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Committee on Professional Ethics

Opinion 858 (3/17/11)

Topic: Conditioning in-house attorney's employment on execution of a confidentiality agreement.

Digest: A general counsel licensed in New York may ethically require staff attorneys to sign a confidentiality agreement that arguably extends staff attorney confidentiality obligations, after their employment ends, to information not otherwise protected as confidential information under the New York Rules of Professional Conduct, if the agreement makes plain that such confidentiality obligations do not restrict the staff attorney's right to practice law after termination and do not expand the scope of the staff attorney's duty of confidentiality under the Rules.

Rules: 1.6(a), 1.9(c), 5.6(a)

QUESTION

1. As a condition of an in-house staff attorney's employment or continued employment, may a New York lawyer acting as in-house general counsel for a New York not-for-profit corporation require an in-house staff attorney to enter into an employee confidentiality agreement which (1) prohibits the employee-attorney from disclosing information deemed confidential, including information as to the employer's trade secrets and business and regulatory activities; and (2) contains a "savings clause" providing that the restrictive covenant shall be interpreted consistently with applicable rules of professional conduct and will not restrict the lawyer's right to practice law following employment?

FACTS

2. The inquiring attorney, a New York attorney, is the in-house general counsel of a New York not-for-profit corporation (the "Corporation"). The Corporation has regional offices across the country, including in New York, and it employs in-house staff attorneys who are members of the New York bar. This inquiring attorney wants to require the Corporation's in-house attorneys to enter into the same confidentiality agreement imposed on all other current or prospective employees as a condition of employment or continued employment. The proposed confidentiality agreement is a form agreement intended to have effect in multiple jurisdictions.

3. The Corporation provides regulatory and business services and engages in research and marketing activities. These services and activities involve highly sensitive information. The information that the Corporation seeks to keep confidential may relate to the Corporation and may also relate to its customers, vendors and members.

4. The proposed confidentiality agreement purports to bar employees from using or disclosing information (except as required by the scope of the employee's employment duties) that the Corporation has delineated as confidential. The proposed agreement provides that these confidentiality obligations survive termination of employment – indefinitely as to all trade secrets, and for two years with respect to any other confidential information. However, the proposed confidentiality agreement sets forth exclusions for previously acquired information, public knowledge, or information available from other sources, and sets forth an exception for compliance with court orders.

5. The proposed confidentiality agreement also contains a "savings clause" applicable only to licensed attorneys. The savings clause expressly limits the agreement's confidentiality restrictions by providing that the agreement "shall be interpreted to be consistent with" the applicable rules of professional conduct or ethics rules and that it "shall not expand the scope" of an attorney's duties to maintain privileged and confidential information under any such rules.[1]

OPINION

6. The central question here is whether the proposed confidentiality agreement will restrict an in-house lawyer's right to practice law following employment. Rule 5.6(a)(1)

[1] The proposed agreement that we address in this inquiry provides:

> If I am a licensed attorney, this confidentiality provision is not meant to restrict my right to practice law, after I cease to be an employee, in violation of the applicable rules of professional conduct (such as Rule 5.6 or its equivalent), and the confidentiality provision shall be interpreted to be consistent with all such rules. The confidentiality provision shall not expand the scope of my duty to maintain privileged or confidential information under Rule 1.6, Rule 1.9, or other applicable rules of professional conduct.

of the New York Rules of Professional Conduct (the "Rules") prohibits lawyers from participating in, offering or making agreements that restrict the right of a lawyer to practice law upon the termination of an employment relationship. Specifically, Rule 5.6(a)(1) provides as follows:

> (a) A lawyer shall not participate in offering or making:
>
> (1) a partnership, shareholder, 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 …. [Emphasis added.]

7. The main purposes of Rule 5.6(a)(1) are to protect the ability of clients to choose their counsel freely and to protect the ability of counsel to choose their clients freely. *See* Rule 5.6, cmt. [1] ("An agreement restricting the right of lawyers to practice after leaving a firm not only limits their professional autonomy but also limits the freedom of clients to choose a lawyer."); N.Y. State 129 (1970) ("A covenant restricting a lawyer after leaving the partnership from fully practicing his profession appears … to be an unwarranted restriction on the right of the lawyer to choose his clients in the event they seek his services and an unwarranted restriction on the right of the client to choose the lawyer he wishes to represent him"); *see also Cohen v. Lord, Day & Lord,* 75 N.Y.2d. 95, 98 (1989) ("The purpose of the rule is to ensure that the public has the choice of counsel"). Agreements prohibited by Rule 5.6 have the practical effect of restricting the pool of available attorneys and thus limiting a client's choice of legal counsel and a lawyer's autonomy in accepting new engagements.

8. When one New York lawyer seeks to impose a confidentiality provision on another New York lawyer as a condition of employment, a pivotal question is whether the confidentiality provision defines protected information more expansively than Rule 1.6(a), which itself is quite broad. Rule 1.6(a) provides, in pertinent part, as follows:

> "Confidential information" consists of information gained during or relating to the representation of a client, whatever its source, that is (a) protected by the attorney-client privilege, (b) likely to be embarrassing or detrimental to the client if disclosed, or (c) information that the client has requested be kept confidential. "Confidential information" does not ordinarily include (i) a lawyer's legal knowledge or legal research or (ii) information that is generally known in the local community or in the trade, field or profession to which the information relates.

9. A New York attorney's continuing obligation of confidentiality after termination of employment is almost equally broad, though not unlimited. Rule 1.9(c) provides that a lawyer who has formerly represented a client in a matter, or whose present or former firm has formerly represented a client in a matter, shall not thereafter:

> (1) use confidential information of the former client protected by Rule 1.6 to the disadvantage of the former client, except as these Rules would permit or require with respect to a current client or when the information has become generally known; or
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> (2) reveal confidential information of the former client protected by Rule 1.6 except as these Rules would permit or require with respect to a current client.

10. If the proposed confidentiality agreement protects more information than Rules 1.6(a) and 1.9(c), a New York lawyer who enforces the agreement after an in-house legal employee terminates employment may be violating Rule 5.6(a)(1) by restricting the former in-house lawyer's practice of law. However, as a practical matter, because the definition of confidential information in Rule 1.6 is so broad, most contractual confidentiality provisions are not likely to exceed the scope of a New York lawyer's confidentiality obligations under the Rules.

11. This Committee's prior opinions regarding restrictive covenants that affect competition, and the Committee's prior opinions regarding obligations that restrict a lawyer's right to practice law, arose in the quite different contexts of partnership agreements and settlement agreements. *See* N.Y. State 129 (1970) (lawyer must not "be a party to or participate in a partnership or employment agreement with another lawyer that restricts the right of the lawyer to practice law after the termination of the relationship created by the agreement"); N.Y. State 730 (2000) (lawyers must not enter into a settlement agreement whose overly-broad confidentiality provisions restrict the right of the lawyer to practice law). Thus, N.Y. State 129 and N.Y. State 730 do not control the present situation. Much more closely on point are New Jersey Opinion 708 (2006) ("it may be reasonable for a corporation to request its lawyers to sign a non-disclosure or confidentiality agreement, provided that it does not restrict in any way the lawyer's ability to practice law or seek to expand the confidential nature of information obtained by the in-house lawyer"); and Washington State Advisory Opinion 2100 (2005) (confidentiality provision that dealt specifically with a lawyer's post-employment activities unrelated to the practice of law did not violate Rule 5.6(a)).

12. In any event, the proposed confidentiality agreement in question contains a so-called "savings clause." This savings clause specifically states that, as applied to licensed attorneys, the agreement's provisions are not meant to restrict the employee's post-termination right to practice law in violation of the applicable rules of professional conduct or in violation of the ethics rules of the jurisdictions in which the attorney is licensed. The agreement also provides that it is to be interpreted consistently with all such rules and does not expand the duty to maintain confidentiality under those rules.

13. The effect of this "savings clause" is to make plain that, to the extent the limitations imposed by the proposed agreement appear to be more stringent than the Rules, the limitations in the agreement apply only to an attorney's use and disclosure of information with respect to the practice of law. Thus, even if the contractual

confidentiality provision on its face might be construed to expand the scope of an attorney's confidentiality obligations beyond those provided by the Rules, the savings clause keeps the agreement within the confines of the Rules and renders further analysis under Rule 5.6 unnecessary. *See* Connecticut Informal Opinion 02-05 (2002) (deciding, in connection with a proposed employment agreement that would apply to lawyers, that a savings clause in the agreement "fairly vitiates ethical concerns over executing, procuring execution, and/or enforcement of the agreement while seeking to preserve legitimate non-ethical concerns").

14. We therefore determine that the proposed confidentiality agreement does not run afoul of Rule 5.6(a)(1). In making this determination, this Committee does not reach or imply any conclusion as to whether the confidentiality agreement is enforceable. However, we have noted that "an agreement restricting a lawyer's right to practice law may be enforceable even if it violates the disciplinary rule." N.Y. State 730 (2000) *(citing Feldman v. Minars*, 230 A.D.2d 356 (N.Y. 1st Dep't 1997)). Conversely, a contractual provision that passes ethical muster may be unenforceable. In either case, enforceability is a question of law beyond our jurisdiction.

CONCLUSION

15. A general counsel who is a New York attorney may require in-house staff attorneys to sign a confidentiality agreement that might otherwise extend staff attorney confidentiality obligations, after the employment period, to information not otherwise protected as confidential information under the Rules, if the agreement makes plain that such confidentiality obligations do not restrict the former in-house attorney's right to practice law following employment and do not expand the scope of the attorney's duty of confidentiality under the Rules.

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