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IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FOURTH APPELLATE DISTRICT

DIVISION THREE

PERLAN THERAPEUTICS, INC.,

Plaintiff and Appellant,

v.

NEXBIO, INC., et al.,

Defendants and Respondents.

G047136

(Super. Ct. No. GIC871276)

O P I N I O N

Appeal from an order of the Superior Court of San Diego County, Joan Marie Lewis, Judge. Reversed.

Law Office of Martin N. Buchanan and Martin N. Buchanan for Plaintiff and Appellant.

Quinn Emanuel Urquhart & Sullivan, Dominic Surprenant, Joseph M. Paunovich, Daniel H. Bromberg; Schwartz Semerdjian Ballard & Cauley, and Dick Semerdjian for Defendants and Respondents.

* * *

Defendants NexBio, Inc. (NexBio), Fang Fang, and Mang Yu moved to disqualify counsel for plaintiff Perlan Therapeutics, Inc. (Perlan) on grounds Perlan’s counsel had formerly represented Fang and had access to material confidential information. The court granted defendants’ disqualification motion.

On appeal, Perlan argues the disqualification order must be reversed because (1) there is no competent evidence its counsel ever represented Fang personally, (2) even if there was an attorney-client relationship, its counsel represented Fang and Perlan jointly, and therefore Fang had no expectation any information would be kept confidential from Perlan, and (3) Fang disclosed no material confidential information to Perlan’s counsel because any material information is contained in publicly available patent applications. We reverse the order because the trial court erred in reaching the legal conclusion that an attorney-client relationship existed between Perlan’s counsel and Fang individually.¹

FACTS

In 1997, Fang invented ColdSol, a drug concept to combat the common cold by multimerizing various molecules. Anthony Chen was a friend of both Fang and her husband, defendant Mang Yu. Chen was an associate attorney at the law firm, Lyon & Lyon. Between December 1997 and June 1998, Chen filed three United States patent applications (the three U.S. applications) for ColdSol naming Fang as the inventor and applicant. On the application forms, Chen listed only his own name (without mention of Lyon & Lyon) and his home address for contact information. He filed each application

¹ “[A]n order granting or denying a motion to disqualify an attorney is appealable” (*Truck Ins. Exchange v. Fireman’s Fund Ins. Co.* (1992) 6 Cal.App.4th 1050, 1052, fn. 1.)

separately — in December 1997, April 1998, and June 1998, respectively. According to Fang’s deposition testimony, Chen filed the applications as a “one-time favor for” Yu.

Fang and Yu were the original shareholders of Perlan.² In order to find investors, Yu decided the ColdSol technology should be licensed to Perlan.

In August 1998, Chen sent a cover letter to Yu (Perlan’s representative). The letter was *not* on Lyon & Lyon letterhead, made no mention of Lyon & Lyon, and was signed by Chen specifying his home address. The letter enclosed a license agreement Chen had drafted at “[Yu’s] request on behalf of [Perlan].” The agreement set forth a license from Fang to Perlan of the three U.S. applications which Chen had drafted and filed at “[Yu’s] request on behalf of [Perlan].”

Chen was the only attorney involved in preparing the three U.S. applications and the first license agreement between Fang and Perlan. Chen essentially represented both Fang and Perlan. According to Yu’s deposition testimony, there was “no formal agreement” that Chen was representing Perlan and Fang because Chen “couldn’t.”

In November 1998, Chen filed an international patent application naming Perlan as the applicant for all countries except the United States. As to the United States only, the application named Fang as the inventor and applicant. Chen listed himself *and Lyon & Lyon* as the agent and gave Lyon & Lyon’s Los Angeles business address as the address for correspondence. This is the earliest document in the record that mentions Lyon & Lyon. At the time, Richard Warburg was a partner, and Chen was still an associate, of Lyon & Lyon.

² At the time, Perlan had a different name. The operative complaint alleges that a company named CFY Biomedicals Inc., changed its name to Perlan Therapeutics, Inc., in March 2001. In this opinion, we refer to Perlan and CFY Biomedicals Inc. collectively as “Perlan.”

On December 16, 1998, Perlan executed a power of attorney. On the same date, Fang signed an identical power of attorney on behalf of herself as inventor. Each power of attorney authorized 53 named attorneys, including Chen and Warburg, and all of Lyon & Lyon's Los Angeles office "to represent me (us) as applicant . . . before the competent International Authorities in connection with the international patent application" The 53 attorneys named on each power of attorney included 38 of the 39 partners listed in Lyon & Lyon's 1998 directory, as well as 11 associates and four "of counsel."

On December 28, 1998, Yu, as president of Perlan, wrote a letter on Perlan letterhead to Chen at Lyon & Lyon's San Diego (La Jolla) address. Yu was responding to Lyon & Lyon's notice "of payment of [international patent application] fees for [Perlan]." Yu authorized Perlan to pay the fees for the international patent application and stated that Perlan would reimburse the firm.

On January 12, 1999, Chen sent a formal engagement letter on his Lyon & Lyon letterhead addressed to Yu as President of Perlan, confirming Yu's request that Lyon & Lyon provide legal services in connection with patent applications and other intellectual property related matters. Yu signed the engagement letter on behalf of Perlan. Two days later, Chen wrote a letter on Lyon & Lyon letterhead to the International Services Division, enclosing, "[i]n response to the [International Services Division's] Invitation to Correct Defects," Perlan's and Fang's December 16, 1998 powers of attorney.

In three license agreements dated between March 1999 and October 2000, Fang granted Perlan an exclusive, worldwide, and irrevocable license to make, use, sell, practice and otherwise exploit the licensed technology. In return, Perlan agreed to pay royalties to Fang. The licensed technology included (1) the three U.S. applications and any U.S. and international patent applications based on the three U.S. applications (the Patent Rights), and (2) "any *confidential* or other information and materials related to the

ColdSol Technology” (italics added), including “any improvements” to the ColdSol Technology. The agreements gave Perlan “the sole right to control the preparation, filing, prosecution and maintenance of the Patent Rights, . . . using patent counsel of its choice.” Perlan was to provide Fang an opportunity to review and comment on proposed submissions to any patent office and was to keep her informed of the status of patent applications. Fang was obligated to cooperate in any proceeding to enforce the Patent Rights, including executing documents at Perlan’s request. Lyon & Lyon is nowhere mentioned in the license agreements. The October 2000 agreement, unlike the first two agreements, provided that notices to the licensee were to be sent to Perlan and to Pillsbury Madison & Sutro; notices to the licensor were to be sent to Fang’s own address.

In May 1999, Perlan paid Chen for his work by issuing him 50,000 shares of stock in his own name.

Chen left Lyon & Lyon sometime in 1999. In early 2000, Warburg left Lyon & Lyon.

In a December 2001 e-mail to an attorney at Pillsbury Winthrop, Yu explained that the three U.S. applications “were filed by Fang’s lawyer friend, Tony Chen, from his home address.” Yu further stated that the ColdSol technology was licensed to Perlan for purposes of the international patent application, and that Perlan (as the licensee) had hired Lyon & Lyon.

In August 2006, Perlan filed this action against Fang, Yu, and NexBio. The operative complaint alleged that in August 2002, while Fang was still an officer and director of Perlan, she and Yu secretly formed NexBio “to wrongfully exploit and misappropriate the Perlan technology, inventions, and other proprietary information they converted and misappropriated from Perlan.” The complaint’s second cause of action (for breach of license) alleged Fang breached the license agreements by failing to provide Perlan rights to all improvements to the ColdSol Technology.

Sometime later, and at least by March 2011, The McClellan Law Firm began representing Perlan.

Defendants' Disqualification Motion

In March 2012, defendants moved to disqualify The McClellan Law Firm on grounds the firm had associated itself with Richard Warburg, who “formerly represented Dr. Fang in substantially related matters and had access to confidential information substantially related to the subject matter of this lawsuit by way of his partnership position at the San Diego office of the law firm Lyon & Lyon, LLP.”

In declarations supporting defendants' disqualification motion, former attorneys of Lyon & Lyon declared that Warburg and Chen had worked at Lyon & Lyon's San Diego office, where about 20 attorneys and law clerks worked on prosecuting biotechnology patent applications. Warburg headed the biotechnology patent prosecution and transactional practice of the San Diego office and commonly supervised associates on biotechnology patent prosecution and transactional matters. James Nolan, who was an associate attorney at Lyon & Lyon in 1999, worked on “a patent application that had something to do with a treatment for the common cold” and believed that Warburg had told him about the case. “As head of the biotech patent prosecution group of the San Diego office of Lyon & Lyon[, Warburg] would have been responsible for deciding who should mind the case and work on it . . . ; at the very least he would have been aware of the case, its status and the details of its prosecution.”

In support of defendants' disqualification motion, defendants' counsel declared that prior to February 13, 2012, he had been aware of only two attorneys at The McClellan Law Firm — Craig McClellan and Rob Chambers. On February 13, 2012, two “new” attorneys for Perlan arrived for Yu's deposition. These new attorneys were Warburg and R. Kelly Moore. “Over objection,” Perlan's counsel proceeded to take Yu's deposition.

In support of defendants' disqualification motion, Fang declared that she invented ColdSol in 1997, and, in order to protect her invention, "retained the Lyon & Lyon law firm as [her] personal counsel" to draft, file, and maintain certain patent applications, specifically including the three U.S. applications. She executed a power of attorney at Lyon & Lyon's direction "for the above listed patent applications." Fang shared confidential information with her "attorneys at Lyon & Lyon about what the ColdSol invention and multimerizing technology does and does not cover." Her "attorneys, who were responsible for prosecuting the ColdSol patent applications, had to review [her] work and dozens of prior art in order to fully understand the scope of [her] invention." Fang's attorneys and Fang "exchanged information [she] believed was confidential and protected by attorney-client privilege regarding [her] invention." Lyon & Lyon were Fang's attorneys for over one year before she agreed to license her ColdSol patents to Perlan. "At the direction and pursuant to the advice of Lyon & Lyon attorneys, and specifically Anthony Chen, [she] licensed the patent applications to Perlan . . . in three license agreements." In the current lawsuit, Warburg "directly interrogated [Yu and her] about the specifics of multimerization and whether part of NexBio's technology was taken from [her] ColdSol patent applications. Richard Warburg is trying to prove that NexBio's technology is an improvement of the very ColdSol patent applications that he prosecuted on [her] behalf, and he is making this effort against [her] interests in this lawsuit."³

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The court sustained Perlan's evidentiary objections to legal conclusions in Fang's declaration that (1) in the late 1990s, Warburg of Lyon & Lyon was her attorney, (2) the power of attorney identified attorneys who were her personal attorneys with respect to her patent applications, (3) Warburg was her attorney and representative for purposes of protecting her interests as an inventor of the ColdSol patent applications, and (4) Lyon & Lyon represented her individually as her personal counsel.

Perlan's Opposition to Defendants' Disqualification Motion

In opposition to the motion, Perlan argued that (1) Fang never had an attorney-client relationship with either Lyon & Lyon or Warburg; (2) even if there was an attorney-client relationship, the matters were not substantially related and Warburg would not have obtained any relevant confidential information; (3) defendants had waived any purported conflict of interest; and (4) Fang had waived any privileged attorney-client communications.

In Warburg's declaration supporting Perlan's opposition to defendants' disqualification motion, he declared he was not personally involved in Lyon & Lyon's representation of Perlan and had no recollection of ever personally becoming aware of any information from or about Perlan while at Lyon & Lyon. To the best of Warburg's recollection, he had not met Fang or Yu prior to the depositions for this case and had not received or become privy to any confidential information from Fang, Yu, or NexBio. Neither he nor the Lyon & Lyon firm ever represented Fang. The international patent application lists Fang "as an inventor and applicant for the purpose of the United States only," because in "the United States (unlike other countries) the inventor must be the 'applicant' on patent applications." Fang's power of attorney was a standard form used to name multiple Lyon & Lyon attorneys to empower the firm to take necessary actions if a particular attorney was unavailable. He did not see Fang's power of attorney at the time she signed it nor had he approved being identified as one of the attorneys empowered to take actions in prosecuting the international patent application. Fang's power of attorney "is not an engagement letter creating an attorney-client relationship, but rather is a power of attorney granting Lyon & Lyon authority to act with regard to the" international patent application filed on behalf of Perlan. "Only one common representative entity can serve as an agent before the United States Patent Office." "In this case, engagement of Lyon & Lyon by [Perlan], coupled with the lack of an engagement of Lyon & Lyon by Fang Fang, indicates that the . . . power of attorney

document was executed by Fang Fang solely so that [Perlan], with the assistance of Lyon & Lyon, could manage the prosecution of the” international patent application. “It appears that the only work performed at Lyon & Lyon was related to the [international patent] filing itself, which involved no conveyance of information that did not ultimately become public within a few months.”

In McClellan’s declaration supporting Perlan’s opposition to defendants’ disqualification motion, he declared Warburg is a molecular biologist. Due to Warburg’s expertise in molecular biology, McClellan asked him to become of-counsel to The McClellan Law Firm and to conduct the scientific aspects of Fang’s and Yu’s depositions. When Warburg and McClellan arrived for Yu’s deposition on February 13, 2012, NexBio’s in-house counsel recognized Warburg as a former colleague from Lyon & Lyon. Defense counsel was aware of Warburg’s former affiliation with Lyon & Lyon before the deposition began. No one objected to Warburg’s presence on the ground he had a conflict of interest or on any other ground.

In a declaration supporting Perlan’s opposition to defendants’ disqualification motion, a former attorney at Lyon & Lyon declared he took over the ColdSol matter from Chen after Chen left the firm. The only Lyon & Lyon attorneys he talked to regarding the ColdSol matter were Chen and Jeff Guise.

At the hearing on the disqualification motion, McClellan advised the court that Warburg joined the law firm, Foley Lardner, after leaving Lyon & Lyon. Foley Lardner began representing Perlan in 2007. Warburg’s involvement in the case through Foley Lardner was one reason why McClellan asked Warburg to join his firm as of-counsel.

The Court’s Ruling

At the hearing on the disqualification motion, the court stated, “[T]his wasn’t a very simple decision to make on either side.” In an April 18, 2012 order, the

court granted defendants' motion to disqualify The McClellan Law Firm and Warburg as Perlan's counsel. The court concluded that an attorney-client relationship existed between Fang and Lyon & Lyon. The court further concluded that, based on the power of attorney, an attorney-client relationship existed "between Fang and Warburg with respect to, at a minimum, the patent applications." The court also ruled (1) defendants had met their burden of satisfying the substantial relationship test and/or modified substantial relationship test for disqualification in successive representation cases, and (2) there is no joint client exception to the prohibition against representation adverse to a former client. Accordingly, the court disqualified Warburg and The McClellan Law Firm as counsel for Perlan.

DISCUSSION

The Court Erred by Concluding that an Attorney-client Relationship Existed Between Fang and Lyon & Lyon

Perlan contends Fang failed to meet her burden to show that Lyon & Lyon represented her personally. It argues the record shows Chen was moonlighting as a favor to his friends when he filed the three U.S. applications and drafted the first license agreement. Perlan claims it retained Lyon & Lyon to prosecute an international patent application and that the power of attorney signed by Fang did not establish a separate attorney-client relationship between her and Lyon & Lyon. Perlan argues that, "[i]n the absence of any supporting facts, Dr. Fang's unilateral declaration that she personally retained the Lyon & Lyon firm in 1997 is not competent evidence of an attorney-client relationship."

On a party's motion, a court may "'disqualify an opposing attorney from participating in a trial when . . . the attorney improperly seeks to proceed against a former client.'" (*City National Bank v. Adams* (2002) 96 Cal.App.4th 315, 323.) An attorney

bears a duty of confidentiality to a client that “survives the termination of the attorney’s representation.” (*City and County of San Francisco v. Cobra Solutions, Inc.* (2006) 38 Cal.4th 839, 846; Bus. & Prof. Code, § 6068, subd. (e)(1).) Thus, when an attorney seeks to *successively* represent clients with potential or actual adverse interests (*Jessen v. Hartford Casualty Ins. Co.* (2003) 111 Cal.App.4th 698, 705), rule 3-310(E) of the State Bar Rules of Professional Conduct prohibits the attorney from accepting, without the former client’s consent, employment adverse to the former client if the attorney obtained material confidential information by representing the former client.

Before an attorney may be disqualified in a successive representation case, it must first be established that the purported former client was actually “‘represented’ by the attorney in a manner giving rise to an attorney-client relationship.” (*Civil Service Com. v. Superior Court* (1984) 163 Cal.App.3d 70, 77.) “Where the relationship of attorney and client was never in fact created between the attorney and the complaining party there is no disqualification for acting for another against that party.” (*Kraus v. Davis* (1970) 6 Cal.App.3d 484, 490-491.) “The burden is on the party seeking disqualification to establish the attorney-client relationship.” (*Koo v. Rubio’s Restaurants, Inc.* (2003) 109 Cal.App.4th 719, 729 (*Koo*).)

“An attorney-client relationship is not created by the unilateral declaration of one party to the relationship. (See *Fox v. Pollack* (1986) 181 Cal.App.3d 954, 959 . . . [individuals cannot unilaterally create an attorney-client relationship without the agreement of the attorney].) Rather, the relationship can only be created by contract, express or implied.” (*Koo, supra*, 109 Cal.App.4th at p. 729.) “An implied contract is one, the existence and terms of which are manifested by conduct.” (Civ. Code, § 1621.) “‘The distinction between *express* and *implied in fact* contracts relates only to the *manifestation of assent*; both types are based upon the expressed or apparent intention of the parties.’” (*Responsible Citizens v. Superior Court* (1993) 16 Cal.App.4th 1717, 1733 (*Responsible Citizens*).) As to implied contracts, “[i]t is the intent and conduct of the

parties which is critical to the formation of the attorney-client relationship.” (*Hecht v. Superior Court* (1987) 192 Cal.App.3d 560, 565.)

A party’s subjective belief that an attorney-client relationship exists is insufficient to create such a relationship; therefore, hindsight beliefs that the relationship existed are legally irrelevant. (*Zenith Ins. Co. v. O’Connor* (2007) 148 Cal.App.4th 998, 1010.) Instead, evidentiary facts must support the assertion. (*Fox v. Pollack* (1986) 181 Cal.App.3d 954, 959.)

“The question of whether an attorney-client relationship exists is one of law. [Citations.] However, when the evidence is conflicting, the factual basis for the determination must be determined before the legal question is addressed.” (*Responsible Citizens, supra*, 16 Cal.App.4th at p. 1733.)

Here, the evidence is conflicting. Accordingly, before addressing the legal question, we review the court’s expressed factual basis for its determination an attorney-client relationship existed between Fang and Lyon & Lyon. The court made no express factual findings, but simply listed the exhibits and declarations we discuss individually below.

The court cited as support the formal engagement letter between *Perlan* and Lyon & Lyon. Far from providing evidentiary support of an attorney-client relationship between *Fang* and Lyon & Lyon, this letter raises the question why Fang did not produce a retainer agreement between herself and the firm (as it was apparently the firm’s policy to require one), and did not even declare that such an agreement existed.

The court also cited as support the three license agreements between Fang and *Perlan*. As noted above, the license agreements do not mention Lyon & Lyon. The cover letter for what was apparently the draft version of the first license agreement was sent by Chen to Yu at *Perlan* and stated Chen had drafted the license agreement at Yu’s request on behalf of *Perlan*. The letter was *not* on Lyon & Lyon letterhead and was signed by Chen specifying his home address. These license agreements provide no

evidence of an attorney-client relationship between Fang and Lyon & Lyon. Indeed, given that Perlan (the licensee) was clearly a client of Lyon & Lyon with respect to the international patent application, conflict-of-interest rules would have had prevented Lyon & Lyon from simultaneously representing Fang (the licensor), without the parties' informed written consent. (*Flatt v. Superior Court* (1994) 9 Cal.4th 275, 285, fn. 4 [with few exceptions, an attorney may not simultaneously represent clients (even as to unrelated matters) whose interests are adverse to one another].)

The court also cited the declarations of three former Lyon & Lyon attorneys in support of defendants' disqualification motion. These declarations deal with Warburg's position and tenure at the firm, and his probable awareness of "a patent application that had something to do with a treatment for the common cold." The declarations do not mention Fang as a client of the firm and do not suggest that such a relationship existed.

The court also cited Fang's declaration. But Fang's declaration lacks the requisite evidentiary facts to support her conclusory assertions. (*Fox v. Pollack, supra*, 181 Cal.App.3d at p. 959.) Critically, she fails to declare that a contract for legal services existed between her and Lyon & Lyon. She does not declare she entered into a written retainer agreement or that an oral contract was somehow created. She does not declare she was ever billed by or made payments to Lyon & Lyon. She does not declare she received any correspondence from Lyon & Lyon, for example, on the firm's letterhead or signed by an attorney in his or her capacity as a lawyer at the firm. Although she refers to her Lyon & Lyon "attorneys," the only person she mentions is Chen: "[A]t the direction and pursuant to the advice of Lyon & Lyon attorneys, and specifically Anthony Chen, I licensed the patent applications to Perlan . . . in three license agreements." She declares Lyon & Lyon filed the three U.S. applications on her behalf. Yet, even though both she and Yu testified Chen was the only lawyer who worked on the three U.S. applications and the first license agreement, Fang does *not* declare Chen was acting at

that time in his capacity as an associate of Lyon & Lyon. In sum, Fang’s declaration falls short on evidentiary facts and essentially amounts to a unilateral declaration of an attorney-client relationship with the law firm.

Finally, the court relied on Fang’s power of attorney and the international patent application in concluding an attorney-client relationship existed between Fang and Lyon & Lyon. Since the interpretation of these written instruments does not turn upon the credibility of extrinsic evidence, we interpret them de novo.⁴ (*Parsons v. Bristol Development Co.* (1965) 62 Cal.2d 861, 865.) The international patent application lists Perlan as the applicant for all countries except the United States, and Fang as the inventor and applicant for the United States only. Perlan’s and Fang’s identical powers of attorney authorized many Lyon & Lyon attorneys to represent them “as applicant . . . before the competent International Authorities in connection with the international patent application”

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In her declaration, Fang declared she executed the power of attorney at Lyon & Lyon’s direction “for” the three U.S. applications and that the power of attorney identifies attorneys who were her personal attorneys with respect to her patent application. But the declaration states no evidentiary facts as to the circumstances of her execution of the power of attorney, other than the inaccurate statement that she signed the power of attorney for the three U.S. applications. In fact, the power of attorney plainly states it relates only to the international patent application.

“When the declarations submitted in connection with the motion to disqualify do not contain conflicting descriptions of the facts, an appellate court need not defer to the inferences drawn by the trial court in resolving factual disputes for which the parties did not submit direct evidence. [Citation.] In such a situation, the appellate court is concerned with the legal significance of the undisputed facts in the record and reviews the trial court’s decision as a question of law. [Citation.] [¶] The question about which inferences should be drawn from the undisputed facts is significant in cases where the moving party relies on inferences rather than submitting direct evidence of facts that are within its control. Sometimes, omitted facts become conspicuous by their omission [citation] particularly where the motion involved, like a motion to disqualify counsel, has the potential for tactical abuse.” (*Faughn v. Perez* (2006) 145 Cal.App.4th 592, 601.)

In *Sun Studs, Inc. v. Applied Theory Associates, Inc.* (Fed. Cir. 1985) 772 F.2d 1557, the defendant moved to disqualify the plaintiff's law firm. (*Id.* at p. 1565.) The district court granted the motion in part because it concluded the law firm might have previously represented the defendant because the defendant's president (who was an inventor of the patented technology) had signed a power of attorney appointing the law firm to prosecute a patent application for him. (*Id.* at pp. 1565-1566.) The appellate court reversed the district court's disqualification of the law firm. (*Id.* at p. 1570.) The appellate court explained: "General principles of agency law indicate that a power of attorney does not ipso facto create an attorney-client relationship. For example, one who grants a power of attorney for the benefit of a third person does not create an attorney-client relationship between the grantor and the attorney." (*Id.* at p. 1568.) Federal patent law "requires that the *inventor* must apply for the patent" and in most cases sign a power of attorney. (*Ibid.*) Thus, when an inventor is required to assign a patent to another party, it is routine for the inventor to execute an application with a power of attorney appointing the attorneys of the future assignee. (*Ibid.*) "The choice of attorneys, like the filing, is a decision by the assignee, not the inventor. It facilitates payment of filing fees by the assignee and insures that [Patent Office] correspondence from the beginning is directed to the assignee's representatives." (*Ibid.*) Accordingly, "[w]here the former relationship between the inventor and the patent counsel was solely technical in nature, and where the patent counsel in the former relationship was chosen by and at all times was working on behalf of the company rather than the inventor, it should not serve as automatic disqualification that the defendant is the inventor" or that the defendant is a company associated with the inventor. (*Ibid.*)

Here, the trial court distinguished *Sun Studs* as follows: "In *Sun Studs* the inventor had assigned his patent application to the patent holder, something he was *required* to do. In this case, Fang was never required to assign her patent applications to Perlan and, in fact, still maintains ownership rights to the patents." Nonetheless, Perlan

was the intended licensee of the ColdSol technology, as evidenced by its designation as the international patent applicant for all countries (other than the United States) and its retention of Lyon & Lyon as counsel to prosecute the application. Once the license agreements were signed, their terms required Fang to facilitate Perlan's patent application.

We consider the context surrounding the international patent application and the powers of attorney. Whether an attorney-client relationship existed between Fang and Lyon & Lyon during the relevant period can only be implied from the totality of the circumstances. (*Responsible Citizens, supra*, 16 Cal.App.4th at p. 1735.) Yu formed Perlan for the purpose of licensing the ColdSol technology to the company and raising investment money. In August 1998, Chen prepared a draft license agreement on Perlan's behalf. Three months later, Lyon & Lyon filed the international patent application listing Perlan as the applicant for all countries except for the United States, and Fang as the inventor and applicant for the United States (as required by United States patent law). One month later, in response to the International Services Division's request, Perlan and Fang signed powers of attorney and Lyon & Lyon sent the documents to the International Services Division. Perlan paid the international patent application fees. One month later, Perlan and Lyon & Lyon signed an engagement letter memorializing their attorney-client relationship in connection with the international patent application. Given that Perlan engaged Lyon & Lyon to prosecute the international patent application, the law firm obviously represented Perlan as the intended licensee of the ColdSol technology. Subsequently, Fang and Perlan entered into three license agreements which gave Perlan the sole right to prosecute patent applications and to use patent counsel of Perlan's choice. The license agreements obligated Fang to cooperate by signing documents. Fang licensed all confidential information related to the ColdSol technology to Perlan. Finally, in 2001, Yu clarified to Pillsbury Winthrop that

Fang's friend, Chen, had filed the three U.S. applications from his home address, while Perlan had retained Lyon & Lyon to prosecute the international patent application.

Defendants argue the evidence shows Lyon & Lyon represented Fang at least until the law firm entered into an engagement letter with Perlan. We disagree. Under the totality of the circumstances, we do not impute inordinate significance to the two-month delay between the law firm's filing of the international patent application and its entering into the engagement letter with Perlan. As noted above, Perlan was obviously the intended licensee of Fang's invention.

No evidence in the record suggests that Lyon & Lyon ever agreed to represent Fang personally. (*Koo, supra*, 109 Cal.App.4th at p. 732 [no evidence suggested individual managers agreed to be represented by law firm; attorney's unilateral declaration regarding the law firm's representation of the managers "did not, by itself, create the attorney-client relationship required for disqualification"].) It is clear from Lyon & Lyon's engagement letter with Perlan that the law firm had an established procedure for accepting new clients, documenting the scope of the representation, specifying the payment terms for the firm's legal services, and, undoubtedly, avoiding conflicts of interest. A law firm's careful procedure for establishing client relationships should not be defeated by the unilateral declaration of a person who claims, without support, and years after the fact, to have been a client of the firm.

As an associate of Lyon & Lyon, Chen was an employee of the firm. At the time he filed the three U.S. applications and drafted the first license agreement, the facts show he was very deliberately acting outside the scope of his employment. (Compare *PCO, Inc. v. Christensen, Miller, Fink, Jacobs, Glaser, Weil & Shapiro, LLP* (2007) 150 Cal.App.4th 384, 391 [In tort context, a law partnership is vicariously liable for injury caused by a wrongful act of a partner acting in the ordinary course of business of the partnership or with authority of the partnership"].) We do not impute Chen's

personal attorney-client relationship with Fang to his employer, Lyon & Lyon, simply because Chen was an associate of the firm at that time.

Defendants argue that Yu's testimony provides evidence of Fang's attorney-client relationship with Lyon & Lyon. But, in fact, Yu's testimony spoke only to *Chen's* dual representation of Fang and Perlan, and said nothing about Lyon & Lyon.

Insufficient evidence supports the court's implied factual findings, if any. Examining the question de novo, we conclude Fang has failed to meet her burden of establishing that an attorney-client relationship existed between her and Lyon & Lyon.

DISPOSITION

The order is reversed. Perlan is entitled to its costs on appeal.

IKOLA, J.

WE CONCUR:

O'LEARY, P. J.

BEDSWORTH, J.