(A) A lawyer shall not be a party to or participate in a partnership or employment agreement with another lawyer that restricts the right of a lawyer to practice law after the termination of a relationship created by the agreement, except as a condition to payment of retirement benefits.

In our view a firm may have the right to protect certain materials against use by non-firm members, including former firm members. For example, if, as part of work performed on a project for a client, a firm attorney developed specialized software applications that assisted with the client's case but also had value to work being performed for other clients, the firm might well consider such software applications to be proprietary information. Disclosure and use of the software by non-firm persons could be prohibited by contractual agreement with the attorney-employee. Similarly, a firm could protect against use and disclosure of firm financial information or form files developed over time for use in servicing firm clients. Prohibiting an attorney leaving the firm from utilizing or taking with him or her such forms does not violate the provisions of DR 2-108(A).

While it may be true that a departing attorney would find access to such materials helpful to his or her practice of law, and these documents might well facilitate the services the attorney could provide to clients, limited proprietary protection of documents developed in the course of doing work for a firm on behalf of firm clients cannot fairly be characterized as a restriction on an attorney's right to practice law prohibited by the Code. By the same token, the firm cannot prevent an attorney from reconstructing forms from memory for use in his or her practice.

The imposition of reasonable proprietary protections is different from the situation presented in two ABA opinions addressing issues under DR 2-108(A). In Informal Opinion 1417 the ABA Professional Responsibility Committee opined that an

agreement restricting the persons an attorney could hire or associate with professionally after leaving the firm constituted an undue restriction on the attorney's right to practice law and would violate the Code. In Informal Opinion No. 1301 the committee opined that an agreement prohibiting a corporation's in-house counsel from working for a competitor of the corporation for two years after leaving the corporation's employ was likewise an undue restriction that would violate the Code. These types of restrictions are not present here.

The agreement here does, however, go beyond the protection of proprietary information and enters the realm of the mental impressions, memory and experience of the attorney who would be subject to the protective agreement. The agreement provides, for example, that "information in any form whatsoever" is covered. This language would appear to extend to information gained by the attorney during the attorney's employment at the firm which has become part of the attorney's learning and experience base and may be used, from memory, in serving future clients. These restrictions go too far, and agreeing to them would constitute a violation of the Code.

The committee is voicing no view on the wisdom or appropriateness of proprietary information agreements. The committee does recognize that appropriately drafted proprietary information agreements can pass muster under the Code. The agreement involved in this request goes too far, and the attorney may not therefore enter into it without violating the provisions of DR 1-108(A).

CONFIDENTIALITY AGREEMENT

THIS AGREEMENT, dated as of the _____ day of _____, _____ between ----------
("Firm") and ---------- ("Employee").

WITNESSETH:

<Text Omitted>

WHEREAS, Firm wishes to preserve the confidentiality of certain information and documents (the "Confidential Material") described in more detail below; and

WHEREAS, Firm has disclosed or will disclose Confidential Material to Employee during the course of his or her employment with Firm;

NOW, THEREFORE, in consideration of these premises and the mutual covenants hereinafter set forth, the parties intending to be legally bound hereby agree as follows:

(1) Employee shall insure that all Confidential Material is kept confidential and is treated as a trade secret of Firm. Employee shall not use any Confidential Material for his or her own benefit.

(2) Unless specifically authorized in writing by Firm, Employee shall not discuss or disclose in any form (whether written, oral or otherwise) any Confidential Material to any third party for any reason whatsoever except to the extent required by law, a legal process or court order (provided Employee shall give prior written notice thereof to Firm).

(3) For the purposes of this Agreement, "Confidential Material" shall mean any information in any form whatsoever (whether printed or electronic) relating to Firm, its legal service, its clients, its potential clients or its business activities including, but not limited to, mailing lists, information and other data concerning names and other information regarding actual or potential clients, Firm's past or future business plans or strategies, Firm's methods relating to its relationships with existing and potential clients and any legal documents or materials in any form, produced by or in the possession of Firm.

(4) Employee acknowledges that any document or record containing Confidential Material is the sole and exclusive property of Firm and agrees that he or she shall not make or cause to be made any copy, abstract or summary thereof for any purposes other than that specifically authorized by Firm.

(5) This Agreement shall be deemed effective as and from the date of Employee's employment with Firm and shall continue for a period of two years after cessation, for any reason, of Employee's employment with Firm.

(6) Upon termination of Employee's services for any cause whatsoever, he or she shall surrender to Firm all documents or records kept by Employee or in his or her possession containing any Confidential Material and Employee shall not remove any such documents or copies thereof from the premises of Firm.

(7) The obligation of Employee under this Agreement shall not apply to any information that: (a) is in or enters the public domain without breach by Employee of this Agreement, or (b) was known to Employee prior to his or her employment with Firm.

(8) Given the significant value to Firm of its Confidential Material, should Employee disclose the Confidential Material to any third party or otherwise breach this Agreement, Firm shall be entitled, in addition to any other remedies available to it, seek injunctive relief against Employee in a court of law.

<Additional Text Omitted>