

DYNAMIC 3D GEOSOLUTIONS LLC v. SCHLUMBERGER, Appeal Nos. 2015-1628, 2015-1629 (Fed. Cir. September 12, 2016). Before Lourie, Wallach, and Hughes. Appealed from W.D. Tex. (Judge Yeakel).

Background:

Schlumberger hired Charlotte Rutherford in 2006 as a senior counsel in the IP Department. Rutherford eventually advanced to Deputy General Counsel for IP. While at Schlumberger, Ms. Rutherford managed a copyright suit involving Schlumberger's Petrel software, and a project that evaluated the risk of lawsuits against Petrel. One product that was analyzed was RECON software, the commercial embodiment of an invention that issued as the 319 patent in 2011.

In 2013, Rutherford left Schlumberger and joined Acacia as Senior VP and Associate General Counsel. Dynamic 3D was formed as a patent holding entity owned by Acacia, and acquired the 319 patent. Rutherford, with Acacia's in-house counsel, eventually retained the CEP law firm to file a lawsuit against Schlumberger asserting that Petrel infringed the 319 patent, alleging actual knowledge by Schlumberger as early as the issuance of the 319 patent in 2011 (when Rutherford still worked for Schlumberger).

Schlumberger moved to disqualify Rutherford, Acacia's in-house counsel and CEP for conflict of interest and dismiss its patent infringement complaint without prejudice. The District Court granted the motion. Dynamic 3D and Acacia appealed.

Issue/Holding:

Did the district court err in granting the motion to disqualify Rutherford, Acacia's in-house counsel and CEP? No, affirmed.

Discussion:

In making their determination, the Federal Circuit looked to the Texas Rules of Professional Conduct, ABA Model Rules and federal case law. The Federal Circuit noted Rutherford's roles at Schlumberger and her involvement in a project evaluating the Schlumberger product later accused of infringement. The Federal Circuit agreed with the district court because Rutherford's work for Schlumberger and for Acacia and Dynamic 3D was substantially related. This created an irrebuttable presumption that Rutherford possessed Schlumberger's confidential information.

The Federal Circuit also agreed that Rutherford's interactions with Acacia in-house counsel and CEP warranted that Rutherford's knowledge be imputed to those attorneys and that those attorneys be disqualified from representing Dynamic 3D. The Federal Circuit held that while there was a rebuttable presumption that Rutherford had shared Schlumberger's confidential information with the Acacia in-house counsel and CEP, Acacia admittedly failed to screen Rutherford to prevent the confidential information from being used. The Federal Circuit further noted that there was evidence of actual disclosure to Acacia and CEP by Rutherford.

Noting that Rutherford's actions contaminated all aspects of the case, the Federal Circuit also agreed with the district court's decision to dismiss the case without prejudice and require Dynamic 3D file a new complaint rather than to continue "drawing from a poisoned well."