Yours, Mine, and Ours: Law Firm Property Disputes

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I. INTRODUCTION

Lateral movement by lawyers between law firms is now common among partners, shareholders, and associates. Indeed, lawyers may change firms several times over the course of their careers. Although lawyers are sometimes forced to relocate, they routinely change firms voluntarily in pursuit of compensation or opportunity. Ours is thus an age of lawyer mobility. It is also an age of client transience. While clients move from firm to firm with lawyers who make lateral moves, they also shift relationships

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4. See Steven A. Meyerowitz, Winning a ‘Beauty Contest’: Tips on Competing for a Client’s Business, PA. LAW., July-Aug. 1998, at 18 (“The days are long gone when clients stayed clients for life. In the case of corporate clients, those days are even longer gone.”).
on their own. Some clients terminate relationships with law firms out of discontent or dysfunction,\(^5\) while others solicit new firms to represent them through requests for proposals or so-called "beauty contests" despite seemingly satisfactory relationships with their existing lawyers.\(^6\) Clients may move their business in pursuit of lower hourly rates or firms willing to entertain alternative fee arrangements, and large organizational clients seeking efficiency often reduce the number of law firms with which they work through a consolidation process euphemistically referred to as "convergence."

Understandably, lawyer and client mobility give rise to questions about possible law firm property rights. For example, if a partner or shareholder leaves one firm to join another, does the first firm have a protectable interest in client information that the departing lawyer might wish to have? If so, on what basis? May associates who switch firms take along prototype documents maintained by their former firms in form files or on their intranets, or documents they prepared while employed there, or may their former firms prevent them from doing so on the theory that those documents are firm property? Even assuming that law firms must accept the costly reality of lateral movement by junior lawyers, must they also acquiesce in the associated transfer of their work product to potential competitors? If a client severs its relationship with a firm and asks the firm to transfer its files to new lawyers or to return them, may the law firm withhold materials constituting its work product? After all, the firm has an interest in its own intellectual capital or intellectual property, and it is further justified in not wishing to share that material or information with a competing firm. These are not exotic issues or questions, but, as a practical matter, they are tremendously important ones. Unfortunately for courts and lawyers seeking related guidance, case law squarely addressing these subjects is sparse.

Part II of this article examines law firms’ ability to protect client lists and data from use by departing lawyers, focusing on two bases for doing so: trade secret law and fiduciary duty theory. With respect to the former, it

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5. See Altman Weil, Inc., 2008 Chief Legal Officer Survey 5-6 (2008), http://www.altmanweil.com/dir_docs/resource/64500722-1570-4d05-933a-443fb1d5c7d2_document.pdf (indicating that nearly half of the chief legal officers surveyed planned to fire at least one of their company’s law firms, with the three leading causes of dissatisfaction being mishandling of one or more critical matters, poor quality legal work, and cost management).


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recommends steps for law firms to take in protecting their client lists and data against misappropriation. Part III discusses firms' ability to protect other information that they consider to be their intellectual capital or intellectual property. These materials include prototype documents maintained in form files or on a firm's intranet and work product in client files. Finally, Part IV addresses former clients' access to their files, including essential aspects of lawyers' retaining liens, applicable rules of professional conduct, judicial determinations of file "ownership" under majority and minority approaches, cost allocation, and new issues raised in connection with electronic files.

II. CLIENT INFORMATION AND LAWYER MOBILITY

Clients are the lifeblood of all law firms. The law recognizes the importance of firms' client relationships in the lawyer mobility context. For example, partners who surreptitiously solicit their firms' clients before resigning to form or join a new law firm may be liable for breach of fiduciary duty. The same is true for shareholders in firms organized as professional corporations. Associates owe fiduciary duties to their law firms and, accordingly, cannot do anything to compete with them for clients before leaving their employ. Departing lawyers who solicit their former firms' clients either before or after their departure may in some cases be seen as tortiously interfering with contractual relationships. Clearly, however, law firms do not own their clients. Clients belong to no lawyer; they are not property.

11. See, e.g., Fred Siegel Co. v. Arter & Hadden, 707 N.E.2d 853, 858-61 (Ohio 1999) (allowing tortious interference with contract claim against former associate and firm that she joined); Adler, Barish, Daniels, Levin & Creskoff v. Epstein, 393 A.2d 1175, 1181-86 (Pa. 1978) (holding that the law firm could sue departing associates for tortious interference with existing contractual relations).
13. Kelly, 611 N.E.2d at 122; Phil Watson, P.C., 650 N.W.2d at 565 n.1.
Although law firms cannot claim a proprietary interest in their clients, firms do have an interest in their intellectual capital or intellectual property, including client lists and data.15 This is potentially valuable information, considering that lawyers' lateral movement is often fueled by supposedly portable client relationships.16 If firms must accept the possibility of losing lawyers to potential competitors, as is almost inevitably the case, they naturally want those departures to negatively affect as few client relationships as possible. One way for firms to accomplish that goal is to prevent lawyers from taking client lists and data with them if they leave to join another firm. But on what theory or by what mechanism may such limitations be enforced? Contractual constraints seem an obvious choice, but firms' attempts to contractually prevent lawyers from taking client information with them in lateral moves are potentially vulnerable to challenge on anti-competitive grounds17 and as an impermissible restriction on clients' rights to freely select their lawyers.18 Even if they are ultimately unsuccessful, such challenges are potentially costly and disruptive. For present purposes, that leaves as reasonable alternatives trade secret law and fiduciary duty theory.

A. TRADE SECRETS AND LAW FIRM CLIENT INFORMATION

Not all confidential business information is considered a trade secret.19 Rather, a trade secret is information that:

(i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.20

To prevail on a trade secret claim, then, a plaintiff must establish that the information sought to be protected was sufficiently secret to give it a com-

16. Id. at 769.
17. See MODEL RULES OF PROF'L CONDUCT R. 5.6(a) (2008) (preventing lawyers from offering or making "a partnership, shareholders, operating, employment, or other similar type of agreement that restricts the right of a lawyer to practice after termination of the relationship, except an agreement concerning benefits upon retirement").
18. See Hillman, supra note 15, at 789 ("The difficulty with . . . private ordering in establishing rights to information concerning law firm clients is that the results of the bargaining may restrict use of client information in ways that may undermine the ability of clients to freely select their law firms.").
19. Id. at 771.
petitive advantage, and that it affirmatively acted to prevent others from acquiring or using the information.\textsuperscript{21} Courts weighing trade secret allegations may further consider (1) the extent to which the information is known outside the plaintiff’s business, (2) the extent to which the information is known by those inside the business, (3) the precautions taken by the plaintiff to guard the secrecy of the information, (4) the information’s value to the plaintiff and its competitors, (5) the effort or money expended by the plaintiff in developing the information, and (6) the expense and time it would take for others to properly acquire or duplicate the information.\textsuperscript{22}

Naturally, trade secret controversies depend on alleged misappropriation. In a nutshell, a person “misappropriates” trade secrets, by acquiring them through “improper means,” or by acquiring them under circumstances giving rise to a duty to maintain their confidentiality or limit their use.\textsuperscript{23} “Improper means” supporting misappropriation allegations include “theft, bribery, misrepresentation, breach or inducement of a breach of duty to maintain secrecy, or espionage through electronic or other means.”\textsuperscript{24} Whether there has been a misappropriation generally presents a fact question.\textsuperscript{25}

Client lists or other compilations of client data may constitute trade secrets in some circumstances.\textsuperscript{26} The determination of whether they so qualify depend on the facts of the particular case.\textsuperscript{27} Client lists or data compilations may be entitled to protection even if the person accused of misappropriating them memorized the information rather than taking hard or electronic copies.\textsuperscript{28}

Initially, the argument that law firm client lists or data are protectable trade secrets seems counter-intuitive. Law firms routinely identify representative clients on their websites and in legal directories. In litigation, firms’ clients are easily identified from court dockets, many of which are available on-line and searchable by lawyer or law firm name. Legal magazines and

\textsuperscript{22} See id. at 972; Al Minor & Assocs., Inc. v. Martin, 881 N.E.2d 850, 853 (Ohio 2008) (quoting State \textit{ex rel. The Plain Dealer v. Ohio Dep't of Ins.}, 687 N.E.2d 661, 672 (Ohio 1997)); \textit{In re Bass}, 113 S.W.3d 735, 741-42 (Tex. 2003).
\textsuperscript{24} \textit{Id.} § 1(1).
\textsuperscript{25} Microstrategy Inc. v. Li, 601 S.E.2d 580, 589 (Va. 2004).
\textsuperscript{26} Vito v. Inman, 649 S.E.2d 753, 757 (Ga. Ct. App. 2007).
\textsuperscript{28} Al Minor & Assocs., Inc. v. Martin, 881 N.E.2d 850, 853-55 (Ohio 2008) (adopting the majority rule); Ed Nowogroski Ins., Inc. v. Rucker, 971 P.2d 936, 946-49 (Wash. 1999).
newspapers publish lists identifying the law firms that serve America's largest corporations. In many cities, it is common knowledge that particular law firms regularly represent given clients in their corporate affairs. But while the identity of law firm clients may be readily apparent or ascertainable and therefore beyond the scope of trade secret protection, client lists and data are another matter. For a lawyer who wishes to solicit a firm's corporate clients, for example, it is the identities of the decision-makers within the organization, the lines or types of legal work they control, and their contact information that have economic value. Client information such as fee structures, hourly billing rates, billing cycles, payment information, and fee-realization rates are also valuable. It is just this sort of information that may be found on firms' client lists or in their compilations of client data.

1. Cases and Controversies

Fred Siegel Co. v. Arter & Hadden, decided by the Ohio Supreme Court, is the leading law firm trade secrets case. There, Karen Bauernschmidt spent ten years as an associate at the Siegel firm representing clients in property valuation and real estate tax matters. She had access to all of the firm's client files, as well as information concerning the identity of Siegel's clients, including their addresses, contact persons, and fee agreements. She also kept her own Rolodex directory of both personal and professional acquaintances. Sometime in 1992, she began considering a lateral move to Arter & Hadden, then a prominent Cleveland law firm. She discussed with Arter & Hadden the possibility of Siegel clients following her to the firm and she explained to Arter & Hadden the nature of the contingent fee structure that Siegel generally used with clients for work like that which Bauernschmidt expected to perform after relocating. Arter & Hadden offered Bauernschmidt a job in late August 1992 and on September 2 she gave Siegel three-weeks' notice of her intent to make the move. Bauernschmidt continued practicing at Siegel for those three weeks and she informed clients with whom she spoke during that period that other Siegel lawyers would be assuming responsibility for their representations. She told clients of her imminent move to Arter & Hadden only if they asked.

31. Id. at 856.
32. Id.
33. Id.
34. Id.
35. Fred Siegel Co., 707 N.E.2d at 856.
On September 22, 1992, the day before Bauernschmidt’s departure, Siegel instructed her in writing that she should not directly or indirectly solicit any of its clients in the future, implying that it considered its client list to be confidential.\textsuperscript{36} Siegel also instructed her “not to ‘take any lists or copies of lists of the firms [sic] clients or any other listed information of the firms [sic] business and any of the information in the firm’s possession [sic] dealing with said clients.’”\textsuperscript{37} Bauernschmidt left Siegel the next day, taking her Rolodex with her. She had a client list at home, which she returned to Siegel upon its request.\textsuperscript{38}

Upon joining Arter & Hadden, Bauernschmidt wrote Siegel clients for whom she had worked notifying them of her new law firm affiliation and stating: “‘I would like for us to continue our professional relationship. When you need assistance or have questions, please contact me.’”\textsuperscript{39} She identified these clients from various sources, possibly including both her Rolodex and the Siegel client list.\textsuperscript{40} Additionally, Arter & Hadden sent a two-page mailing to its clients, various business owners, and prospective clients identified from business directories, soliciting business for Bauernschmidt.\textsuperscript{41} Bauernschmidt had no hand in creating the mailing list, but the solicitation nonetheless reached Siegel clients.\textsuperscript{42} Some Siegel clients requested that the firm transfer their files to Arter & Hadden.\textsuperscript{43} Peeved, Siegel sued Bauernschmidt and Arter & Hadden on several theories, including trade secret misappropriation.\textsuperscript{44} The trial court granted summary judgment for the defendants. The Ohio Court of Appeals reversed and remanded the case for further proceedings on all counts except one for breach of fiduciary duty, which it affirmed.\textsuperscript{45} The defendants appealed to the Ohio Supreme Court.

With respect to Siegel’s misappropriation of trade secrets claim, the defendants conceded the possibility that Bauernschmidt might have consulted Siegel’s client list when identifying the clients for whom she had worked.\textsuperscript{46} Still, they argued, they were entitled to summary judgment because Siegel did not take adequate steps to protect the confidentiality of the information in the client list.\textsuperscript{47} The supreme court disagreed, finding that

\begin{itemize}
\item \textsuperscript{36}Id.
\item \textsuperscript{37}Id. at 856-57 (emphasis omitted) (quoting Siegel’s letter).
\item \textsuperscript{38}Id. at 857.
\item \textsuperscript{39}Id. (quoting Bauernschmidt’s letter).
\item \textsuperscript{40}Fred Siegel Co., 707 N.E.2d at 857.
\item \textsuperscript{41}Id.
\item \textsuperscript{42}Id.
\item \textsuperscript{43}Id.
\item \textsuperscript{44}Id.
\item \textsuperscript{45}Fred Siegel Co., 707 N.E.2d at 858.
\item \textsuperscript{46}Id. at 861.
\item \textsuperscript{47}Id.
\end{itemize}
there was a genuine issue of material fact as to whether Siegel took reasonable measures to protect the confidentiality of its client list.48 The court based its finding on the following facts:

[T]he Siegel client list was maintained on a computer that was protected by a password. Hard copies of the list were stored within office filing cabinets, which were sometimes locked. Fred Siegel testified during deposition that he "probably" had told employees that the client list information was confidential and not to be removed from the office.49

Bauernschmidt and Arter & Hadden further contended that Spiegel's client list was not a trade secret because all of the information it contained was a matter of public record and capable of being independently assembled in a list.50 The court also rejected this argument, explaining:

The Siegel client list was sixty-three pages in length and included the names of property owners, contact persons, addresses, and telephone numbers of hundreds of clients. The extensive accumulation of property owner names, contacts, addresses, and phone numbers contained in the Siegel client list may well be shown at trial to represent the investment of Siegel time and effort over a long period.

The purpose of Ohio's trade secret law is to maintain commercial ethics, encourage invention, and protect an employer's investments and proprietary information. That purpose would be frustrated were we to except from trade secret status any knowledge or process based simply on the fact that the information at issue was capable of being independently replicated.51

The Illinois Supreme Court agreed with the court of appeals that the trial court erred by granting the defendants summary judgment on Siegel's trade secret claim.52 Affirming the court of appeals across the board, the Fred Siegel court remanded the case to the trial court.53

48. Id. at 862.
49. Id.
50. Fred Siegel, 707 N.E.2d at 863.
51. Id. (footnote omitted).
52. Id.
53. Id.
There are several questionable aspects of the *Fred Siegel* decision. First, in evaluating Siegel’s trade secret claim, the court of appeals distinguished between client information that Bauernschmidt took from Siegel’s client list and that which was on her Rolodex, and found that the latter was not a trade secret.54 Yet, the court of appeals found that information about clients Bauernschmidt served that was on the Siegel client list, but somehow was omitted from her Rolodex, was a trade secret.55 Those conclusions are irreconcilable. If information about clients (for whom Bauernschmidt worked) was not a trade secret if in her Rolodex, then it was not a trade secret if part of the Siegel client list, and she could fairly use the firm’s client list to write her clients upon moving to Arter & Hadden.56 In short, in affirming the court of appeals, the *Fred Siegel* court missed the distinction between Siegel clients that Bauernschmidt represented while there and those with whom she had no relationship.

Second, the supreme court curiously reasoned that Siegel clients Bauernschmidt worked for were not her clients, but were exclusively Siegel’s clients.57 “Although her work as an employee of [Siegel] resulted in the establishment of an attorney-client relationship with Siegel clients,” the court wrote, “Bauernschmidt had never entered into a contractual agreement with those clients under which she was personally obligated to provide legal services.”58 Of course, if Bauernschmidt had an attorney-client relationship with Siegel clients, they were her clients; she owed them duties of competence, confidentiality, diligence, and loyalty, and she could be sued personally for malpractice or fiduciary breaches in their representations. The fact that clients for whom she worked were clients of the Siegel firm did not mean that they were not also hers. It is plainly possible, after all, for a client to have multiple lawyers in a single representation.

The *Fred Siegel* court’s astonishing inability to recognize that Siegel clients were also Bauernschmidt’s clients had at least two consequences. As noted above, it contributed to the court’s failure to address the question of whether information about clients constitutes a trade secret. Furthermore, it positioned the court to largely overlook the interests of the clients themselves.59 The court touched on the issue of client choice when analyzing Siegel’s claim that the defendants tortiously interfered with its contracts,60

55. Id.
56. Fred Siegel Co., 707 N.E.2d at 863 (Cook, J., dissenting).
57. Id. at 859 (majority opinion).
58. Id.
59. See Hillman, supra note 15, at 779 (“[W]hat is missing from the majority’s position is any consideration of the interests of clients.”).
60. Fred Siegel Co., 707 N.E.2d at 860.
but did not address it in any meaningful way, and did not return to the issue in its trade secret analysis. Clients have a strong interest in the ability to choose lawyers who, in their opinion, are best capable of representing them.61 The Supreme Court of Ohio should have reconciled Siegel’s interest (in its supposedly confidential client list) with the clients’ interests (in continued representation by Bauernschmidt). As a leading scholar has observed, “a withdrawing lawyer’s use of otherwise protected information for the purpose of informing clients the lawyer has represented of the lawyer’s change in firm affiliation may be appropriate in light of the fundamental right of clients to choose their lawyers.”62 The clients who followed Bauernschmidt to Arter & Hadden apparently thought that she would represent them more effectively than Siegel, since they moved with her despite receiving a preemptive letter from Siegel touting its capabilities and strong desire to retain their business.63

Finally, the court likely would have been justified in affirming the trial court judgment for the defendants based on Siegel’s lukewarm efforts at protecting its trade secrets.64 While its computerized client list was password-protected, Siegel kept hard copies of its list in file cabinets that were sometimes secured and sometimes not.65 The firm’s name partner was equivocal on informing employees about the firm’s confidentiality stance, testifying only that he “probably” did so.66 There was no evidence that Siegel had employees sign confidentiality agreements with respect to its client lists, or that it stated its confidentiality policy in firm handbooks or policy manuals. Perhaps most telling, Siegel slept (or at least napped) on its claimed rights. Siegel learned of Bauernschmidt’s impending move on September 2, 1992, yet it waited twenty days to inform her that it considered its client list to be confidential.67 Although it is true that a party’s efforts at trade secret protection “are measured by a standard of ‘reasonableness, not perfection,’”68 Siegel’s protective steps as described in the opinion do not appear to have been reasonable under the circumstances.

A Connecticut court departed substantially from the Fred Siegel court’s approach. The plaintiff in Early, Ludwick & Sweeney, LLC v.
Steele was a law firm specializing in pediatric lead poisoning cases on behalf of plaintiffs. Steele was a lawyer at Early, Ludwick & Sweeney (Early) from December 1991 to December 1997, when he left for Brown, Welsh & Votre, P.C. (Brown). In January 1998, Steele wrote the parents or guardians of sixteen minor clients of Early to inform them of his move to Brown and, in most of those letters, expressed his willingness to continue handling their cases. Early sued Steele and Brown for misappropriating its trade secrets and sought injunctive relief. Early alleged that its clients' names, addresses, telephone numbers, guardians, blood levels, and insurance coverage information constituted a client list, and thus a trade secret. The court disagreed.

First, Early could not show that the information sought to be protected bore a substantial element of secrecy. Twelve of the sixteen clients to whom Steele wrote were in litigation, such that their names and claims were public information. In addition, Early obtained many of its clients through referrals by a non-profit advocacy group, Connecticut Citizen's Action Group (CCAG), and there was no evidence that CCAG viewed any of the information that Early claimed to be confidential in the same light, or that it would not have provided that information to others upon inquiry.

Second, Steele acquired Early's client list by proper means in the course of his work. Having worked on the matters in question and having established relationships with the subject clients, he was entitled to notify them of his career move and his willingness to continue to represent them at their option. Steele did not attempt to solicit any of the clients while still an Early employee. Finally on this point, Steele acquired experience and expertise in pediatric lead poisoning cases while working for Early, and he "was entitled to use those skills and knowledge" after leaving the firm.

Third, Early's efforts to safeguard its alleged trade secrets were inadequate. The firm did nothing more than take the usual precautions necessary to ensure that client files remain confidential. As the court correctly ob-

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70. Id. at *1.
71. Id.
72. Id.
73. Id.
75. Id. at *2.
76. Id.
77. Id.
78. Id. at *3.
80. Id.
81. Id.
82. Id. Regrettably, the court did not describe those measures. See id.
served, "[n]ot all confidential information meets the definition of trade secret." 83

Fourth, the court considered the effect of Early's trade secret claim on the strong public policy of allowing clients to choose the lawyers who will represent them. 84 This factor weighed against granting trade secret protection, as the court explained:

Were the court to grant [Early] the relief requested, the clients' right to change counsel would be restricted. This would clearly be contrary to public policy.

Were the plaintiff to prevail, a subclass of clients would be created, who, because of the complexity or esoteric nature of their problems, were limited in their right to change counsel. This, too, would be contrary to public policy.

... [I]t is highly unlikely that the clients in question, in choosing [Early] to represent them, contemplated that [Early] thus acquired a proprietary interest in their names, addresses, telephone numbers, medical conditions and blood lead levels such as to restrict said clients' freedom to change lawyers as the clients see fit. 85

The court concluded that Steele's conduct violated neither the Connecticut Uniform Trade Secrets Act nor the Connecticut Unfair Trade Practices Act. 86 It accordingly denied Early any relief, and entered judgment for Steele and Brown. 87

In Reeves v. Hanlon, 88 Daniel Hanlon and Colin Greene were employed at the law firm of Reeves & Hanlon (Reeves), which specialized in immigration law and litigation. They began secretly planning to start their own law firm, also specializing in immigration law, to be called Hanlon & Greene. 89 For some five months while still employed at Reeves, they repeatedly gained access to Reeves' password-protected computer database to print out confidential name, address, and telephone number information for 2200 clients. 90 After abruptly resigning from Reeves, they began soliciting

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83. Id.
84. Early, 1998 WL 516156, at *4-5.
85. Id. at *5.
86. Id. at *5-6.
87. Id. at *6.
89. See id. at 515.
90. Id.
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Reeves' clients. In some cases, they called clients to solicit them for their new firm without informing the clients of their right to select counsel. Although Reeves normally had a very high rate of client retention, it "lost 144 clients to Hanlon & Greene over the next twelve months." In response to this and other dishonest competitive conduct, Reeves sued Hanlon, Greene, and their new law firm on a variety of theories. Reeves won a $150,000 judgment plus costs at trial. That award was based partly on the trial court's determination that the defendants violated the Uniform Trade Secrets Act (UTSA) by misappropriating Reeves' confidential client list. A lower appellate court affirmed the trial court judgment except for the award of costs. The defendants then sought review by the California Supreme Court.

In analyzing Reeves' trade secret claim, the supreme court began by noting that a client list may qualify as a trade secret, and that a party violates the UTSA by misappropriating a former employer's protected client list by using it to solicit clients or otherwise obtain an unfair competitive advantage. The defendants conceded that Reeves' client list derived independent economic value from not being generally known, and that Reeves took reasonable measures to protect its secrecy. They argued, however, that the trial court erred in finding that they violated the UTSA by mailing professional announcements to clients on the list. Under California law, the UTSA does not prohibit employees from announcing changes of employment to clients on protected client lists. Merely announcing a new business affiliation is not misappropriation because it is fundamental to a person's right to fairly compete.

The Reeves court agreed that a party could announce a change of employment to clients on a confidential list and that doing so was not misap-

91. Id. at 515-16.
92. Id.
93. Reeves, 95 P.3d at 516.
94. Id. The complaint alleged fourteen causes of action, with "intentional interference with contractual relationship, interference with prospective business opportunity, conspiracy to interfere with prospective economic advantage, misappropriation of confidential information in violation of the USTA" being pertinent to this article. Id.
95. Id.
96. Id. at 522.
97. Id. at 516.
98. Reeves, 95 P.3d at 516.
100. Id. at 522.
101. Id. (providing authority with three cases that follow California law).
102. Id. (providing authority with three cases that follow California law).
appropriation under the UTSA, but that was not what happened here. To the contrary, there was substantial evidence that the defendants improperly used Reeves’ trade secrets to directly solicit clients for their pecuniary gain and to Reeves’ great detriment. Additionally, the defendants crafted the announcement of their new firm in such a way that clients who received it—many of whom spoke little English—believed that Reeves could no longer represent them. As a result, the defendants’ conduct did not further their right to fairly compete for business. The supreme court thus affirmed the judgment for Reeves.

2. Observations and Recommendations

Case law demonstrates that law firm client lists or client data compilations may qualify for trade secret protection on the right facts. Firms may be able to prevent departing lawyers from taking client lists or data with them in some instances. In considering this prospect, it is critically important to distinguish between clients whom departing lawyers represented while at the firm and those they did not. Firms probably stand little chance of protecting data concerning clients that departing lawyers represented, whether individually or as part of a team. Here the lawyers share an attorney-client relationship with the clients whose information they hope to use and it is undeniable that an attorney-client relationship is a personal one. Clients’ frequent allegiance to their lawyers, rather than to the firms where those lawyers practice, undermines firms’ trade secret claims in this instance. Moreover, in this context, clients’ important right to counsel of their choice outweighs firms’ interest in their client information. Setting aside the Ohio Supreme Court’s questionable decision in Fred Siegel, courts are unlikely to find that departing lawyers who take data for clients

104. Id.
105. Id.
106. Id.
107. Id. at 522-23.
108. Reeves, 95 P.3d at 523.
110. See Hillman, supra note 1, § 2.3.1.1, at 2:24 (“[T]he lawyer-client relationship is personal in nature and dependent on the client’s trust in the lawyer.”).
111. Hillman, supra note 15, at 776-77.
they represented are guilty of misappropriation. That is probably the correct approach.

This conclusion is in step with trade secret law generally in at least two respects. First, client lists reside at the periphery of trade secret protection, "because they are developed in the normal course of business." The same is true for the sort of client data discussed here. In any event, allowing departing lawyers access to client lists or data relating to clients they actually represented while at the firm is doctrinally inoffensive. Second, trade secret law inherently balances employers' and employees' rights in competitive endeavors, with employers' rights to protect their trade secrets on one side of the scale and employees' rights to freely pursue their livelihoods on the other. Depriving departing lawyers of the use of client information relating to clients they actually represented—and perhaps even brought to their former firms—places undue weight on the firm side of the scale. That seems especially true when coupled with clients' right to be represented by counsel of their choice.

In contrast, courts should be willing to protect firms' client lists or client data compilations as trade secrets if the departing lawyers have no connection with the identified clients, save for their employment at the aggrieved law firm. In such cases the balance tips decidedly in firms' favor because protecting the firm's information imposes no apparent restriction on departing lawyers' freedom to pursue their livelihoods, let alone an unfair or unreasonable one. There is also no issue of client choice. It would be quite a reach for a court to hold that clients had a paramount interest in representation by lawyers they never met or to whom they never spoke as compared to the lawyers at the firm who actually served them. Besides, departing lawyers can still attempt to persuade their former firms' other clients to engage them instead and those clients are free to make that choice even absent an existing professional bond—that relationship simply must be forged without the advantageous use of the firms' trade secrets.

Beyond qualifying client lists or data as trade secrets in the sense of deriving independent economic value from their confidentiality, the challenge for law firms is implementing measures to protect the secrecy of cli-

113. See, e.g., Early, 1998 WL 516156, at *3 (finding that a lawyer who used client data to communicate with clients he represented while in former firm's employ did not misappropriate trade secrets).


ent lists or data. Remembering that "[o]nly reasonable efforts, not all con-
ceivable efforts," 117 are needed to protect trade secrets, there are several
steps that firms may take to enhance their positions. First, to the extent
firms maintain client lists or data in electronic form, they should limit ac-
cess through passwords 118 or other safeguards. Hard copies should be kept
under lock or otherwise secured. 119 Second, firms should include confiden-
tiality policies in their attorney and staff handbooks or manuals, clearly
stating that client information is a trade secret and restricting its use. Third,
firms should consider requiring lawyers and staff to sign separate confiden-
tiality agreements. Although not dispositive, confidentiality agreements are
clearly important to courts considering whether an organization took rea-
sonable steps to maintain secrecy. 120 Fourth, all client lists or data should be
clearly identified as confidential. 121 Fifth, firms should limit access to client
lists and data. 122 In the same vein, they should monitor the use of such in-
formation. There are legitimate reasons for lawyers or staff to use protected
client information, and a firm does not forfeit trade secret status by sharing
such information internally when appropriate. 123 Still, prudent control is
important. Sixth, if firms suspect unauthorized use of client lists or data,
they should act expediently to protect their interests. Finally, when a firm
learns that lawyers are leaving, it should respectfully and timely reinforce
its confidentiality expectations with them—and what it considers their re-
ciprocal obligations—to avoid possible misunderstandings and explore po-
tential disagreements. 124

Of these measures, only the use of confidentiality agreements is
openly controversial. This is because Model Rule of Professional Conduct
5.6(a) generally makes it unethical for lawyers to contractually restrict other
lawyers' ability to practice law after termination of their relationship. 125

117. Surgidev Corp. v. Eye Tech., Inc., 828 F.2d 452, 455 (8th Cir. 1987).
118. Fred Siegel Co. v. Arter & Hadden, 707 N.E.2d 853, 862 (Ohio 1999).
    App. 2001) (citing Elm City Cheese Co. v. Frederico, 752 A.2d 1037, 1049 (Conn. 1999)).
120. Bancorp Servs., L.L.C. v. Hartford Life Ins. Co., No. 4:00-CV-70CEJ, 2002 WL
121. Zemco Mfg., Inc., 759 N.E.2d at 246 (citing Elm City Cheese Co., 752 A.2d at
    1049).
122. See Dicks v. Jensen, 768 A.2d 1279, 1285 (Vt. 2001) (denying trade secret
    protection where company did not secure customer list or restrict access to it in any fashion).
    ing Co. of Phoenix v. Ehmke, 2 P.3d 1064, 1070 (Ariz. Ct. App. 1999)).
    ing company for not conducting exit interview of employee as means of protecting trade
    secrets).
125. Model Rules of Prof'L Conduct R. 5.6(a) (2008).
Agreements that violate Rule 5.6(a) are unenforceable. But while Rule 5.6(a) recognizes that practice restrictions disserve lawyers by limiting their autonomy, it is principally intended to protect clients. Despite being worded in terms of protecting lawyers' right to practice, Rule 5.6 is geared toward ensuring clients' ability to engage their chosen counsel. So long as law firms' confidentiality agreements do not restrict departing lawyers' ability to use client information for clients they represented while at the firm, it is difficult to see how such agreements infringe on clients' freedom to select counsel of their choice.

B. FIDUCIARY DUTY THEORY

Apart from claiming possible trade secret protection, firms are most likely to challenge departing lawyers' alleged misappropriation or misuse of client lists and data on the theory that by doing so they have breached their fiduciary duties. As a matter of partnership law, partners owe fiduciary duties of good faith and loyalty to one another, and to the partnership itself. Additionally, partners are agents of their firms, and accordingly owe fiduciary duties to their firms under agency law. Shareholders in law firms structured as professional corporations and limited liability companies also owe their fellow shareholders and firms fiduciary duties. Furthermore, lawyers' fiduciary duties to their firms do not depend on possession of an equity interest in the firm. Associates owe their law firms fiduciary


133. Santalucia v. Sebright Transp., Inc., 232 F.3d 293, 299 (2d Cir. 2000) (noting courts' willingness to extend "the familiar fiduciary duty principles of partnerships to professional corporations"); Fox v. Abrams, 210 Cal. Rptr. 260, 265 (Cal. Ct. App. 1985) (explaining that because lawyers are permitted to incorporate to achieve certain tax advantages available to corporate employers, there is no reason to hold that when they practice together in corporate form rather than partnership, they are relieved of fiduciary obligations toward each other).

duties. Even states which generally hold that mere employees do not owe fiduciary duties to their employers impose fiduciary duties on associates running to their firms based on associates' distinguishing status as lawyers.

Lawyers' fiduciary duties to their fellow partners or shareholders and law firms do not cease by virtue of the fact that the lawyers who owe them are heading out the door. It is well settled that partners and shareholders who solicit a firm's clients before resigning their positions breach their fiduciary duties, as do associates who solicit their firms' clients before resigning their employment. In Gibbs v. Breed, Abbott & Morgan, a New York court concluded that two partners breached fiduciary duties to their former firm by supplying their new firm with confidential associate salary and billing information well before informing their former partners of their intention to leave.

Despite the seeming clarity and compelling application of fiduciary duty theory in this context, suing former colleagues for allegedly breaching their fiduciary duties by misusing or misappropriating client information is not necessarily a satisfying exercise. To be sure, suing for breach of fiduciary duty is in some instances simpler than pursuing a trade secret claim. For example, departing lawyers breach their fiduciary duty of loyalty by surreptitiously acquiring a firm's confidential client list or data even if the list or data do not qualify as trade secrets. But actionable lines are not always clearly drawn. Lawyers who are planning on leaving may make preparations to compete with their firms without breaching fiduciary duties, and it is not always easy to distinguish between conduct amounting to a fiduciary breach and allowable pre-competitive activities.


136. See, e.g., Prince, Yeates & Geldzahler, 94 P.3d at 185 ("Because of the privilege granted to engage in the practice of law, we impose upon members of our bar a fiduciary duty that encompasses the obligation to not compete with their employer . . . ").


138. In re Smith, 843 P.2d 449, 450-52 (Or. 1992) (holding that the associate's conduct involving dishonesty, deceit, and misrepresentation violated a duty to his former firm).


140. Id. at 581-84.

141. See, e.g., Dowd & Dowd, Ltd., 816 N.E.2d at 765-67 (finding that departing lawyers breached fiduciary duties by having secretaries download confidential "service lists" for firm's largest client).

Distinctions are especially difficult to draw where the clients involved were served by the departing lawyers while still with the firm. It may further be difficult in such cases for a firm to establish that departing lawyers’ alleged fiduciary breaches harmed the firm, thus defeating the cause of action.\textsuperscript{143} \textit{Phil Watson, P.C. v. Peterson}\textsuperscript{144} is an illustrative case. There, Peterson, an associate at Watson’s firm, left to join a new firm.\textsuperscript{145} In the two months before his departure, he contacted a number of clients whom he represented about transferring their files, and succeeded in taking thirty cases to his new firm.\textsuperscript{146} Watson sued Peterson and his new firm on several theories, including breach of fiduciary duty.\textsuperscript{147} The Iowa Supreme Court rejected that claim, however, based principally on a lack of identifiable damages.\textsuperscript{148} Even if a breach of fiduciary duty were established, the court observed, Watson failed to show that Peterson’s conduct “had any effect on the ultimate alignment of clients, except to accelerate it.”\textsuperscript{149}

In \textit{Meehan v. Shaughnessy},\textsuperscript{150} Massachusetts’ highest court held that law firm partners alleged to have breached their fiduciary duties by improperly soliciting clients bear the burden of proving that the clients would have accompanied them to their new firms in the absence of any breach.\textsuperscript{151} The \textit{Meehan} court reasoned that public policy supported its decision to shift the burden of proof in such cases because it “encourages a defendant both to preserve information concerning the circumstances of the plaintiff’s injury and to use best efforts to fulfill any duty he or she may owe the plaintiff.”\textsuperscript{152} Circumstances relevant to whether a client freely chose to move with departing lawyers include (1) the identity of the lawyer responsible for attracting the client to the firm, (2) the identity of the lawyer who managed the case or client relationship at the firm, (3) the client’s sophistication and

\begin{itemize}
  \item lawyers leave law firms to set up competing practices; Dowd & Dowd, Ltd. v. Gleason, 693 N.E.2d 358, 364 (Ill. 1998) (agreeing with trial court that “it is difficult to locate the ‘fence,’ or dividing line, between permissible and impermissible conduct in these circumstances” and that “these boundaries cannot be drawn with mathematical precision”); \textit{Moskovitz}, 653 N.E.2d at 1183-84 (noting difficulties and setting broad parameters for judging departing lawyers’ conduct).
  \item \textsuperscript{143} See \textit{Hillman}, \textit{supra} note 1, § 4.8.3.3, at 4:113 (discussing harm as element of breach of fiduciary duty claim); see also \textit{Gibbs}, 710 N.Y.S.2d at 584 (noting the difficulty of calculating damages in fiduciary breach cases where departing lawyers use confidential firm information).
  \item \textsuperscript{144} 650 N.W.2d 562 (Iowa 2002).
  \item \textsuperscript{145} Id. at 562.
  \item \textsuperscript{146} Id. at 563.
  \item \textsuperscript{147} Id.
  \item \textsuperscript{148} Id. at 568-69.
  \item \textsuperscript{149} \textit{Phil Watson, P.C.}, 650 N.W.2d at 568.
  \item \textsuperscript{150} 535 N.E.2d 1255 (Mass. 1989).
  \item \textsuperscript{151} Id. at 1267.
  \item \textsuperscript{152} Id.
\end{itemize}
knowledge, and (4) the departing lawyers' reputation and skill.153 As a practical matter, though, departing lawyers forced to shoulder the burden of proof on causation should have little trouble carrying it if they have personal connections with the clients involved.154 This is especially true with respect to sophisticated institutional clients.155

C. SUMMARY

Law firm client lists or client data may qualify for trade secret protection on the right facts. In considering this prospect, it is important to distinguish between clients who departing lawyers represented while at the firm and those they did not. Firms probably stand little chance of protecting data concerning clients that departing lawyers actually represented. On the other hand, courts should protect as trade secrets firms’ client lists or data compilations if the departing lawyers have no connection with the identified clients save for their employment at the law firm, assuming that firms can demonstrate that their client lists or data qualify as trade secrets based on their independent economic value and the measures taken to protect their confidentiality. With respect to fiduciary duty theory, partners, shareholders, and associates alike owe their firms fiduciary duties of loyalty. Yet, while departing lawyers breach their fiduciary duty of loyalty by surreptitiously acquiring a firm’s confidential client list or data, even if the list or data do not qualify as trade secrets, it is sometimes difficult to distinguish between actionable misconduct and allowable pre-competitive planning. Lines are especially difficult to draw where the clients involved were served by the departing lawyers while still with the firm. It may further be difficult for a firm to establish that departing lawyers’ alleged fiduciary breaches harmed it, thus defeating the cause of action.

III. LAW FIRM DOCUMENTS AND FORMS

In addition to client lists and data, law firms commonly maintain other documents, electronic files, and other information that they consider to be their intellectual capital or intellectual property. These include prototype documents maintained in hard copy form files or on a firm’s intranet. In litigation practices, these may include form interrogatories and requests for production of documents, sample pleadings, prototype litigation hold letters, appellate briefs maintained in a “brief bank,” deposition checklists, expert witness engagement letters, and the like. In transactional practices,
firms may maintain sample leases, incorporation papers, legal opinion letters, partnership and joint venture agreements, checklists for various types of matters or transactions, and so on. In all firms, client files—both electronic and hard copy—hold abundant work product in the form of briefs, pleadings and motions, research memoranda covering an array of topics, deal documents used in all sorts of transactions, and so on. All such materials, no matter where maintained or stored and regardless of practice area, embody the intellectual effort, strategic thought, and practical skill of the firm’s lawyers. They are quite often valuable resources for lawyers undertaking new assignments or representations.\footnote{156}

Many firms give little thought to the value of the work product in their files or on their information technology systems until someone, such as a departing lawyer, wants copies.\footnote{157} By way of example, lawyers moving to new firms may want to take copies of the deal documents for the various transactions on which they worked. Associates changing firms may want to take along form discovery documents, or pleadings or research memoranda that they prepared. When departing lawyers ask for copies of documents or electronic files to take with them, or it is apparent that they intend to make copies for their continuing use, the parties involved may hold divergent views on the acceptability of the departing lawyers’ requests or actions.

From the law firm’s perspective, its lawyers are bound to maintain the confidentiality of documents prepared in connection with clients’ representations.\footnote{158} Allowing departing lawyers to take copies of such documents is inconsistent with the duty of confidentiality. Moreover, the documents constitute the firm’s intellectual capital or property. While the departing lawyers may have prepared the documents in whole or part, they did so in the firm’s employ, on the firm’s behalf, and in exchange for compensation

\footnotesize{156. Although not presently relevant, the types of materials described here are also valuable to a firm’s clients to the extent lawyers in the firm recycle existing documents for use in new matters. This is because lawyers that are billing by the hour cannot ethically charge clients the same amount for recycled work product that they charged the original client. ABA Standing Comm. on Ethics & Prof’l Responsibility, Formal Op. 93-379, at 221 (1993) (charging for recycled work must be evaluated not from the perspective of what a client could be forced to pay, but rather from the perspective of what the lawyer actually earned, and a lawyer “who is able to reuse old work product has not re-earned the hours previously billed and compensated when the work product was first generated”). Absent a contrary understanding, lawyers must pass along to clients the savings achieved by recycling work product. \textit{Id.}\footnote{157. See D.C. Bar, Ethics Comm., Op. 273, at 3 (1997) (noting that departing lawyers often are interested in taking files and other documents).\footnote{158. MODEL RULES OF PROF’L CONDUCT R. 1.6(a) (2008) (governing the ethical duty of confidentiality); LAWRENCE J. F-OX & SUSAN R. MARTYN, RED FLAGS: A LAWYER’S HANDBOOK ON LEGAL ETHICS § 5.01(a), at 87 (2005) (noting that lawyers’ fiduciary duty of confidentiality is rooted in agency law).}
from the firm. The documents exist solely because of the lawyers’ affiliation with the firm.

From departing lawyers’ perspective, any documents they had a hand in preparing are their intellectual capital or property—not the firm’s—since those documents would not exist but for their efforts. Briefs or pleadings filed in litigation, or transactional documents exchanged, are no longer the firm’s intellectual property by virtue of their possession by or accessibility to others. This is especially true as to documents filed in litigation, which are publicly accessible in court files and can often be searched, read, retrieved, and copied electronically. The same principle applies to documents filed as exhibits to publicly-traded clients’ SEC reports. As for who paid to create the documents, it was the clients, not the firm. With respect to forms, they have either been derived from documents used in client matters, or have been used in countless representations with only slight modification. Either way, there is nothing unique about them.

Gibbs v. Breed, Abbott & Morgan159 is a rare opinion bearing on this subject, although not squarely so. In Gibbs, two trusts and estates partners withdrawing from a New York law firm in a lateral move took along their “chronology” or “desk files.”160 These files contained copies of every letter they wrote in the past two years.161 Their former firm sued them for a variety of fiduciary breaches allegedly connected to their move, including the removal of their desk files. Although the copies in the desk files were duplicates of those found in the firm’s client files, the firm complained that the chronological organization of the desk files made them a much easier means of reviewing active client matters.162 The trial court found that the partners breached their fiduciary duties to the firm by removing their desk files because doing so hobbled the firm’s ability to reinvigorate its trust and estates department and represent clients.163 On appeal, the appellate court affirmed that determination. A dissenting justice, however, reasoned that while partners’ fiduciary duties might prevent them from spiriting away client files, those duties could not be expanded “to prohibit the removal, not of client files belonging to the firm, but of duplicates of correspondence and memos the partners themselves sent or issued.”164

In Attorney Grievance Commission of Maryland v. Potter,165 an associate in a Maryland personal injury practice, Potter, left his allegedly unsavory employer, Weitzman, for a new firm. In doing so, Potter removed

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160. Id. at 580-81.
161. Id. at 581 n.2.
162. Id.
163. Id. at 581.
164. Gibbs, 710 N.Y.S.2d at 591 (Saxe, J., concurring in part and dissenting in part).
165. 844 A.2d 367 (Md. 2004).
three client files from Weitzman’s firm. The files belonged to clients that he alone represented and he took two of them out of the reasonable concern that Weitzman would improperly withhold the files, thus interfering with his ability to represent the clients going forward. The third file related to a matter that was concluded before Potter left Weitzman’s employ. The two clients whose matters were still active freely followed Potter to his new firm; neither one had ever had any dealings with Weitzman.

When Weitzman could not negotiate a fee-sharing agreement with Potter, he filed an ethics complaint against him, but the trial court cleared Potter of all charges. Bar Counsel appealed to the Court of Appeals of Maryland, where the court took a dim view of Potter’s conduct. As the court explained:

[Potter’s] unauthorized removal of the client files violated Rules 8.4(c) [prohibiting conduct involving dishonest, fraud, deceit and misrepresentation] and (d) [prohibiting conduct prejudicial to the administration of justice]. At the time [Potter] removed the client files, he did not have the authorization of the law firm or the clients. Although [Potter’s] belief that [the clients] would choose ultimately to have him continue to provide legal services for them, they did not give [him] permission to remove their files nor could they have given him such permission while he was employed with the firm. [Potter] acted dishonestly and in an untrustworthy manner in exceeding the scope of his authority, appropriating files, and deleting computer records.

It is important to note that we are not focusing on the solicitation of clients by a departing associate or partner of a law firm. The conduct in question . . . is the removal of files by a lawyer without the knowledge of the law firm. It appears that such conduct is uniformly condemned as highly improper and unethical.

In judging Potter’s conduct to be improper and unethical, the court noted that associates owe fiduciary duties to their firms as a matter of

166. Id. at 371-72.
167. Id. at 372.
168. Id.
169. Id. at 371.
171. Id. at 374-80.
172. Id. at 382.
agency law, and that lawyers' unauthorized removal of client files is generally considered to be a breach of their fiduciary duties. Potter's pure motives in taking the client files did not excuse his actions, but were only a mitigating factor in deciding on the discipline to be imposed. For taking the client files and other misconduct, the court suspended Potter from practice for three months.

Gibbs and Potter suggest that departing lawyers who take materials from their soon-to-be former firms without authorization do so at their peril. Neither decision, however, is especially illuminating. Of the two, Potter clearly has the least utility for departing lawyers attempting to formulate an appropriate course of conduct because Potter's removal of original client files in their entirety without the firm's authorization was so clearly improper. Gibbs is arguably an outlier because of the nature of the documents at issue, i.e., copies of letters and memos to clients prepared by the departing lawyers whose only value resided in the manner of their filing. So what then are firms and lawyers supposed to do?

From a professional responsibility standpoint, departing lawyers may generally take with them copies of documents that they prepared either for clients or for general use in their practices without violating ethics rules. Lawyers may also take copies of documents that they did not prepare if those documents are in the public domain. Examples of such documents include briefs and pleadings filed with courts or administrative agencies in litigation, or documents of many types submitted to governmental entities or officials in a variety of contexts. If lawyers retain copies of materials prepared for clients, they must reasonably ensure the confidentiality of

173. Id.
174. See id. at 388.
175. Potter, 844 A.2d at 388.
176. Id. at 382; see also Joseph D. Schein, P.C. v. Myers, 576 A.2d 985, 988-89 (Pa. Super. Ct. 1990) (finding that law firm was entitled to damages for tortious interference with contractual relationships where associates secretly removed client files as part of plan to open competing law firm).
178. See ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 99-414, at 8 (1999). The conclusion stated here may not be as clear as lawyers would like, because the ABA's Standing Committee on Ethics & Professional Responsibility muddied the waters in Formal Op. 99-414 when it wrote: "To the extent that ... documents were prepared by the lawyer and are considered the lawyer's property or are in the public domain, she may take copies with her." Id. (emphasis added). The obvious question is, considered the lawyer's property by whom? The departing lawyer? The law firm? Formal Op. 99-414 does not answer these questions.
179. Id. at 8.
180. Id.
those copies during and after their relocation.\textsuperscript{181} As for documents that departing lawyers did not have a hand in preparing or which are not public—which we will call “firm documents” for ease of reference—firm consent may be required for copying.\textsuperscript{182} Whether consent is required to copy firm documents depends on the facts. If a firm has routinely allowed departing lawyers to take copies of firm documents with no questions asked, for example, it is unreasonable to expect more recent émigrés to seek permission to do the same. On the other hand, if a firm has a policy against copying firm documents for outside use, requiring departing lawyers to ask permission to take such copies with them is perfectly reasonable.

It is interesting to speculate about the disciplinary consequences of a departing lawyer taking firm documents without permission. If a lawyer takes firm documents contrary to a firm policy and does not lie about doing so, misrepresent her intentions, or conceal her activities, what ethics rule has she broken? Probably not Model Rule 8.4(c), which prohibits conduct involving “dishonesty, fraud, deceit, or misrepresentation.”\textsuperscript{183} The lawyer in this case has been disobedient, not dishonest. Another possibility is Model Rule 8.4(d), which prohibits conduct “prejudicial to the administration of justice,”\textsuperscript{184} and is intended to remedy violations of well-known practice conventions and norms.\textsuperscript{185} Unfortunately, Rule 8.4(d)’s potential application is unpredictable. Some courts interpret the rule broadly, invoking it to discipline lawyers in atypical situations,\textsuperscript{186} for conduct that is somehow an affront to the high professional standards that lawyers should be held to in performing their public calling,\textsuperscript{187} for conduct unbecoming officers of the court,\textsuperscript{188} or for conduct that flagrantly violates professional norms and is unquestionably serious.\textsuperscript{189} These courts would seem inclined to apply Rule 8.4(d) in the situation posited here. Other courts, however, deem a lawyer’s alleged misconduct prejudicial to the administration of justice only if it

\begin{itemize}
  \item \textsuperscript{181} Id. at 8-9.
  \item \textsuperscript{182} Id. at 8.
  \item \textsuperscript{183} Model Rules of Prof’l Conduct R. 8.4(c) (2008).
  \item \textsuperscript{184} Model Rules of Prof’l Conduct R. 8.4(d) (2008).
  \item \textsuperscript{186} Ronald D. Rotunda & John S. Dzienkowski, Legal Ethics: The Lawyer’s Deskbook on Professional Responsibility § 8.4-2(e), at 1239 (2009).
  \item \textsuperscript{187} See Att’y Grievance Comm’n of Md. v. Mba-Jones, 919 A.2d 669, 676 (Md. 2007) (quoting Rhee v. Bar Ass’n of Balt. City, 46 A.2d 289, 291 (Md. 1946)).
  \item \textsuperscript{188} In re Pyle, 156 P.3d 1231, 1247 (Kan. 2007) (discussing Rule 8.4(d)’s application outside of adjudicatory proceedings, stating that all lawyers are officers of the court, and asserting that such status “brings with it the responsibility to refrain from conduct unbecoming such officers”).
  \item \textsuperscript{189} In re Discipline of Att’y, 815 N.E.2d 1072, 1077-78 (Mass. 2004) (quoting In re Discipline of Two Att’ys, 660 N.E.2d 1093 (Mass. 1996)).
\end{itemize}
relates to a judicial or similar proceeding. In these jurisdictions, the conduct hypothesized here will not violate Rule 8.4(d). If the departing lawyer’s conduct in taking the firm documents without permission can reasonably be characterized as stealing, then Model Rule 8.4(b), which makes it professional misconduct for a lawyer to “commit a criminal act that reflects adversely on the lawyer’s honesty, trustworthiness, or fitness as a lawyer in other respects,” is in play. Notably, Rule 8.4(b) does not require a criminal complaint, prosecution, or conviction for a violation. Furthermore, Rule 8.4(b) does not require a link between a lawyer’s criminal act and legal services to clients for there to be a violation.

The calculus changes significantly if a departing lawyer lies about her plans or attempts to conceal her activities. In such cases, Rule 8.4(c) almost certainly applies.

Rules of professional conduct are not the only potential constraints on departing lawyers’ ability to remove documents or information from firms. There is always the fiduciary duty of loyalty imposed on lawyers as agents, which arguably compels lawyers to obey the firm’s policy on the duplication or retention of documents or information notwithstanding their imminent departure. Agents owe a duty of obedience as an aspect of their duty of loyalty, and they are accordingly bound to follow their principals’ lawful instructions. Firm policies governing lawyer conduct are “instructions” for agency purposes. Moreover, lawyers’ fiduciary duties as agents probably compel them to seek the firm’s permission to copy documents or files even in the absence of a relevant policy. These principles apply, even if the departing lawyers created the documents or other information that they wish to take with them.

As a practical matter, some firms may not care whether departing lawyers retain copies of documents or materials that they prepared in whole or part. There are many documents or files that probably matter little to firms
when lawyers leave, such as briefs or pleadings filed in courts, articles or CLE materials written by the departing lawyers, etc. On the other hand, there may be documents that departing lawyers prepared about which firms care a great deal because (1) they perceive their work product to be qualitatively better than that of their competitors and (2) the documents are not in the public domain. A firm might reasonably believe, for example, that its standard ERISA plan documents are a cut above those of other firms in the same city or region, and thus afford it a competitive advantage. Although in many cases the departing lawyers will possess the knowledge to recreate these documents, or at least to come close, it remains competitively advantageous for the firm to prevent duplication.

Law firms that are concerned about the protection of their intellectual capital or property are wise to adopt policies aimed at protecting such materials against unauthorized duplication or removal. Clear policies reduce the potential for confusion and enhance firms' ability to prevail in any property dispute. For example, a firm might adopt a policy (either on a stand-alone basis or within the scope of a broader policy) to the effect that all documents created by lawyers within the course and scope of their employment by or partnership with the firm, whether existing or maintained in electronic or paper form, are the property of either a client, the firm, or both. In the case of a lawyer leaving the firm, the departing lawyer may not, without the firm's prior permission, (a) copy any documents for purposes of removing them from the firm upon the lawyer's departure, (b) remove original documents in connection with the lawyer's departure, (c) download documents from the firm's systems into electronic media or storage mechanisms in connection with the lawyer's departure, or (d) otherwise remove or transmit any documents from the firm electronically or in any other fashion in connection with the lawyer's departure. The same prohibitions apply with respect to documents created or maintained by the firm that a lawyer leaving the firm did not create or participate in creating.

Some lawyers may criticize this policy as sweeping too broadly and casting departing lawyers as adversaries rather than as colleagues. This policy or one like it may not be suitable for all firms. But assuming that a firm is concerned about protecting its intellectual capital, the policy's breadth is necessary to protect the firm in the unfortunate event of a dispute and it is unhappily true that some lawyers become adversarial when making career moves. What this policy does is (1) clearly set forth the firm's presumptive position and (2) allows the firm to make reasonable decisions about the circulation or distribution of potentially valuable materials, rather than having difficult choices forced on it in undesirable circumstances. A firm should freely permit lawyers to copy non-client documents they prepared (e.g., articles, CLE materials, etc.) and documents such as filed pleadings that are in the public domain. Generally, and again consistent with this
policy, firms should negotiate fairly with departing lawyers over materials the lawyers wish to take with them.

IV. CLIENT FILES

So far, our discussion of law firms’ property rights has focused on departing lawyers’ access to firm information or materials. In many controversies over the use or ownership of documents or materials held by law firms, however, the claimant seeking possession is a former client. In the typical case, the former client has discharged the firm for some reason and requests that the firm deliver its file to a new law firm or return it. The firm resists the request because it wishes to retain the entire file for economic reasons, or, more commonly, portions of the file that it considers to be its work product. These disputes may implicate a number of concerns.

A. RETAINING LIENS

Disputes over client file ownership or possession are routinely attributable to unpaid legal fees. Most jurisdictions afford lawyers claiming a right to compensation a “retaining lien,” such that a law firm may refuse to deliver to a client all papers or other property of the client in the firm’s possession until the firm’s fee has been fully paid. The validity of a retaining lien depends in the first instance on the client discharging the lawyer without cause. A lawyer who is discharged for cause may not assert a retaining lien even if the engagement agreement for the matter provides for one. What constitutes “cause” depends on the facts, but it clearly includes professional negligence. Similarly, a lawyer who withdraws voluntarily from a representation generally may not claim a retaining lien. Beyond those qualifications, for a retaining lien to be valid, the documents or items withheld must relate to the subject representation. Because a retaining lien is a possessory remedy, an attorney generally forfeits her lien by voluntarily surrendering documents or property to which the lien attached.

200. HILLMAN, supra note 1, § 2.3.2.2, at 2:46.
202. Id.
Lawyers’ lien rights are not limitless; indeed, some jurisdictions permit lawyers to assert retaining liens only in very narrow circumstances. A lawyer may be unable to hold onto a former client’s documents where the client or a third party demonstrates a need for the documents. A lawyer’s retaining lien generally must yield to the lawyer’s “obligation not to prejudice a former client’s ongoing suit by withholding the client’s file in order to collect unpaid fees.” If a former client needs its file to continue litigation and cannot pay or disputes the lawyer’s fee, a court may order the client to post suitable security so that the litigation may proceed without impairing the attorney’s lien rights.

B. ETHICS RULES

Regardless of the reasons for lawyers’ desire to withhold client files in whole or part, their ability to do so may be constrained by rules of professional conduct. For example, Model Rule 1.15(d) provides in relevant part that “[e]xcept as stated in this rule or otherwise permitted by law or by agreement with the client, a lawyer shall promptly deliver to the client . . . any . . . property that the client . . . is entitled to receive and, upon request by the client . . . shall promptly render a full accounting regarding such property.” Model Rule 1.16(d) states that upon termination of a representation, “a lawyer shall take steps to the extent reasonably practicable to protect a client’s interests, such as . . . surrendering papers and property to which the client is entitled . . . . The lawyer may retain papers relating to the client to the extent permitted by other law.” A lawyer may violate either rule by unreasonably delaying the return or transfer of a client’s file, even if it is ultimately surrendered. Unfortunately, neither Rule 1.15(d) nor Rule

203. Johnson v. Cherry, 422 F.3d 540, 555 (7th Cir. 2005).
204. See, e.g., D.C. Bar, Ethics Comm., Op. 273, at 3 (1997) (“[A] retaining lien may be asserted against client files only in the narrowest of circumstances.”).
205. Johnson, 422 F.3d at 555.
206. Mary A. Stearns, P.C. v. Murphy, 587 S.E.2d 247, 251 (Ga. Ct. App. 2003); see also Britton & Gray, P.C. v. Shelton, 69 P.3d 1210, 1215 (Okla. Civ. App. 2003) (determining that a lawyer’s right to retain a client’s documents must yield where the client will suffer serious harm without them and that prejudice cannot be mitigated other than by returning the documents).
209. MODEL RULES OF PROF’L CONDUCT R. 1.16(d) (2008).
210. See, e.g., In re Arneja, 790 A.2d 552, 554-58 (D.C. 2002) (violating Rule 1.16(d) by taking seven months to turn over a client’s files); In re Morse, 470 S.E.2d 232, 232-33 (Ga. 1996) (suspending lawyer for failing to return client’s papers for ten months); Iowa Supreme Court Att’y Disciplinary Bd. v. Wintroub, 745 N.W.2d 469, 475 (Iowa 2008) (finding that lawyer’s seven-month delay in returning file violated Iowa equivalent of Model
1.16(d) provides lawyers with meaningful guidance concerning their duties when ownership or possession of client files is at issue. Both rules say essentially that a client is entitled to those materials to which it is entitled.\(^\text{211}\) They are intended to protect clients’ interests by imposing on lawyers a duty to surrender clients’ property without insisting on justification or support under property law, and in that way probably foreclose many disputes, but neither one identifies documents or materials to which clients are entitled in the event of disagreements with their lawyers. Both rules do, however, permit lawyers to ethically assert ostensibly valid retaining liens.\(^\text{212}\) On the other side of the coin, a lawyer may violate either rule by falsely claiming a retaining lien,\(^\text{213}\) or by asserting a retaining lien in an effort to collect an unreasonable fee.\(^\text{214}\)

C. FORMER CLIENTS’ ACCESS TO LAWYERS’ FILES

Courts have formulated two approaches to determining former clients’ access to their lawyers’ files where there is no issue concerning unpaid legal fees or expenses. The first approach holds that unless a lawyer has a claim for unpaid fees or expenses, “the client is presumed to be entitled to full access to the attorney’s file on a matter where the attorney represented the client.”\(^\text{215}\) This is the majority rule;\(^\text{216}\) it is commonly called the “entire

\(^{211}\) See Corrigan v. Armstrong, Teasdale, Schlafly, Davis & Dicus, 824 S.W.2d 92, 97 (Mo. Ct. App. 1992) (describing Rule 1.16 as a “tautology” for this reason).

\(^{212}\) See, e.g., Defendant A v. Idaho State Bar, 2 P.3d 147, 151-52 (Idaho 2000) (holding that lawyer’s assertion of retaining lien did not violate Rule 1.16(d)); Bennett, 553 N.E.2d at 884 (finding that retaining liens do not violate Rule 1.16(d)); see also MODEL RULES OF PROF’L CONDUCT R. 1.15(d) (2008) (obligating lawyers to return clients’ property except as “otherwise permitted by law”); MODEL RULES OF PROF’L CONDUCT R. 1.16(d) (2008) (“The lawyer may retain papers relating to the client to the extent permitted by other law.”).

\(^{213}\) See, e.g., In re Richmond’s Case, 904 A.2d 684, 693-94 (N.H. 2006) (finding Rule 1.16(d) violation where lawyer baselessly asserted a retaining lien).

\(^{214}\) See, e.g., In re Struthers, 877 P.2d 789, 797-98 (Ariz. 1994) (finding a violation of Rule 1.16(d)).


file’ approach.” Sage Realty Corp. v. Proskauer Rose Goetz & Mendelsohn, L.L.P. is clearly the leading case expressing the majority rule.

The plaintiff in Sage Realty retained the Proskauer firm to represent it in a large mortgage financing with two entities known collectively as Nomura. Shortly after the transaction closed, Sage Realty lost faith in Proskauer and replaced the firm on the Nomura matter with Nixon, Hargrave, Devans & Doyle LLP (“Nixon”). Sage Realty had paid Proskauer for all its work on the Nomura matter by the time it engaged Nixon. When asked by Nixon to turn over its files on the Nomura matter, Proskauer largely complied, but withheld “a large number of . . . internal legal memoranda, drafts of instruments, mark-ups, notes on contracts and transactions[,] and ownership structure charts.” Sage Realty also alleged that Proskauer refused to turn over its correspondence with third parties and certain notes on negotiations.

Sage Realty sued to recover the papers withheld by Proskauer, asserting that they were necessary to its continued representation by Nixon. While the Nomura transaction may have closed, there remained a number of compliance and tax issues associated with the transaction with which the company would require Nixon’s legal guidance. Proskauer responded that it had delivered all documents required for Nixon to effectively represent Sage Realty going forward. The trial court sided with Proskauer and an intermediate appellate court affirmed, reasoning that the documents withheld by Proskauer were its “private property,” and need not be surrendered to Sage Realty absent a demonstration of “particularized need.”


217. Gottschalk, 729 N.W.2d at 820.
218. 689 N.E.2d 879 (N.Y. 1997).
219. Id. at 880.
220. Id.
221. Id.
222. Id.
223. Sage Realty Corp., 689 N.E.2d at 880.
224. Id. at 881 (summarizing intermediate appellate court opinion).
Sage Realty appealed to the Court of Appeals of New York, which reversed the lower courts.225

The Sage Realty court began by comparing the majority and minority positions on client access to lawyers' files where there is no claim for unpaid legal fees. Under the majority approach, courts "presumptively accord the client full access to the entire attorney's file on a represented matter with narrow exceptions."226 In contrast, the court noted, a minority of courts distinguish between the "end product" of lawyers' services, to which clients are entitled, and lawyers' "work product" leading to the creation of the end product documents or materials, which remains the lawyers' property.227 Following this approach, a client is entitled to the lawyer's work product only to the extent it is necessary to understand the end product.228 The client bears the burden of proving its need for the lawyer's work product.229

The court embraced the majority rule for several reasons. First, allowing a former client expansive access to a lawyer's file was consistent with clients' rights to their files in pending matters.230 In pending matters, New York courts are unwilling to afford lawyers property rights in their files superior to their clients'.231 The Sage Realty court could "discern no principled basis upon which exclusive property rights to an attorney's work product in a client's file spring into being in favor of the attorney at the conclusion of a represented matter."232 As this case also demonstrated, it is often difficult to distinguish between closed matters and those that remain open, thus suggesting a further need for clients' access to their lawyers' work product.233

Second, the minority position unfairly and unrealistically assigns to clients the burden of demonstrating their need for their lawyers' work product.234 As a rule, a client will be able to argue for its need for particular documents only on the most general terms absent the disclosure of the contents of those very documents.235 As a result, a client will often be unable to carry its burden through no fault of its own. The lawyer who possesses the file is in a far better position to demonstrate that a given document "would

225. Id.
226. Id.
227. Id.
228. Sage Realty Corp., 689 N.E.2d at 882.
229. Id.
230. Id.
231. Id.
232. Id.
233. Sage Realty Corp., 689 N.E.2d at 882.
234. Id.
235. Id.
furnish no useful purpose in serving the client’s present needs for legal advice.”

Third, affording clients presumptive access to their lawyers’ entire files subject to narrow exceptions is consistent with lawyers’ ethical and fiduciary duties to clients. As agents and fiduciaries, lawyers owe clients duties of “openness and conscientious disclosure.” Lawyers’ fiduciary duties to their clients may continue after a representation concludes.

Accordingly, the Sage Realty court concluded that the lower courts erred in restricting Sage Realty’s access to Proskauer’s files. Absent a substantial showing of good cause by Proskauer to deny it access, Sage Realty was permitted to inspect and copy Proskauer’s work product for which it paid. The court did, however, carve out a substantial caveat, stating that Proskauer was not required to surrender “documents which might violate a duty of nondisclosure owed to a third party, or otherwise imposed by law,” nor “firm documents intended for internal law office review and use.” Documents in the latter category might include memoranda or notes containing lawyers’ views of the client or preliminary assessments of key factual or legal issues “recorded primarily for the purpose of giving internal direction to facilitate performance of the legal services entailed in that representation,” as well as incomplete documents circulated exclusively within the firm. Such documents may be withheld because they are unlikely to be materially useful to a client or a successor law firm.

Subsequent courts have embraced the Sage Realty court’s approach and reasoning. Still, a few jurisdictions adhere to the minority rule, known as the “end product” approach. The end product approach again

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236. Id.
237. Id. at 882-83.
238. Sage Realty Corp., 689 N.E.2d at 882.
239. Id.
240. Id. at 883.
241. Id.
242. Id.
245. Sage Realty Corp., 689 N.E.2d at 883.
assumes that there is no claim for unpaid legal fees or expenses. It distinguishes between the end product of lawyers’ services to which clients are entitled, and lawyers’ “work product” leading to the creation of the end product, to which they are not. Under the end product approach, clients are entitled to receive copies of filed pleadings, final versions of documents prepared in their representations, and their lawyers’ correspondence with them and with third parties, as well as any other documents containing information the client needs to protect his interests. Lawyers’ work product to which clients are not entitled under the end product approach includes firms’ internal legal memoranda, and drafts of pleadings and legal instruments. Lawyers’ notes also fall into this category. Clients must demonstrate substantial need to obtain copies of documents that are lawyers’ work product.

Given the substantial exception in the majority approach allowing lawyers to withhold documents or materials prepared solely for their firms’


Missouri law is confused on this subject. In Corrigan v. Armstrong, Teasdale, Schlaflly, Davis & Dicus, 824 S.W.2d 92 (Mo. Ct. App. 1992), the Missouri Court of Appeals clearly embraced the end-product approach. Id. at 98. The confusion is attributable to the Missouri Supreme Court’s statement five years later in In re Cupples, 952 S.W.2d 226 (Mo. 1997), that a “client’s files belong to the client, not to the attorney representing the client. The client may direct an attorney or firm to transmit the file to newly retained counsel.” Id. at 234. This language has caused some authorities to conclude that Missouri is an entire file state. See, e.g., Supreme Court of Mo., Advisory Comm., Formal Op. 127 (2009) (discussing the destruction of clients’ paper files without clients’ consent where lawyers have electronic copies of the files). Critically, however, In re Cupples did not involve a dispute between a client and a lawyer over the client’s file. Rather, In re Cupples was a dispute between a departing lawyer and his former firm over the departing lawyer’s secret removal of client files without the client’s or the law firm’s consent in an effort to continue the client’s representation upon establishing his own solo practice. In re Cupples, 952 S.W.2d at 229-30. By secretly removing the client’s files from the established law firm of the client’s choice and attempting to relocate them to a nascent solo practice lacking similar institutional systems and support, the lawyer materially altered the nature of the client’s representation and deprived the client of the opportunity to decide who would continue to perform the client’s legal work. Id. at 235. The case thus stands only for the entrenched principle that clients belong to no lawyer; they are not property. Id. at 234. In re Cupples should not be interpreted as endorsing or establishing the entire file rule in Missouri. The Missouri Supreme Court has never overruled Corrigan, either expressly or by implication. For these reasons, courts and lawyers are justified in treating Missouri as an end-product jurisdiction.

249. Corrigan, 824 S.W.2d at 98.
251. Womack Newspapers, Inc., 639 S.E.2d at 104.
internal use or which might violate the lawyers’ duty of confidentiality to others, there may not be a substantial difference between the majority and minority approaches. That said, the minority approach is flawed in at least two respects. First, it unfairly shifts to the client the burden of establishing the true nature of the subject documents and the need for their surrender. Second, the end product rule cannot be reconciled with the general principle that clients are entitled to all materials for which they pay. As a Pennsylvania court explained:

Notes and memoranda are part of the package of goods and services which a client purchases when they retain legal counsel. The client is entitled to the full benefit of that for which they pay. We therefore believe that once a client pays for the creation of a legal document, and it is placed in the client’s file, it is the client, rather than the attorney who holds a proprietary interest in that document.

Indeed, even those courts that have adopted the minority approach seem to acknowledge that it must yield where the client has paid the lawyer to create the documents sought to be withheld.

Admittedly, the same observation can be made about the majority rule—lawyers should not be able to withhold internal documents which the clients were charged to prepare. In the end, the only reasonable conclusion is that under both the majority and the minority approaches, clients are entitled to copies of all documents for which they were charged to create unless a firm has a duty or right to withhold them under ethics rules or other

253. See, e.g., Lippe v. Bairnco Corp., No. 96 CIV. 7600 DC, 1998 WL 901741, at *2 (S.D.N.Y. Dec. 28, 1998) (following the entire-file approach and allowing a firm to withhold attorney notes, internal research memoranda and outlines, and a new matter memorandum and memo for checking conflicts of interest, but requiring firm to provide client with copies of attorney time records).

254. See ANR Advance Transp., 302 B.R. 614 n.2 (observing that the principal difference between the majority and minority approaches “is who bears the burden of showing the need for disclosure/secrecy”).


256. Id.

257. See, e.g., Womack Newspapers, Inc. v. Town of Kitty Hawk ex rel. Kitty Hawk Town Council, 639 S.E.2d 96, 104 (N.C. Ct. App. 2007) (stating that town owned documents in lawyers’ file for which it paid); Corrigan v. Armstrong, Teasdale, Schlafly, Davis & Dicus, 824 S.W.2d 92, 98 (Mo. Ct. App. 1992) (“[T]he attorney must be required to turn over to his client any documents for which the client has bargained and paid.”).

The best example of a document properly withheld here is one containing a litigation adversary’s secret information produced in discovery with the understanding that it is for the requesting lawyers’ eyes only, and will not be shared with their client. Other law entitling firms to withhold documents from clients plainly does not include the work product doctrine. Lawyers cannot invoke work product immunity to withhold the fruits of their professional labors from clients. Generally speaking, if law firms want to withhold documents from clients, they should either not charge for their preparation or be ready to refund the fees charged when called upon to deliver the documents to the client. Alternatively, a firm and client might contractually agree that the firm is not obligated to turn over all documents within a file, but could instead withhold certain types or categories of material. Such an agreement could easily be detailed in an engagement letter.

Finally, five additional points merit passing attention. First, subject to the law governing retaining liens in a particular jurisdiction, clients are generally entitled to the return of original documents and property they furnish to their lawyers even if ownership of other file materials is legitimately disputed. Second, lawyers may never withhold from clients or successor counsel documents obtained or prepared at public expense. This is most

259. See Sup. Ct. of Tex., Prof’l Ethics Comm., Op. 570, 2006 WL 2038682, at *3 (2006) (listing as examples of information that might be withheld from a client “notes that contain information obtained in discovery subject to a court’s protective order forbidding disclosure . . . to the client, notes where the disclosure would violate the lawyer’s duty to another person, and notes containing information that could reasonably be expected to cause serious harm to a mentally ill client”); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 46 cmt. c (2000) (offering as examples of documents that might be withheld: those shielded by a court’s protective order, documents that a lawyer reasonably believes might be used by the client to commit a crime, or documents containing another client’s confidences).


262. Martin, 140 F.R.D. at 320.

263. See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 46(3) cmt. c (2000) (qualifying this duty).

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often an issue in appointed cases. Third, in unusual cases, there may be categories of clients that are not necessarily entitled to copies of lawyers' files. In Wyly v. Milberg Weiss Bershad & Shulman, LLP,\textsuperscript{265} for example, New York's highest court held that absent class members are entitled to class counsel's files upon conclusion of a matter only if they have a substantial financial interest in the class action's outcome and they can demonstrate a legitimate need for the requested documents.\textsuperscript{266} Fourth, the fact that a lawyer provides a client with copies of materials over the course of a representation does not eliminate the lawyer's duty to provide those documents again when transferring a file. A lawyer cannot withhold documents to which a client is entitled on the basis that they are duplicates.\textsuperscript{267} Fifth, at least one court has concluded that in the context of a dispute over file ownership, a law firm's bills or invoices are its property and not clients' property.\textsuperscript{268} The fact that a law firm places copies of bills in clients' files does not transform the bills into the clients' property.\textsuperscript{269} Thus, a firm may decline to furnish copies of its bills when delivering a file to a former client.\textsuperscript{270}

The idea that a firm can withhold copies of its bills on the basis that they are not clients' property makes no sense. Bills are communications to a client about a lawyer's services;\textsuperscript{271} in fact, they may be the most regular form of communication clients have with their lawyers. If lawyers can withhold their bills when returning or transferring files, then they can presumably withhold other client communications, such as correspondence. That is clearly not the case, of course, and no court would dare dream of recognizing that approach. Furthermore, implied in every contract between a lawyer and a client is "the client's right to know what the attorney did or does, and how much time he took to do it."\textsuperscript{272} Clients pay for the activities reflected on bills. They have a right to judge the reasonableness of their fees even after a representation concludes; exercising that right requires access to their bills. In addition, allowing lawyers to withhold their bills when returning or transferring files also ignores the rule that lawyers cannot with-
hold documents to which clients are entitled because they are duplicates. Finally, unlike purely internal documents that firms may legitimately withhold even in entire file jurisdictions, bills are unquestionably intended for delivery to clients. Bills are simply not internal documents. The fact that lawyers prepare bills for their own benefit does not affect this analysis. For example, lawyers correspond with clients to satisfy their ethical duty of communication, yet lawyers’ self-interest does not then justify withholding copies of their letters when clients request their files. In summary, there is ample reason to believe that many courts will not allow lawyers to withhold copies of their bills when returning or transferring files. That is unquestionably the better approach.

D. COST ALLOCATION

Cost is a common concern when a lawyer is requested to deliver a file to a former client or to the client’s new lawyer. A lawyer may have to pay to retrieve a file from storage, assembling or organizing a file may require appreciable staff time, a file may need to be commercially delivered or shipped, copying costs may be incurred, and so on. Lawyers may need or want to keep copies of file documents for a variety of good reasons, including the protection of their own interests in the event of a malpractice claim, or to satisfy rules or regulations requiring the maintenance of certain records. As a general rule, lawyers who wish to retain copies of client file documents for their own purposes may do so at their expense, even if a client objects. With rare exception, lawyers may not charge clients for


274. See, e.g., Moore v. Ackerman, 876 N.Y.S.2d 831, 837 (N.Y. Sup. Ct. 2009) (noting lawyers’ obligation to maintain “bookkeeping records” and files in certain types of cases, and thus allowing lawyers to charge clients for copies kept to satisfy recordkeeping requirement).


such copies unless they clearly provide for that expense in their engagement agreements. 278 An engagement provision stating that a client will be charged for copies made as part of a representation will not permit a lawyer to charge a client for copies of file documents upon termination of a representation; those are different agreements or obligations. 279 Any copying costs charged to a client must be reasonable. 280

Copying aside, lawyers may charge clients or former clients to assemble, retrieve or deliver files. 281 Again, associated charges must be reasonable. A lawyer cannot, for example, charge a former client to assemble a file for transfer if the lawyer already charged for file assembly during the representation. 282 Furthermore, because a client understandably expects a lawyer's files to be reasonably well-organized during the course of a normal representation, a lawyer should not charge a client for fundamental filing or organizational tasks when returning or transferring a file. 283

E. ELECTRONIC FILES OR RECORDS

Today, much information created in law firms and produced by clients is generated and stored electronically. It is therefore to be expected that electronic records requests and disputes will become a regular feature on the client-file landscape. An increasingly common issue is whether a law firm must provide a former client or departing lawyer with electronic copies

278. See Adams v. Putnam County, 658 S.E.2d 805, 806-07 (Ga. Ct. App. 2008) (noting the absence of such an agreement in holding that lawyer could not charge client for copies of file documents); In re X.Y., 529 N.W.2d at 690 (suggesting that lawyers can provide for such costs in engagement agreements); Averill, 761 A.2d at 1084, 1092 (stating requirement for clear indication of post-representation copy cost provision in fee agreements).

279. Adams, 658 S.E.2d at 806-07.

280. See, e.g., Apa, 402 F. Supp. 2d at 1250-51 (rejecting copying charge of $0.37 per page as unreasonable and reducing it to $0.25 per page); Moore, 876 N.Y.S.2d at 838 (questioning $0.75 per page copying charge and setting hearing to determine reasonableness).


282. See Sage Realty, 689 N.E.2d at 883 (concluding that as a general rule, “unless a law firm has already been paid for assemblage and delivery of documents to the client, performing that function is properly chargeable to the client under customary fee schedules of the firm, or pursuant to the terms of any governing retainer agreement”).

283. La. St. Bar Ass’n, Rules of Prof’l Conduct Comm., Pub. Op. 05-RPCC-003, at 6 (2005) (“If it is reasonable for the client to expect the files to be relatively organized based upon the fees paid prior to termination, it would be unreasonable to charge additional fees for any time required to organize the files to that level—i.e., to do what the lawyer has presumably already been paid to do.”).
of documents where paper copies of the documents have been furnished to
the client or successor counsel, or to a departing lawyer. From a firm’s
standpoint, producing materials in electronic form in these circumstances is
inconvenient, redundant, and unnecessary. In some cases it may be expen-
sive in terms of lawyer or staff time dedicated to the task. A firm may not
want to confer advantages on competing lawyers by furnishing documents
in a format that allows them to be easily cut-and-pasted into others. For
clients and departing lawyers, on the other hand, electronic files have many
advantages, ranging from the ability to search the documents to ease and
cost of retrieval and storage of the documents. Electronic documents can be
easily altered or copied for other uses—the ability to cut-and-paste is desir-
able on this end—and they may contain metadata to which a client or de-
parting lawyer wants access. In any event, state ethics committees that have
considered these issues have so far favored clients and departing lawyers in
electronic records requests.

In a 2007 opinion, the State Bar of California Standing Committee on
Professional Responsibility and Conduct addressed a lawyer’s obligation to
provide electronic files to a client for use by successor counsel in litigation
and transactional matters. The client replaced Attorney A with Attorney B
in the underlying matters. Then, as the committee explained:

Client has requested Attorney A to release to Client all of
Client’s papers and property. . . . Client has requested an
electronic version of the pleadings . . . expressing an intent
to make them available to Attorney B for reuse, by elec-
tronic “cutting” and “pasting,” in drafting new documents
in the litigation as it progresses, and an electronic version
of the discovery requests and responses, expressing the
same intent. Client has also requested the electronic deposi-
tion and exhibit database, expressing an intent to make it
available to Attorney B for use in discovery, trial prepara-
tion, and trial itself. Client has additionally requested an
electronic version of the transactional documents in the
[transactional] matter, expressing an intent to make them
available to Attorney B to safeguard Client’s interests as
questions or disputes arise . . . . As to each representation,
Client has requested an electronic version of the e-mail cor-
respondence, for ease of searching its contents.

285. Id. at *2 (emphasis added).
Attorney A refused to provide the electronic documents on the basis that they contained metadata reflecting other clients' confidential information.286

Under California Rule of Professional Conduct 3-700(D), a lawyer whose employment is terminated must promptly release to the client upon request all of the client’s papers and property.287 The information requested by the client here clearly fell within the materials covered by Rule 3-700(D). The fact that the documents were sought in electronic form was immaterial.288 The client was presumptively entitled to all of the materials requested.289 With respect to Attorney A’s claim, that he could not provide the materials because they contained metadata, the committee concluded that he would have to take “reasonable steps to strip any metadata reflecting confidential information belonging to other clients from any of the electronic items” before furnishing them to the client.290

In 2006, the New Hampshire Bar Association Ethics Committee was presented with this question: “Does a law firm have the obligation to relinquish all electronic communications and electronic documents maintained in the firm’s computer network concerning its representation of former clients to an attorney who has left the firm and who will continue to represent the clients in a different law firm?”291 The answer to that question was unequivocally “yes,” even if the client’s request burdened the firm.292 As the committee saw matters, any “burden [could] be managed, in any event, through computer word search functions or other means that are routinely used for discovery or other purposes.”293

In 2001, the Illinois State Bar Association Committee on Professional Conduct opined that a law firm was required to download a departing lawyer’s client files onto disks.294 The committee considered the departing lawyer’s request that the files be loaded onto disks to be reasonable and noted that the affected clients were entitled to receive their files in the format in which the firm maintained them.295 In holding as it did, the committee noted that the law firm could easily download the requested files and any burden associated with that task was minimal when compared with the prospect of the departing lawyer having to review the hard copies of the

286. Id.
287. Id. (quoting CAL. R. PROF’L CONDUCT 3-700(D) (2005)).
288. Id. at *4.
290. Id.
292. Id. at 2.
293. Id.
295. Id.
files to determine what documents might be missing.\textsuperscript{296} In the unlikely event that there was any expense associated with the downloading, the firm was entitled to recoup its reasonable costs.\textsuperscript{297}

The majority rule that clients are presumptively entitled to their entire files should apply to electronic files just as it does to traditional media.\textsuperscript{298} There is no reason, for example, to distinguish between e-mails and letters; clients are just as entitled to copies of the former as they are the latter. If requests for electronic materials by clients or departing lawyers are excessively burdensome or otherwise unreasonable, it is up to firms to explain to courts their inability to satisfy them, or to justify the client or lawyer bearing the expense of any exceptional undertaking in retrieving, sorting or transmitting the materials. If producing a client’s file in electronic form will be a significant expense, the firm should inform the client of this fact so that the client can decide whether the expense is worth incurring.\textsuperscript{299} If a firm must employ a vendor to retrieve electronic documents for a client, for example, it is generally reasonable for the client to bear the associated expense.\textsuperscript{300} It seems likely, however, that in some instances it will be easier and cheaper for law firms to provide electronic copies of files rather than paper ones. As with hard copies of files, law firms and clients presumably can agree contractually on the manner or cost of transferring or retrieving electronic information, and the nature or scope of the firm’s obligation. Generally speaking, lawyers who provide clients with files in electronic form must do so in a manner that will allow the clients to retrieve the information using common and reasonably-priced hardware and software.\textsuperscript{301}

Of course, even entire file jurisdictions recognize an exception for purely internal law firm documents, and that same exception logically applies to digital information. Thus, and by way of example, clients are not presumptively entitled to copies of “e-mail communications between lawyers of the same law firm that are ‘intended for internal law office review and use’ and are ‘unlikely to be of any significant usefulness to the client or to a successor attorney’.”\textsuperscript{302}

\textsuperscript{296} Id.
\textsuperscript{297} Id.
V. CONCLUSION

Lateral movement by lawyers between law firms is now common among both partners or shareholders and associates. Ours is an age of lawyer mobility. It is also an age of client transience. While clients move from firm to firm with lateral lawyers who serve them, they also shift relationships on their own. Understandably, lawyer and client mobility have given rise to questions about possible law firm property rights. Among other things, law firms may perceive needs to protect their client lists and data compilations as trade secrets, or seek to shield them from competitors by enforcing departing lawyers’ fiduciary duties. In addition to client lists and data, law firms commonly maintain other documents and information that they consider to be their intellectual capital or intellectual property. All such materials, no matter where maintained and regardless of practice area, are valuable resources for lawyers undertaking new assignments or representations. Accordingly, firms may want to prevent their transfer to competing law firms via departing lawyers. Finally, there is the common and often annoying issue of former clients’ access to materials in their files.

None of these issues are exotic or exciting. Law firms’ protection of their intellectual capital or property is, however, a critically important concern in today’s environment. Prudent firms will address these issues in manners compatible with their cultures. Less attentive firms that fail to plan or conduct their affairs proactively risk unnecessary, expensive and disadvantageous controversies.