UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

MARIELLE ("Molly") KRONBERG,

Plaintiff,

v. **Civil Action No. 1:09-cv-00947-AJT-TJR**

LYNDON LAROUCHE,
BARBARA BOYD,
EIR NEWS SERVICE, INC., and
LYNDON LAROUCHE POLITICAL ACTION COMMITTEE,

Defendants.

DEFENDANTS' SUPPLEMENTAL BRIEF IN SUPPORT OF THEIR JOINT MOTION TO DISQUALIFY FORMER AUSA MARKHAM

With the Court's permission, Defendants, by and through their respective counsel of record, respectfully submit this Supplemental Brief in Support of their joint motion to disqualify Plaintiff's counsel, former AUSA John Markham. As the cases discussed below demonstrate,[1] disqualification under Virginia Rule of Professional Conduct 1.11(c) is not dependent on whether Markham has a present *recollection* of confidential information.[2]

In *Tucker v. George*, 569 F. Supp. 2d 834 (W.D. Wis. 2008), a copy of which was provided to opposing counsel at the hearing, the plaintiff, Tucker, a former legislative aide for former Wisconsin State Senator Gary George, filed suit claiming that George retaliated against

[1] For the convenience of the court, Defendants have attached the court opinions referenced herein.

[2] Although much of the discussion at oral argument focused on Markham's receipt of "classified" information, the standard for disqualification under Rule 1:11(c) applies to "confidential government information" generally. This term is broader than information subject to a specific government classification and encompasses, for example, the information that Markham obtained during interviews with witnesses and other documents that were generated as part of his multi-year prosecution of what he terms "the LaRouche Organization" and that remain confidential.

her for speaking out against certain workplace practices. George moved to disqualify Tucker's counsel and his law firm because two of the law firm's shareholders had participated in a state investigation of George's senate office practices when they served as Wisconsin Attorney General and Deputy Attorney General. *Id*. at 835. George proceeded, in part, under Wisconsin Supreme Court Rule 20:1.11(c), which combines the language of Virginia Rule of Professional Conduct 1.11(c) and (e).[3]

In opposing disqualification, the two shareholders submitted affidavits in which they averred they "remembered little" from the state investigation. *Id*. at 837. However, the court found that "although this is not a classic case of 'side switching,' there is little dispute that the [two attorneys] acquired confidential government information about George while in the attorney general's office" and that the plaintiff was apparently conceding that "they were disqualified personally from representing her under paragraph (c)." *Id*. at 839.

Having reached this conclusion, the court then found that the firm had failed to effectively screen the two shareholders from the civil litigation "so as to prevent their knowledge from being imputed to the entire firm." *Id.* Accordingly, the court granted Tucker's motion to disqualify. In doing so, the court was "mindful that this decision will pose a hardship to plaintiff who must replace the lawyer who has represented her." *Id.* at 841. Nonetheless, the court said that "[a]s harsh as this result is for plaintiff, to allow the law firm to remain in this case would

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[3] The first sentence of Wis. SCR 20:1.11(c) is identical to the first sentence of Virginia Rule of Professional Conduct 1.11(c) and provides:

> Except as law may otherwise expressly permit, a lawyer having information that the lawyer knows is confidential government information about a person acquired when the lawyer was a public officer or employee, may not represent a private client whose interests are adverse to that person in a matter in which the information could be used to the material disadvantage of that person.

effectively write the screening requirements out of Rule 20.1.11 and send a message to attorneys practicing in this court that the court does not take the Rules of Professional Conduct seriously. I am not willing to endorse such a result." *Id.*

Thereafter, Tucker moved for reconsideration of the disqualification order. *See Tucker v. George*, 2008 U.S. Dist. LEXIS 66783 (W.D. Wis. Sept. 2, 2008). In denying the motion, the "court accepted their [the two shareholders'] sworn assertions that they recall little of their involvement in the state's investigation and had no memory of any confidential information they might have learned about George during the course of that investigation." 2008 U.S. Dist. LEXIS 66783, at *4. Nonetheless, the court reaffirmed its decision to disqualify stating "the Rules of Professional Conduct exist not only to prevent ethical violations, but the appearance of impropriety, and it is that concern that was paramount in my decision to grant the disqualification motion." *Id.* (emphasis in original).

Outside the specific context of cases involving former government attorneys, a number of other courts have reiterated the same guiding principle, *i.e.*, that a party need not establish that the attorney to be disqualified does, in fact, currently possess confidential information or specifically recall confidential information. For instance, in *Smith & Nephew, Inc. v. Ethicon, Inc.*, 98 F. Supp. 2d 106 (D. Mass. 2000), the defendants sought to disqualify the law firm representing the plaintiff because one of the firm's attorneys previously had represented the defendants. The attorney argued that the representation had occurred fifteen years before and that he did not recall "much of interest or importance" to the litigation. *Id*. at 109. The court

rejected this argument and opined that "a lawyer's assertion of less than perfect recall is not the controlling consideration." *Id*. at fn 7.[4] The court granted the motion to disqualify.

Similarly, in *Schwed v. General Electric Co.*, 990 F. Supp. 113 (N.D.N.Y. 1998), the court granted the defendant's motion to disqualify the plaintiff's attorneys because one of them had previously worked at a law firm that initially represented the defendant. The attorney asserted that he did not currently possess any confidential information and did not recall any discussions he had about the case while employed at the defense counsel's law firm. *See id.* at 117, fn 2. While the court did not doubt the truth of the attorney's assertions, it still found that disqualification was mandated. *Id*.

In *Fierro v. Gallucci*, 2007 U.S. Dist. LEXIS 89296 (E.D.N.Y. 2007), the plaintiff moved to disqualify defendant's counsel because plaintiff had contacted a member of defendant's law firm about the subject matter of the lawsuit two years before the lawsuit was filed. The court found that although the attorney did not recall any client confidences, his failure to recall such conversations did not vitiate the otherwise clear basis for disqualification. *Id*., *22. Accordingly, the court granted the motion to disqualify.

Finally, in *Arifi v. Great Dane Trailers, Inc.*, 290 F. Supp. 2d 344 (E.D.N.Y. 2003), a defendant moved to disqualify the counsel of a co-defendant (who had filed a cross-claim) on the grounds that the counsel had very briefly represented the first defendant in the same matter. The court acknowledged there was no reason to doubt the attorney's claim that he did not remember

[4] In doing so, the court cited Comment 9 to the Massachusetts Supreme Court Judicial Rules that "[t]he fact that the lawyer does not immediately remember any details of the former client's representation does not mean that he or she does not in fact possess confidential information material to the matter." *Id.*, quoting Rule 1:10, Comment 9.

any confidential information, nevertheless the court concluded that the attorney had obtained enough information at the time of his representation of Coachman to warrant disqualification.

The common thread throughout these cases is that it is irrelevant whether the attorney whose disqualification is sought presently recalls confidential information. Hence, the fact that Markham states he recalls "very little" of the confidential government information he gained while he served as an AUSA (Markham Decl., ¶ 2), does not entail that his disqualification is not mandated by Rule 1.11(c).[5]

[5] In specifically addressing Rule 1:11(c) as a basis for disqualification, Defendants are not suggesting that disqualification of Markham also is not required under Rule 1:11(b) because Markham presently is seeking to represent a private client "in connection with a matter" in which he "participated personally and substantially" as a government employee and he has not obtained the requisite government consent.

Although Plaintiff has taken the position that Rule 1:11(b) applies only in situations involving the same matter, Virginia LEO 1746 attached to Defendants' Reply Brief [Doc. 31-2, pp. 32-35] makes clear that Plaintiff's reading of the rule is not correct. In LEO 1746, the Committee addressed seven hypothetical situations and opined that there was a "sufficient factual nexus to trigger Rule 1:11 in scenarios 1-6 because in each situation, the former proceeding and the new proceeding share the same significant facts, with the latter proceeding dependent upon the prior." In that respect, Defendants respectfully refer the Court to scenario 1 where "[a] prospective client, who is a convicted felon, asks the attorney to petition the court for permission to possess a firearm" and "[t]he prospective client was . . . convicted of possession of a firearm after a felony conviction during the attorney's term as Commonwealth's Attorney." In this scenario, the Committee found that the new matter was in connection with the former matter and triggered Rule 1:11(b). This scenario is directly analogous to Plaintiff's situation where her current claims are dependent upon her prior testimony in the Alexandria prosecution in which AUSA Markham "participated personally and substantially."

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on January 11, 2010, I electronically filed the foregoing with the Clerk of Court using the CM/ECF system, which will send notification of such filing (NEF) to the following:

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LEXSEE

Analysis
As of: Jan 11, 2010

DELILAH TUCKER, Plaintiff, v. GARY E. GEORGE and DAN ROSSMILLER, Defendants.

08-cv-024-bbc

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WISCONSIN

569 F. Supp. 2d 834; 2008 U.S. Dist. LEXIS 58424

August 1, 2008, Decided
August 1, 2008, Filed

SUBSEQUENT HISTORY: Reconsideration denied by Tucker v. George, 2008 U.S. Dist. LEXIS 66783 (W.D. Wis., Aug. 29, 2008)

PRIOR HISTORY: Tucker v. George, 2008 U.S. Dist. LEXIS 109287 (W.D. Wis., Mar. 13, 2008)

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff, a terminated legislative aide, filed a suit in the Circuit Court for Dane County (Wisconsin) against defendants, her former state legislator employer and his chief of staff, alleging that they violated her constitutional free speech rights by retaliating against her for speaking out against certain workplace practices. After the suit was removed to the court, the employer filed a disqualification motion under Wis. Sup. Ct. R. 20:1.11.

OVERVIEW: The employer alleged that two of the shareholders of the law firm that represented the aide had a conflict of interest arising from the fact that they had participated, as state officials, in a criminal investigation that targeted him. He contended that the conflict of interest should be imputed to the entire firm. The shareholders submitted affidavits stating that they remembered little of the state investigation, they had not disclosed any information about it to anyone at the firm, they were not involved in the aide's lawsuit, they did not have access to information about the suit, and they would not receive any direct financial benefit from it. The court held that a conflict of interest existed, that it should be imputed to the firm, and that the aide failed to sufficiently rebut the presumption that confidential information about the employer had been disclosed to other members of the firm. The shareholders conceded that they were personally disqualified from representing the aide under R. 20:1.11(c). The firm did not implement screening measures until after the ethical issue was raised. It should have put screening procedures in place when the shareholders joined the firm.

OUTCOME: The court granted the employer's disqualification motion.

CORE TERMS: disqualification, attorney general, screening, disqualified, law firm, confidential information, staff, conflict of interest, confidential, involvement, lawsuit, subpoena, disqualify, screened, hired, implemented, screen, shareholders, public officer, public service, personally, disclosure, infected, imputed, ethical, gained, joined, rebut, Model Rules, entire firm

LexisNexis(R) Headnotes

Civil Procedure > Counsel > Disqualifications
Governments > Courts > Judicial Precedents
Legal Ethics > General Overview
[HN1]In deciding attorney disqualification motions, the United States District Court for the Western District of Wisconsin looks for guidance to the Wisconsin Supreme Court Rules of Professional Conduct for Attorneys, the precepts of the Code of Professional Responsibility (now

largely replaced by the American Bar Association's (ABA) Model Rules of Professional Conduct) and prior case law. The ethical codes adopted by the Wisconsin Supreme Court are based upon the ABA's Model Rules. Accordingly, the standards applicable to disqualification motions brought under either set of rules are essentially identical.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Appearance of Impropriety
Legal Ethics > Client Relations > Conflicts of Interest
[HN2]An attorney disqualification motion requires the United States District Court for the Western District of Wisconsin to balance several interests. A defendant has an interest in ensuring that his adversary does not have access to confidential information about him that is obtainable only from members of the law firm representing the plaintiff. The Wisconsin bar and the court have an interest in maintaining the integrity and favorable public image of both the legal profession and the judicial system by preventing even the appearance of professional impropriety. Model Code of Prof'l Responsibility Canon 9. At the same time, a plaintiff has an important interest in enjoying the counsel of her choice, and the prophylactic rule of disqualification ought not be applied so indiscriminately as to undercut this interest without justification. Disqualification is a drastic measure, which courts should hesitate to impose except when absolutely necessary. Motions to disqualify should be resolved with extreme caution because they may be used abusively as a litigation tactic.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Conflicts of Interest
[HN3]Wis. Sup. Ct. R. 20:1.11 establishes special rules regarding conflicts of interest for former government officers and employees. Rule 20:1.11(a) provides, in part, that a lawyer who has formerly served as a public officer or employee of the government shall not otherwise represent a client in connection with a matter in which the lawyer participated personally and substantially as a public officer or employee, unless the appropriate government agency gives its informed consent, confirmed in writing, to the representation. Rule 20:1.11(c) provides that, except as law may otherwise expressly permit, a lawyer having information that the lawyer knows is confidential government information about a person, acquired when the lawyer was a public officer or employee, may not represent a private client whose interests are adverse to that person in a matter in which the information could be used to the material disadvantage of that person. As used in the rule, the term "confidential government information" means information that has been obtained under governmental authority and which, at the time the rule is applied, the government is prohibited by law from disclosing to the public or has a legal privilege not to disclose and which is not otherwise available to the public.

Legal Ethics > Client Relations > Conflicts of Interest
[HN4]The rules of professional conduct seek to diminish the risk that a government lawyer leaving public service for the private sector can exploit his or her public office for the advantage of the private client or can use confidential information gained through the lawyer's public service to gain an unfair advantage over the client's adversary. Wis. Sup. Ct. R. 20:1.11; Model Rules of Prof'l Responsibility 20:1.11 cmts. 3, 4.

Civil Procedure > Counsel > Disqualifications
Evidence > Inferences & Presumptions > Rebuttal of Presumptions
Legal Ethics > Client Relations > Conflicts of Interest
[HN5]If a lawyer is disqualified from representation under Wis. Sup. Ct. R. 20:1.11(a), (c), a firm with which the lawyer is associated may undertake or continue representation in the matter only if the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom. Wis. Sup. Ct. R. 20:1.11(b)(1), (c). "Screened" denotes the isolation of a lawyer from any participation in a matter through the timely imposition of procedures within a firm that are reasonably adequate under the circumstances to protect information that the isolated lawyer is obligated to protect. Wis. Sup. Ct. R. 20:1.0(n). A presumption of shared confidences can be rebutted by demonstration that specific institutional mechanisms (e.g., "Chinese Walls") have been implemented to effectively insulate against any flow of confidential information from the infected attorney to any other member of his present firm.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Conflicts of Interest
[HN6]Courts evaluate the effectiveness of insulating procedures, or screens, for purposes of allowing a law firm with a disqualified attorney to continue representing a client pursuant to Wis. Sup. Ct. R. 20:1.11(b)(1), (c), on a case-by-case basis. Factors relevant to this evaluation are: the size and structural divisions of the law firm involved; the likelihood of contact between the infected attorney and the specific attorneys responsible for the present representation; and the existence of rules which prevent the infected attorney from access to relevant files or other information pertaining to the present representa-

tion or which prevent the tainted lawyer from sharing in the fees derived from such litigation.

Civil Procedure > Counsel > Disqualifications
[HN7]Deciding a law firm disqualification motion requires two steps: 1) deciding whether an attorney is personally disqualified from representing a client; and 2) deciding whether that disqualification must be imputed to the attorney's entire law firm.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Conflicts of Interest
[HN8]The United States Court of Appeals for the Seventh Circuit has held that the disqualification of a former government lawyer was properly extended to the lawyer's entire firm where no specific institutional mechanisms were in place to insure that confidential information gained from the lawyer's prior government service was not shared, even inadvertently, until after a disqualification motion was filed, six months after the lawyer joined the firm. The Seventh Circuit has recognized that this is an area in which the relevant information is singularly within the ken of the party defending against the motion to disqualify and in which the reputation of the bar as a whole is implicated. Although it recognizes that it may be difficult or even impossible for law firms to identify potential conflicts of interest at the time lawyers are hired, the court has expressed its view that timely screening arrangements are essential to the avoidance of firm disqualification. Wisconsin's Rules of Professional Conduct are to the same effect. Wis. Sup. Ct. R. 20:1.0. Model Rules of Prof'l Responsibility 20:1.0 cmt. 10 states that in order to be effective, screening measures must be implemented as soon as practical after a lawyer or law firm knows or reasonably should know that there is a need for screening.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Conflicts of Interest
[HN9]The United States Court of Appeals for the Seventh Circuit has found, with regard to a lawyer who had knowledge of a plaintiff's lawsuit as a result of his previous position, the lawyer's new firm was disqualified where there were no specific institutional mechanisms in place at the time the lawyer was hired to insulate him from the plaintiff's case, notwithstanding the lawyer's sworn denial that he had not discussed the merits of the plaintiff's case or discussed any information that he might have gained from his affiliation with his prior firm.

Civil Procedure > Counsel > Disqualifications
Legal Ethics > Client Relations > Conflicts of Interest
[HN10]The predominant theme running through the United States Court of Appeals for the Seventh Circuit's decisions is that law firm disqualification is required when screening devices are not employed or are not timely employed to prevent the inadvertent disclosure of information from a disqualified attorney.

Civil Procedure > Counsel > Disqualifications
Evidence > Inferences & Presumptions > Rebuttal of Presumptions
Legal Ethics > Client Relations > Conflicts of Interest
[HN11]Wis. Sup. Ct. R. 20:1.11 clearly contemplates the implementation of some formal mechanism to isolate a tainted attorney, not merely a de facto screen that occurs by happenstance. The United States Court of Appeals for the Seventh Circuit's cases indicate that a mere informal understanding as to non-participation and uncontradicted affidavits denying past or future disclosure of confidences within a targeted law firm are insufficient to rebut the presumption of intra-firm knowledge.

COUNSEL: [**1] For Delilah Tucker, Plaintiff: Victor Manuel Arellano, LEAD ATTORNEY, Lawton & Cates, S.C., Madison, WI.

For Gary E. George, Defendant: David A. Geier, LaRowe, Gerlach & Roy, LLP, Madison, WI.

For Dan Rosmiller, Defendant: Richard Briles Moriarty, LEAD ATTORNEY, Wisconsin Department Of Justice, Madison, WI.

JUDGES: BARBARA B. CRABB, District Judge.

OPINION BY: BARBARA B. CRABB

OPINION

[*835] OPINION AND ORDER

Plaintiff Delilah Tucker, a former legislative aide for former State Senator Gary George, has filed this civil action against George and his former chief of staff, accusing them of violating her constitutional right to free speech by retaliating against her for speaking out against certain workplace practices. The case is before the court on defendant George's motion to disqualify plaintiff's counsel, Victor Arellano and the law firm of Lawton & Cates, S.C., from representing plaintiff. Defendant George contends that two of Lawton & Cates's shareholders, Peggy Lautenschlager and Dan Bach, have a conflict of interest arising from their participation in a state investigation of George when they served as Wis-

consin Attorney General and Deputy Attorney General, respectively, and that this conflict must be imputed to the [**2] entire Lawton & Cates firm. (Defendant also contended that Arellano was disqualified under the rule prohibiting a lawyer from appearing as a witness; however, defendant has withdrawn that ground as a basis for his motion.) Because I find that plaintiff has failed to sufficiently rebut the presumption that Lautenschlager and Bach disclosed confidential information about George to other members of the Lawton & Cates firm, I am granting the motion.

From the parties' submissions and the record, I find the following facts for the purpose of deciding the instant motion.

FACTS

Defendant Gary George is a former Wisconsin State Senator from Milwaukee. In April 2001, plaintiff was hired temporarily as a member of George's senate office staff. In June 2001, she was hired as a full-time legislative aide, working under the supervision of George and his chief of staff, Dan Rossmiller. At some later time, plaintiff was terminated from this employment.

Victor Arellano is a lawyer with the firm of Lawton & Cates, S.C. He began representing plaintiff in early 2002 with regard [*836] to her claims arising out of her employment with George. Arellano filed a complaint on behalf of plaintiff with the State of Wisconsin [**3] Personnel Commission; the complaint was transferred to the Equal Rights Division of the Wisconsin Department of Workforce Development. In 2007, Arellano filed a civil complaint on plaintiff's behalf against George and Rossmiller in the Circuit Court for Dane County. The complaint alleged that George and Rossmiller retaliated against plaintiff after she complained of various workplace practices that she perceived were illegal, such as being required to handle personal, campaign and family-related business for George during state paid time. In January 2008, defendants removed the case to this court. Assistant attorney general Richard Moriarty, is representing defendant Rossmiller in this lawsuit. In March 2008, the state hired attorney David Geier as special counsel to represent defendant George.

In 2003, the United States indicted George, alleging that he had used his legislative office for personal gain. George was accused of obtaining kickbacks in exchange for exercising his political clout in connection with certain federally-funded programs. The indictment also accused George of using state employees to perform personal work for him. As a result of the federal charges, in November [**4] 2003, Wisconsin Governor James Doyle ordered a state investigation of George. At the time, Peggy Lautenschlager was Attorney General and Dan Bach was Deputy Attorney General. Although neither Lautenschlager nor Bach was in charge of the investigation, they participated in it and were privy to privileged and confidential information about George.

Upon leaving public service in 2007, both Lautenschlager and Bach became shareholders with the Madison law firm of Lawton & Cates, S.C., the firm representing plaintiff in this case. On or about May 16, 2008, Arellano served a subpoena for production of documents on the current attorney general, seeking production of state and federal investigation reports related to George's senate office. On May 28, 2008, Moriarty wrote to Arellano, stating that he had ethical concerns about Lawton & Cates's continued representation of Tucker. Dkt. # 32, Part 2. Moriarty noted that Lautenschlager and Bach had been in office at the time of the investigation referred to in the subpoena served on the current attorney general. On June 13, 2008, Bruce Davey, a lawyer employed on an "of counsel" basis by Lawton & Cates, responded to Moriarty's letter. In the letter, [**5] Davey told Moriarty that Lautenschlager and Bach "have had no involvement in the [Tucker] case and we can ensure that for the duration of the case they will have no involvement in the case."

On June 20, 2008, Assistant Attorney General Steven Means filed objections to the subpoena on behalf of the attorney general, one of which was that the subpoena was burdensome because it requested information that must be kept confidential under various privileges or secrecy laws. In a letter accompanying the objections, Means wrote:

> [I]t appears that your partners Dan Bach and Peg Lautenschlager actually obtained privileged and confidential information about the Gary George investigation while working at the Department of Justice. Both were also involved, to some extent, in strategic issues. Neither was lead counsel or had day-to-day responsibility. However, the involvement of Mr. Bach, in particular, was beyond the usual level of involvement that would be expected of a Deputy Attorney General.

[*837] In response to the instant motion to disqualify, Lautenschlager and Bach have submitted affidavits stating that they remember little from the state's investigation of George and that they have not disclosed [**6] any information about George to anyone at Lawton & Cates. Lautenschlager and Bach have not had any involvement in Tucker's lawsuit against George, have not had access to the file and have not discussed the case with Arellano. The files related to Tucker's case are

stored in a locked filing cabinet when Arellano or his staff are not using them and neither Lautenschlager nor Bach has access to either physical or electronic versions of the file. The paralegal and administrative staff who work with Arellano rarely work with Lautenschlager or Bach. Sometime after May 28, 2008, the paralegal and administrative staff who work with Arellano were instructed not to discuss Tucker's case with Lautenschlager or Bach or with others in their presence.

Lawton & Cates has 14 lawyers and 3 lawyers working in an "of counsel" status. Http://lawtoncates.com (visited July 28, 2008). Shareholders employed by Lawton & Cates are paid a monthly draw. They are expected to generate fees at levels well above the amount of the draw and are not eligible for additional compensation until their fees exceed the expected level. Shareholders are not credited with fees from a case unless they were responsible for originating [**7] the case or they actually work on the case. Thus, any fees obtained from plaintiff's case would not benefit either Lautenschlager or Bach directly.

Although defendant Rossmiller has submitted evidence related to the role that Lautenschlager and Bach played in the state's investigation of George while they were heading the attorney general's office, he has expressly declined to take a position on the disqualification motion.

OPINION

I. LEGAL STANDARDS

[HN1]In deciding attorney disqualification motions, this court looks for guidance to the Wisconsin Supreme Court Rules of Professional Conduct for Attorneys, the precepts of the Code of Professional Responsibility (now largely replaced by the Model Rules of Professional Conduct) and the prior case law. Weber v. McDorman, 2000 WL 34237498, *1 (W.D. Wis. Aug. 11, 2000) (No. 00-C-381-C); DCA Food Industries, Inc. v. Tasty Foods, Inc., 626 F. Supp. 54, 57 (W.D. Wis. 1985). The ethical codes adopted by the Wisconsin Supreme Court are based upon the American Bar Association's Model Rules. Wisconsin Supreme Court Order No. 04-07, Jan. 5, 2007 (available at http://www.wicourts.gov/supreme/sc_hearing_rules.jsp) (visited July 28, 2008). Accordingly, the [**8] standards applicable to disqualification motions brought under either set of rules are "essentially identical." Callas v. Pappas, 907 F. Supp. 1257, 1260 (E.D. Wis. 1995). Both the ABA rules and the Wisconsin rules were reviewed and updated recently to reflect developments in the law and the legal profession since the adoption of the Model Rules in 1983. Timothy J. Pierce & Dean R. Dietrich, "Wisconsin's New Rules of Professional Conduct for Attorneys," Wisconsin Lawyer, Vol. 80, No. 2, Feb. 2007.

The [HN2]disqualification motion requires the court to balance several interests. Defendant George has an interest in ensuring that his adversary does not have access to confidential information about him that is obtainable only from Lautenschlager and Bach. The bar and this court have an interest in maintaining the integrity and favorable public image of both the legal profession and the judicial system by preventing even the "appearance of professional [*838] impropriety." Code of Professional Responsibility, Canon 9. At the same time, however, plaintiff "has an important interest in enjoying the counsel of [her] choice, and the prophylactic rule [of disqualification] ought not be applied so indiscriminately [**9] as to undercut this interest without justification." Moritz v. Medical Protective Co., 428 F. Supp. 865, 874 (W.D. Wis. 1977). See also Freeman v. Chicago Musical Instrument Co., 689 F.2d 715, 721-722 (7th Cir. 1982) (citations omitted) (describing disqualification as "a drastic measure which courts should hesitate to impose except when absolutely necessary"). Further, motions to disqualify should be resolved with extreme caution because they may be used abusively as a litigation tactic. Freeman, 689 F.2d at 722.

It is with these competing interests in mind that I consider the instant motion. Defendant George contends that because Lautenschlager and Bach are members of Lawton & Cates, the firm is disqualified from continuing to represent plaintiff under [HN3]Wisconsin Supreme Court Rule 20:1.11, which establishes special rules regarding conflicts of interest for former government officers and employees. [1] Defendant George presents two alternative grounds under the rule why Lautenschlager and Bach are disqualified. First, he contends that their participation in this case is barred by Rule 20:1.11(a), which provides, in relevant part, that a lawyer who has formerly served as a public officer [**10] or employee of the government

> shall not otherwise represent a client in connection with a matter in which the lawyer participated personally and substantially as a public officer or employee, unless the appropriate government agency gives its informed consent, confirmed in writing, to the representation.

SCR 20:1.11(a)(2). Alternatively, he contends that Bach and Lautenschlager are disqualified under subsection (c) of the rule, which provides:

> Except as law may otherwise expressly permit, a lawyer having information that

> the lawyer knows is confidential government information about a person acquired when the lawyer was a public officer or employee, may not represent a private client whose interests are adverse to that person in a matter in which the information could be used to the material disadvantage of that person. As used in this rule, the term "confidential government information" means information that has been obtained under governmental authority and which, at the time this rule is applied, the government is prohibited by law from disclosing to the public or has a legal privilege not to disclose and which is not otherwise available to the public.

[HN4]The Rules seek to diminish the [**11] risk that a government lawyer leaving public service for the private sector could exploit his or her public office for the advantage of the private client or could use confidential information gained through the lawyer's public service to gain an unfair advantage over the client's adversary. SCR 20:1.11, ABA Comments [3] and [4].

> 1 Contrary to defendant's contention, neither Rule 20:1.6 nor Rule 20:1.10 applies to this motion. Rule 20:1.6 sets forth general rules governing "disclosure by a lawyer of information relating to the representation of a client during the lawyer's representation of a client." SCR 20:1.6., ABA Comment [1]. Lautenschlager and Bach are not representing George. As for Rule 20:1.10, subsection (d) specifies that "[t]he disqualification of lawyers associated with former or current government lawyers is governed by SCR 20:1.11."

[HN5]If a lawyer is disqualified from representation under either paragraph (a) or [*839] (c), a firm with which the lawyer is associated may undertake or continue representation in the matter only if the disqualified lawyer is timely screened from any participation in the matter and is apportioned no part of the fee therefrom. SCR 20:1.11(b)(1), (c). "'Screened' [**12] denotes the isolation of a lawyer from any participation in a matter through the timely imposition of procedures within a firm that are reasonably adequate under the circumstances to protect information that the isolated lawyer is obligated to protect." SCR 20:1.0(n). Accord Cromley v. Board of Educ. of Lockport Township High School, 17 F.3d 1059, 1065 (7th Cir. 1994) (presumption of shared confidences can be rebutted by demonstration "that 'specific institutional mechanisms' (e.g., 'Chinese Walls') had been implemented to effectively insulate against any flow of confidential information from the 'infected' attorney to any other member of his present firm"). [HN6]Courts evaluate the effectiveness of such insulating procedures, or screens, on a case-by-case basis. Schiessle v. Stephens, 717 F.2d 417, 421 (7th Cir. 1983). Factors relevant to this evaluation are

> the size and structural divisions of the law firm involved, the likelihood of contact between the "infected" attorney and the specific attorneys responsible for the present representation, [and] the existence of rules which prevent the "infected" attorney from access to relevant files or other information pertaining to the present representation [**13] or which prevent the tainted lawyer from sharing in the fees derived from such litigation.

Id.

Thus, [HN7]deciding the instant motion requires two steps: 1) deciding whether Lautenschlager or Bach are personally disqualified from representing plaintiff; and 2) deciding whether that disqualification must be imputed to the entire Lawton & Cates firm.

II. APPLICATION OF LEGAL STANDARDS

The first of these two steps requires little discussion. Although plaintiff disputes whether defendant George has shown that Lautenschlager or Bach has a conflict of interest that would disqualify her or him under paragraph (a), she appears to concede that they are disqualified personally from representing her under paragraph (c). Indeed, although this is not a classic case of "side switching," there is little dispute that Lautenschlager and Bach acquired confidential government information about George while in the attorney general's office. Although plaintiff suggests that defendant ought to do more to show that the information known to Lautenschlager and Bach is not a matter of public record, she does not suggest how defendant could do this. The attorney general's office has declined for the time being to produce [**14] the records relating to the George investigation and has objected to the subpoena partly on the ground that it requests information that must be kept confidential. I am satisfied from Means's letter and the objections to the subpoena that Lautenschlager and Bach have confidential governmental information about George that could be used to his disadvantage in this lawsuit.

Thus the question is whether Lautenschlager and Bach have been screened effectively from the Tucker

matter so as to prevent their knowledge from being imputed to the entire firm. Plaintiff insists that they have been, pointing out that neither lawyer has physical or electronic access to the file and that the staff who work with Arellano have been instructed not to discuss this case with them or others in their presence. As defendant [*840] George points out, however, it appears that Lawton & Cates did not implement these procedures until *after* the potential ethical violation was brought to its attention. Relying on LaSalle National Bank v. County of Lake, 703 F.2d 252 (7th Cir. 1983), defendant argues that a screening measure implemented after-the-fact fails to rebut the presumption that Lautenschlager or Bach disclosed confidential [**15] information about George to other members of Lawton & Cates before the screen was in place.

In LaSalle, 703 F.2d at 259, [HN8]the court of appeals held that the district court had not abused its discretion in extending the disqualification of a former government lawyer to his entire firm. Although the lawyer had averred that he had discussed no relevant information gained from his prior government service with anyone at the law firm, the court observed that "no specific institutional mechanisms were in place to insure that that information was not shared, even if inadvertently" until the disqualification motion was filed, six months after the lawyer joined the firm. Id. In upholding the district court, the Seventh Circuit recognized that "this is an area in which the relevant information is singularly within the ken of the party defending against the motion to disqualify and in which the reputation of the bar as a whole is implicated." Id. Although it recognized that it "may be difficult or even impossible" for law firms to identify potential conflicts of interest at the time lawyers are hired, the court expressed its view that "*timely* screening arrangements are essential to the avoidance [**16] of firm disqualification." Id. at n.3 (emphasis in original). Wisconsin's Rules of Professional Conduct are to the same effect. SCR 20:1.0, ABA Comment [10] ("In order to be effective, screening measures must be implemented as soon as practical after a lawyer or law firm knows or reasonably should know that there is a need for screening").

The court's decision in Schiessle, 717 F.2d 417, is in accordance with this view. In that case, a lawyer moved from the law firm representing defendant to the firm representing plaintiff. After finding that the [HN9]lawyer had knowledge of plaintiff's lawsuit as a result of his previous position, the court found that the lawyer's new firm was disqualified because there were no "specific institutional mechanisms" in place at the time the lawyer was hired to insulate him from plaintiff's case. Id. at 421. The court reached this conclusion notwithstanding the lawyer's sworn denial that he had not discussed the merits of plaintiff's case or discussed any information that he might have gained from his affiliation with his prior firm.

Thus, [HN10]"[t]he predominant theme running through the [Seventh Circuit's] prior decisions is that disqualification is required when [**17] screening devices were not employed or were not timely employed." United States v. Goot, 894 F. 2d 231, 235 (7th Cir. 1990) (citations omitted). In this case, plaintiff has failed to demonstrate that Lawton & Cates employed a timely screening device to prevent the inadvertent disclosure of information from Lautenschlager and Bach. Notably, although plaintiff asserts that Lautenschlager and Bach "were, in fact, screened from the matter," it is unclear when that screen was put in place or what procedures were implemented. It appears that, in asserting that Lautenschlager and Bach were "screened," plaintiff is referring merely to the fact that neither lawyer has had any involvement with the case or access to the file and that both have denied disclosing any information about George to anyone at Lawton & Cates. However, [HN11]the rule clearly contemplates the implementation of some formal mechanism to isolate the tainted [*841] attorney, not merely a *de facto* screen that occurred by happenstance. Accord Craig A. Peterson, Rebuttable Presumptions and Intra-Firm Screening: The New Seventh Circuit Approach to Vicarious Disqualification of Litigation Counsel, 59 Notre Dame L. Rev. 399, 411 (1984) (concluding [**18] from review of Seventh Circuit cases that mere informal understanding as to nonparticipation and uncontradicted affidavits denying past or future disclosure of confidences within targeted law firm are insufficient to rebut presumption of intra-firm knowledge). What is striking is that from all appearances, Lawton & Cates took no steps to institute such formal procedures with respect to this case when Lautenschlager and Bach joined the firm. Arellano has averred that he did not think there was any conflict of interest, but he does not explain the basis for this belief. From the court's perspective, *someone* at Lawton & Cates ought to have recognized that because Lautenschlager and Bach served as the state's top law enforcement officials at the time George was under investigation, they had a potential conflict of interest that required formal screening in any case the firm had against George. The firm's failure to institute formal screening measures at the time Lautenschlager and Bach joined the firm mandates disqualification.

I am mindful that this decision will pose a hardship to plaintiff, who must replace the lawyer who has represented her in several administrative proceedings leading [**19] up to this lawsuit. However, this lawsuit is still in its early stages. Plaintiff ought to be able to find successor counsel who can get up to speed with relatively little

delay in the proceedings. I will continue the stay that is currently in place to allow plaintiff time to retain new counsel.

As harsh as this result is for plaintiff, to allow Lawton & Cates to remain on this case would effectively write the screening requirement out of Rule 20.1.11 and send a message to attorneys practicing in this court that the court does not take the Rules of Professional Conduct seriously. I am not willing to endorse such a result.

ORDER

IT IS ORDERED that the motion of defendant Gary George for an order disqualifying plaintiff Delilah Tucker's attorney is GRANTED.

Entered this 1st day of August, 2008.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge

LEXSEE

Analysis
As of: Jan 11, 2010

DELILAH TUCKER, Plaintiff, v. GARY GEORGE and DAN ROSSMILLER, Defendants.

08-cv-0024-bbc

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF WISCONSIN

2008 U.S. Dist. LEXIS 66783

August 29, 2008, Decided
September 2, 2008, Filed

SUBSEQUENT HISTORY: Motion denied by Tucker v. George, 2009 U.S. Dist. LEXIS 43178 (W.D. Wis., May 21, 2009)

PRIOR HISTORY: Tucker v. George, 569 F. Supp. 2d 834, 2008 U.S. Dist. LEXIS 58424 (W.D. Wis., 2008)

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff granted defendant's motion to disqualify plaintiff's lawyer and a law firm on conflict of interest grounds under Wis. Sup. Ct. R. 20:1.11(c) because two lawyers at the firm had acquired confidential government information about defendant during their former employment as Attorney General and Deputy Attorney General, and the firm had not taken measures to screen them from participation in the case. Plaintiff moved for reconsideration.

OVERVIEW: The court denied reconsideration, noting that plaintiff offered no reason why she did not make her evidentiary arguments at the time the disqualification motion was pending. Regardless, plaintiff's belated arguments did not support reconsideration. Plaintiff's argument that the records of the investigation of defendant were a matter of public record was outweighed by the Department of Justice's objections to the subpoena, in which it had asserted various legal privileges as a basis for non-disclosure. As for plaintiff's objections to the consideration of a letter from an Assistant Attorney General, defendant cured plaintiff's hearsay concerns by submitting an affidavit from the Assistant Attorney General in which he swore to the truth of the statements he made in his letter, making any error in considering that letter immaterial. In finding that the attorneys were disqualified, the court relied on the Assistant Attorney General's uncontested assertion that the attorneys actually obtained privileged and confidential information about defendant. The court noted that the appearance of impropriety was the concern that was paramount in its decision to grant the disqualification motion.

OUTCOME: The court denied the motion for reconsideration.

CORE TERMS: attorney general's, disqualification, confidential, confidential information, disqualified, reconsideration, lawsuit, sewage, matter of public record, appearance of impropriety, disqualify, personally, privileged, hearsay, screen, clear error, unfounded

LexisNexis(R) Headnotes

Civil Procedure > Judgments > Relief From Judgment > Motions to Alter & Amend
[HN1]Plaintiff's desire to raise arguments that she could have made during the pendency of the previous motion is not a legitimate basis for seeking reconsideration.

Legal Ethics > Client Relations > Confidentiality of Information
Legal Ethics > Client Relations > Conflicts of Interest

[HN2]Wis. Sup. Ct. R. 20:1.11(c) defines "confidential government information" as that which government has legal privilege not to disclose.

Legal Ethics > Client Relations > Appearance of Impropriety

[HN3]The Rules of Professional Conduct exist not only to prevent actual ethical violations, but the appearance of impropriety.

Legal Ethics > Client Relations > Appearance of Impropriety

[HN4]Because courts have a responsibility to maintain public confidence in the legal profession, a court may disqualify an attorney for not only acting improperly but also for failing to avoid the appearance of impropriety.

COUNSEL: [*1] For Delilah Tucker, Plaintiff: Victor Manuel Arellano, LEAD ATTORNEY, Lawton & Cates, S.C., Madison, WI.

For Gary E. George, Defendant: David A. Geier, LaRowe, Gerlach & Roy, LLP, Madison, WI.

For Dan Rosmiller, Defendant: Richard Briles Moriarty, LEAD ATTORNEY, Wisconsin Department Of Justice, Madison, WI.

JUDGES: BARBARA B. CRABB, District Judge.

OPINION BY: BARBARA B. CRABB

OPINION

ORDER

On August 1, 2008, I entered an order granting the motion of defendant Gary George to disqualify plaintiff's lawyer, Victor Arellano, and the law firm of Lawton & Cates, S.C., on conflict of interest grounds. Specifically, I found that two lawyers at Lawton & Cates, Peg Lautenschlager and Dan Bach, had acquired confidential government information about defendant George during their former employment as Attorney General and Deputy Attorney General, respectively, and that the firm had not taken adequate measures at the time they joined the firm to screen them from participation in this lawsuit. Plaintiff has filed a motion for reconsideration, arguing that I committed clear error in finding that Lautenschlager and Bach had acquired confidential government information about George while employed in the attorney general's office. Plaintiff [*2] argues that I improperly relied on hearsay evidence submitted by defendant Rossmiller, that any confidential information that Lautenschlager and Bach may have had about George was no longer confidential when this lawsuit was commenced and that Lawton & Cates did not "knowingly" violate the Rules of Professional Conduct.

Plaintiff's motion will be denied. As an initial matter, plaintiff offers no reason why she did not make these arguments at the time the disqualification motion was pending. Although the court did not issue any order allowing either plaintiff or defendant George to respond to the submissions by defendant Rossmiller, neither did plaintiff (or George) ask for the opportunity to respond. Plaintiff could have raised her evidentiary objections by filing a motion to strike before I decided the disqualification motion. Similarly, plaintiff could have argued in response to the motion that any information pertaining to the state's investigation of George is a matter of public record. Instead, plaintiff offered only a half-hearted response to George's contention that Lautenschlager and Bach were disqualified from representing her under SCR 20:1.11(c), leading me to conclude that [*3] she had all but conceded the point. [HN1]Plaintiff's desire to raise arguments that she could have made during the pendency of the previous motion is not a legitimate basis for seeking reconsideration. Caisse Nationale de Credit Agricole v. CBI Industries, Inc., 90 F.3d 1264, 1269-70 (7th Cir. 1996).

In any case, even if I were to consider plaintiff's belated arguments, they do not convince me that I committed a manifest error of law or fact. Plaintiff's argument that the records of the George investigation are a matter of public record is outweighed by the Department of Justice's objections to the subpoena, in which it has asserted various legal privileges as a basis for nondisclosure. [HN2]SCR 20:1.11(c) (defining "confidential government information" as that which government has legal privilege not to disclose). As for plaintiff's objections to my consideration of a June 20, 2008 letter from Assistant Attorney General Steven Means, defendant George has cured plaintiff's hearsay concerns by submitting an affidavit from Means in which he swears to the truth of the statements he made in his letter, making any error in considering that letter immaterial. Although Bach disputes the accuracy of [*4] Means's statement that Bach participated "personally and substantially" in the state's investigation of George, he has not contested Means's assertion that Bach and Lautenschlager "actually obtained privileged and confidential information" about George. In finding that Bach and Lautenschlager were personally disqualified from representing plaintiff, I relied on this latter assertion, not the former. This is not to suggest that Bach or Lautenschlager *remembers* any confidential or privileged information he or she received. I accept their sworn assertions that they recall little of their involvement in the state's investigation and have no

memory of any confidential information they might have learned about George during the course of that investigation. Nonetheless, [HN3]the Rules of Professional Conduct exist not only to prevent actual ethical violations, but the *appearance* of impropriety, and it is that concern that was paramount in my decision to grant the disqualification motion. Schloetter v. Railoc of Ind., Inc., 546 F.2d 706, 710 (7th Cir. 1976) ([HN4]because courts have responsibility to maintain public confidence in the legal profession, court may disqualify attorney "for not only acting [*5] improperly but also for failing to avoid the appearance of impropriety") (quoting Richardson v. Hamilton Internat'l Corp., 469 F.2d 1382, 1385-86 (3d Cir. 1972)). Accord LaSalle National Bank v. County of Lake, 703 F.2d 252, 257 (7th Cir. 1983) (upholding district court's finding that former state's attorney who worked on similar sewage agreements when employed in state's civil division was disqualified from representing plaintiffs in challenge to particular sewage agreement even though attorney submitted affidavit denying having received information specific to agreement challenged in plaintiff's lawsuit and did not deny that he was privy to information relating to similar sewage agreements). To avoid that appearance, Lawton & Cates was required to erect a formal screen between Tucker's case and Lautenschlager and Bach, which it failed to do.

Finally, plaintiff argues that I should have viewed Assistant Attorney General Means's assertions regarding Lautenschlager and Bach's possession of confidential information with suspicion because Assistant Attorney General Moriarty (who is representing defendant Rossmiller) has made "other unfounded assertions to justify disqualification," namely, [*6] that Arellano could be called as a witness because of his relationship with a woman who worked on George's staff during the same time as plaintiff. As plaintiff is aware, I did not consider this ground for disqualification (the legitimacy of which plaintiff vehemently disputes) because defendant George withdrew it and defendant Rossmiller did not take any position on the motion. Thus, it remains undecided whether Moriarty's assertions are unfounded or not. Lying even further afield is plaintiff's suggestion that Moriarty and Means are in cahoots to have plaintiff's firm disqualified and have submitted phony affidavits to effectuate their plan. This hypothesis is far too speculative to show that I committed clear error in granting the motion.

ORDER

IT IS ORDERED that the motion of Delilah Tucker for reconsideration of the court's August 1, 2008 disqualifying Lawton & Cates, S.C., from representing plaintiff is DENIED.

Entered this 29th day of August, 2008.

BY THE COURT:

/s/

BARBARA B. CRABB

District Judge

LEXSEE

Cited
As of: Jan 11, 2010

SMITH & NEPHEW, INC. v. ETHICON, INC., JOHNSON & JOHNSON, JAMES E. NICHOLSON, ROLAND F. GATTURNA, and JAMES O'LEARY

CIVIL ACTION NO. 99-12320-RGS

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF MASSACHUSETTS

98 F. Supp. 2d 106; 2000 U.S. Dist. LEXIS 9557

May 16, 2000, Decided

DISPOSITION: [**1] Defendants' Motion to Disqualify Fish & Richardson ALLOWED.

CASE SUMMARY:

PROCEDURAL POSTURE: In the case where plaintiff claimed ownership of the inventions of defendant's patents, defendant sought to disqualify plaintiff law firm because plaintiff attorney previously represented defendants.

OVERVIEW: Defendants held a series of patents for suture anchors, devices that fasten soft tissue to bone during orthopedic surgery. Plaintiff claimed ownership of the inventions under the provisions of defendants' employment contracts with corporate predecessors. Defendants sought to disqualify the law firm representing plaintiff in this action, because a plaintiff attorney, previously represented both defendants. The court allowed the disqualification of the firm because what the attorney knew due to the prior representation may have proved harmful to defendants' cause.

OUTCOME: Defendants' motion to disqualify plaintiff law firm was allowed because plaintiff attorney previously represented defendants and that may have been harmful to defendant.

CORE TERMS: confidential, client consents, former client, consultation, involvement, disqualification, surgical, staple', materially, disqualified, information relating, formerly, disqualify, personally, adversely, drafting, remember, Massachusetts Rules, general rule, employment agreement, prior representation, self-activated, conflict-free, disadvantage, privileged, knowingly, erected, harmful, replies, employment contracts

LexisNexis(R) Headnotes

Civil Procedure > Counsel > General Overview
[HN1]An attorney will be disqualified from representing a client if confidential or privileged information obtained during the representation of a prior client could be used to the prior client's disadvantage.

Civil Procedure > Counsel > General Overview
[HN2]Mass. Rules of Professional Conduct Rule 1.10(a) provides that while lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Mass. Rules of Professional Conduct Rules 1.7, 1.8(c), or 1.9.

Civil Procedure > Counsel > General Overview
[HN3]Mass. Rules of Professional Conduct Rule 1.7 addresses representational conflicts that might adversely affect the interests of another client. Mass. Rules of Professional Conduct Rule 1.9 requires the disqualification of a lawyer who seeks to represent another person in a substantially similar matter whose interests are materi-

ally adverse to the interests of a former client unless the former client consents.

Civil Procedure > Counsel > General Overview
[HN4]See Mass. Rules of Professional Conduct Rule 1.7.

Civil Procedure > Counsel > General Overview
[HN5]See Mass. Rules of Professional Conduct Rule 1.9.

Civil Procedure > Counsel > General Overview
[HN6]As a general rule, confidential client information in a lawyer's possession need not be admissible under the rules of evidence to cause the disqualification of his firm.

COUNSEL: For SMITH & NEPHEW, INC., Plaintiff: Mark J. Hebert, John M. Skenyon, Jeffrey L. Snow, Fish & Richardson, Boston, MA.

For ETHICON, INC., JOHNSON & JOHNSON, Defendants: David R. Schmahmann, Nutter, New York, NY.

For ETHICON, INC., JOHNSON & JOHNSON, JAMES E. NICHOLSON, Defendants: Carl M. DeFranco, Jr., Nutter, New York, NY.

For ETHICON, INC., Defendant: Steven A. Zalesin, Patterson, Belknap, Webb & Tyler LLP, New York, NY.

For ROLAND F. GATTURNA, Defendant: Carl M. DeFranco, Jr., Nutter, McClennen & Fish, Boston, MA.

For JAMES F. O'LEARY, Defendant: Carl M. DeFranco, Jr., Nutter, McClennen, Kevin D. O'Leary, Cummings & Lockwood, Hartford, CT.

JUDGES: Richard G. Stearns, UNITED STATES DISTRICT JUDGE.

OPINION BY: Richard G. Stearns

OPINION

[*107] MEMORANDUM AND ORDER ON DEFENDANTS' MOTION TO DISQUALIFY COUNSEL

May 16, 2000

STEARNS, D.J.

Defendants James E. Nicholson and Roland F. Gatturna hold a series of patents for "suture anchors," devices that fasten soft tissue to bone during orthopedic surgery. Plaintiff Smith & Nephew, Inc. (S&N), claims ownership of the inventions under the provisions of defendants' [**2] employment contracts with Acufex Microsurgical, Inc. (Acufex) and American Cyanimide, S&N's corporate predecessors. Defendants seek to disqualify Fish & Richardson (F&R), the law firm representing S&N in this action, because an F&R attorney, Blair Perry, previously represented both Nicholson and Gatturna.

BACKGROUND

In 1984, Nicholson and Gatturna were hired as researchers by Acufex. They retained Perry, then a partner at the Boston firm of Hale & Dorr, to negotiate their employment contracts with Acufex. [1] At Nicholson's request, Perry drafted a contract provision permitting Nicholson to independently develop and retain ownership of any invention involving "self-activated surgical staples." Nicholson Decl. P 11. Gatturna's contract contained an identical provision. Gatturna Decl. P 10. While Perry recollects drafting and revising parts of Nicholson's agreement, he does not remember representing Gatturna. [2] Perry Decl. PP 6, 7. In January of 1986, Acufex was acquired by American Cyanamid, which asked Nicholson and Gatturna to continue their research work. Nicholson and Gatturna retained Perry to negotiate consulting agreements with American Cyanamid. These agreements contained [**3] [*108] similar surgical staples invention-retention clauses. Nicholson Decl. P P 12, 13; Gatturna Decl. P 12.

1 Nicholson states that he first retained Perry in the fall of 1984. Nicholson Decl. PP 6, 7. At Nicholson's suggestion, Gatturna retained Perry shortly thereafter. Gatturna Decl. P 9.

2 Perry still possesses Nicholson's client file. Perry Decl. P 9.

In January of 1991, Perry left Hale & Dorr to join F&R as "of counsel." Perry Decl. P 2. According to John Skenyon, an F&R attorney representing S&N, Perry has had no involvement in the lawsuit against Nicholson and Gatturna and has not disclosed to Skenyon any confidential or privileged information relating to his prior representation of Nicholson. Skenyon Decl. PP 4-6.

> At the time that we recognized that there might be a potential conflict issue arising from Mr. Perry's representation of Mr. Nicholson, we erected an "ethical wall" under which I, Mr. Perry, and the remaining members of the litigation team were instructed by Charles Winchester, Esq. [**4] not to discuss any aspect of Mr. Perry's representation of Mr. Nicholson. Instead, from that time forward, to the extent we needed to communicate

> with Mr. Perry with regard to this issue and to prepare this Opposition, we have only done so using other attorneys who have no involvement with either this case or the Oregon case as a conduit, to insure that no confidential information would accidentally pass to us.

Id., at P 7. [3] Perry currently resides in Florida and works for F&R on a "semi-retired, part-time basis." Id., at P 10. Perry is paid on an "hours worked" basis and does not share in F&R's profits. Prahl Decl. PP 6, 7.

> 3 Other F&R attorneys involved with the present litigation filed Declarations identical to Skenyon's.

DISCUSSION

[HN1]An attorney will be disqualified from representing a client if confidential or privileged information obtained during the representation of a prior client *could* be used to the prior client's disadvantage. Freund v. Butterworth, 117 F.3d 1543, 1574 (11th Cir. 1997). [**5] [HN2]Rule 1.10(a) of the Massachusetts Rules of Professional Conduct provides that

> while lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so by Rule 1.7, 1.8(c) or 1.9. [4]

Defendants assert that Perry's representation of Nicholson and Gatturna implicates Rules 1.7 and 1.9. Defendants also contend that Rule 3.7(b) provides an additional ground for disqualifying F&R.

> 4 Professor Charles Wolfram's suggestion that Perry is not a Fish & Richardson lawyer "in the sense intended by Rule 1.10(a)," given his attenuated relationship with the firm, Wolfram Decl. P 19 n.5, is a complete non-starter. Perry certainly considers himself an F&R lawyer, as Exhibit B to the Zalesin Declaration roundly demonstrates. And so does F&R, by permitting Perry to hold himself out as "of counsel" to the firm. Perry has in fact represented at least one other F&R client before this court within the past five years.

[HN3]Rule 1.7 addresses [**6] representational conflicts that might adversely affect the interests of another client. [5] Rule 1.9 requires the disqualification of a lawyer who seeks to represent another person in a "substantially similar matter" whose interests are [*109] materially adverse to the interests of a former client (unless the former client consents). [6] Rule 3.7(b) provides that "[a] lawyer may act as advocate in a trial in which another lawyer in the lawyer's firm is likely to be called as a witness unless precluded from doing so by Rule 1.7."

> 5 [HN4]Rule 1.7 CONFLICT OF INTEREST: GENERAL RULE
>
> (a) A lawyer shall not represent a client if the representation of that client will be directly adverse to another client, unless:
>
> > (1) the lawyer reasonably believes the representation will not adversely affect the relationship with the other client; and
> >
> > (2) each client consents after consultation.
>
> (b) A lawyer shall not represent a client if the representation of that client may be materially limited by the lawyer's responsibilities to another client or to a third person, or by the lawyer's own interests, unless:
>
> > (1) the lawyer reasonably believes the representation will not be adversely affected; and
> >
> > (2) the client consents after consultation. When representation of multiple clients in a single matter is undertaken, the consultation shall include explanation of the implications of the common representation and the advantages and risks involved.

[**7]

> 6 [HN5]Rule 1.9 CONFLICT OF INTEREST: FORMER CLIENT
>
> (a) A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client consents after consultation.
>
> (b) A lawyer shall not knowingly represent a person in the same or a substantially related mat-

ter in which a firm with which the lawyer formerly was associated had previously represented a client

> (1) whose interests are materially adverse to that person; and
>
> (2) about whom the lawyer had acquired information protected by Rules 1.6 and 1.9(c) that is material to the matter, unless the former client consents after consultation.

(c) 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, unless the former client consents after consultation:

> (1) use confidential information relating to the representation to the disadvantage of the former client, to the lawyer's advantage, or to the advantage of a third person, except as Rule 1.6, Rule 3.3, or Rule 4.1 would permit or require with respect to a client; or
>
> (2) reveal confidential information relating to the representation except as Rule 1.6 or Rule 3.3 would permit or require with respect to a client.

[**8] S&N, for its part, relies principally on the Rule 1.10 exception to the imputed disqualification rule, and an ethical opinion rendered by Cornell Law School Professor Charles Wolfram.

> d) When a lawyer becomes associated with a firm, the firm may not undertake to or continue to represent a person in a matter that the firm knows or reasonably should know is the same or substantially related to a matter in which the newly associated lawyer (the "personally disqualified lawyer"), or a firm with which that lawyer was associated, had previously represented a client whose interests are materially adverse to that person unless:
>
> (1) the personally disqualified lawyer has no information protected by Rule 1.6 or Rule 1.9 that is material to the matter ("material information"); or
>
> (2) the personally disqualified lawyer (i) had neither substantial involvement nor substantial material information relating to the matter and (ii) is screened from any participation in the matter in accordance with paragraph (e) of this Rule and is apportioned no part of the fee therefrom.

Professor Wolfram's argument that the (d)(1) exception applies is based primarily on the fact that fifteen [**9] years has elapsed since Perry last represented Nicholson, making "it highly unlikely that Mr. Perry would recall much of interest or importance to this litigation." Wolfram Decl. P 15. In the abstract, Professor Wolfram's "shelf life" argument has appeal. But its underlying premise, that the shrouds of time cloak confidences as effectively as a sip from the waters of Lethe, is contradicted by Perry's frank admission that he is "familiar" with Nicholson's Acufex and American Cyanamid agreements and recalls drafting and revising portions of both. Perry Decl. PP 5, 6. [7]

> 7 Defendants have cause to question just how much Perry actually remembers in light of his refusal to discuss his representation of Nicholson with defendants' current counsel or to return Nicholson's client file. Zelesin Decl., Ex. B. In any event, a lawyer's assertion of less than perfect recall is not the controlling consideration. See Rule 1.10, Comment 9 ("The fact that the lawyer does not immediately remember any details of the former client's representation does not mean that he or she does not in fact possess confidential information material to the matter").

[**10] Professor Wolfram next opines that Perry would bring nothing of value to the litigation (that is, any information that is [*110] "material"), because Nicholson's and Gatturna's contracts are fully "integrated," and therefore shielded by the parole evidence rule from extrinsic attack. This argument is belied in the first instance by the parties' disputation over the meaning of the term "self-activated surgical staples." Compare Defendant's

Memorandum, at 13, with Plaintiff's Opposition, at 5. [HN6]As a general rule, confidential client information in a lawyer's possession need not be admissible under the rules of evidence to cause the disqualification of his firm. See In re American Airlines, Inc., 972 F.2d 605, 618-619 (5th Cir. 1992). More fundamentally, the argument confuses Perry's role as a prospective witness with his role as defendants' prior attorney. The issue is not so much what Perry might be able to testify to at trial, but what Perry knows because of the prior representation that might prove harmful to defendants' cause. As an example, the timing and evolution of Nicholson's thinking about "surgical staples," a hotly contested subject, comes readily to mind, as illustrated [**11] by Professor Wolfram's third "most compelling" argument. "Defendants now assert that Mr. Nicholson in fact did not conceive of the device until late 1986. Thus, by hypothesis, Mr. Perry could have been told nothing about how the concept of a 'self activated surgical staple' expressed in the Nicholson employment agreement in late 1984 might apply to a concept not yet formed in the mind of Mr. Nicholson or any other defendant." Wolfram Decl. P 15. As Professor Susan Koniak aptly replies, "the fact that the phrase predated the conception of the device does not mean that Mr. Perry and Mr. Nicholson had nothing in mind when they inserted the exception in the agreement." Koniak Decl. P 42.

Professor Wolfram's argument that the (d)(2) exception applies is, I regret to say, nonsensical. "Because of the transient nature of the representation and the long stretch of time that has since transpired, Mr. Perry's involvement in the matter of Mr. Nicholson's employment agreement is properly regarded as not 'substantial' for present purposes." Wolfram Decl. P 17. Perry drafted the very contractual provisions that are at the crux of this litigation. There was nothing "transient" at all about Perry's [**12] involvement. He represented Nicholson (and Gatturna) at every propitious turn. To say now that his role in drafting the contracts was not substantial because of the passage of time is akin to saying that Julius Caesar had no substantial involvement in the conquest of Gaul "because it happened a long time ago." [8]

8 S&N also argues that F&R is uniquely qualified to litigate this case, having represented S&N in a related case in Oregon. Petrow Decl. P 9. As defendants point out, the case in Oregon was a patent case, an area of law in which F&R has admitted expertise. This case is a straightforward contract case which many firms would be suited (and eager) to handle. Defendants' Reply Memorandum, at 6. More pertinently, there is no "uniquely qualified" exception to the disqualification rules.

On a last point, I agree with Professor Wolfram that Rule 3.7(b) may not be implicated (assuming *dubitante* that Perry's putative testimony would be helpful to his former clients and harmful to S&N) as defendants are not [**13] in a position to assert S&N's right to conflict-free representation. [9] Any lingering doubts on the subject have been satisfied by S&N's waiver of such a right. See Wolfram Decl. P 21, Petrow [*111] Decl. P 11. [10]

9 Professor Koniak suggests that Fiandaca v. Cunningham, 827 F.2d 825, 829 (1st Cir. 1987), holds otherwise. I am not convinced that the case is analogous. Fiandaca involved a class counsel placed "in the untenable position of being simultaneously obligated to represent vigorously the interests of two conflicting clients" who were parties to the same action. Id. The First Circuit emphasized the duty of a trial court confronted with such a circumstance to supervise the conduct of the attorneys appearing before it. This is an issue separate from the issue of the "standing" of a party to vindicate its opponent's right to conflict-free representation (a subject not raised in Fiandaca).

10 Because predicate (i) of exception (d)(2) is not satisfied, the imperviousness of the "Chinese Wall" that F&R has erected between Perry and the attorneys litigating this case is irrelevant. See U.S. Filter Corp. v. Ionics, Inc., 189 F.R.D. 26, 30 (D.Mass. 1999). Also, the debate between Professor Wolfram and Professor Koniak over whether the Massachusetts Rules of Professional Conduct incorporate a duty of client loyalty as an independent ground for compelling disqualification, while of more than academic interest, is unnecessary to resolve.

[**14] ORDER

For the foregoing reasons, defendants' Motion to Disqualify Fish & Richardson is ALLOWED.

SO ORDERED.

Richard G. Stearns

UNITED STATES DISTRICT JUDGE

LEXSEE


Positive
As of: Jan 11, 2010

JAMES A. SCHWED, and GEORGE H. McMASTER, Individually, and on behalf of all other persons similarly situated, Plaintiffs, vs GENERAL ELECTRIC COMPANY, Defendant.

94-CV-1308

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF NEW YORK

990 F. Supp. 113; 1998 U.S. Dist. LEXIS 548

January 22, 1998, Decided
January 22, 1998, Filed

DISPOSITION: [**1] Defendant's motion to disqualify GRANTED.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff employees filed an action alleging that defendant employer discriminated against them in their employment based upon their age, in violation of the Age Discrimination in Employment Act, 29 U.S.C.S. §§ 621-634. The action was subsequently certified as a class action. Defendant employer filed a motion for disqualification of the employees' attorneys.

OVERVIEW: The employer was a former client of an attorney, and the attorney and his new firm now represented a party adverse to the employer. The court found that the attorney had represented the employer in other lawsuits revolving around the central issue of age discrimination in a layoff. The issues in the prior representation were essentially the same as the those in the present case, so the cases were substantially related. The attorney had access to confidential information by virtue of his prior representation of the employer in substantially similar actions. Confidential information was necessarily imparted to him in order for him to prepare an answer, motion, and opposition to a motion. The attorney participated in meetings, including meetings at which the present case was discussed. The attorney had access to all case files and computer files. The attorney had to be disqualified. Similarly, the firm failed to initiate any screening method to prevent inadvertent disclosure of confidential information by the attorney to other attorneys in the firm. Thus, the firm had to be disqualified from continuing to represent the employees.

OUTCOME: The court granted the motion to disqualify.

CORE TERMS: confidential information, disqualification, disqualified, former clients, prior representation, law firm, disqualify, age discrimination, potential conflict, present cases, laches, layoff, law suits, substantially similar, notified, class action, conflict of interest, substantial relationship, screening procedure, secret, confidence, disclosure, appearance, balancing, imputed, law claims, N.Y Jud Law, inter alia, class members, client's confidences

LexisNexis(R) Headnotes

Evidence > Privileges > Attorney-Client Privilege > Waiver
Legal Ethics > Client Relations > Confidentiality of Information
Legal Ethics > Client Relations > Conflicts of Interest
[HN1]An attorney must preserve a client's confidences and secrets, and must not use a client's confidence or secret to the client's disadvantage. N.Y. Jud. Law § 4-

101(B) (1992). Attorneys must also avoid conflicts of interest with former clients, unless the conflict has been fully disclosed and the former client consents. N.Y. Jud. Law § 5-108(A) (1992). Thus, except with the consent of a former client after full disclosure a lawyer who has represented the former client in a matter shall not: 1. Thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client. 2. Use any confidences or secrets of the former client except as permitted by § 4-101(C) or when the confidence or secret has become generally known.

Legal Ethics > Client Relations > Accepting Representation
Legal Ethics > Client Relations > Conflicts of Interest
Torts > Products Liability > Privacy
[HN2]An attorney may be disqualified from representing a client in a case if: (1) the moving party is a former client of the adverse party's counsel; (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client. In addition, an attorney has a continuing duty of loyalty to a client which constrains the attorney from representing another party whose interests are adverse to the interests of the former client. Finally, where an individual attorney is precluded from a representation due to a conflict, no other affiliated attorney or law firm may accept or continue such representation. N.Y. Jud. Law § 5-105(D). The presumption that an attorney shares confidential information with law firm attorneys which is implicit in this rule may only be rebutted by procedures designed to assure that the disqualified attorney cannot share the confidences of the former client.

Civil Procedure > Counsel > General Overview
Legal Ethics > Client Relations > Conflicts of Interest
[HN3]Where the relationship between the issues in the prior and present cases is "patently clear" or when the issues involved have been "identical" or "essentially the same" disqualification is warranted.

Civil Procedure > Counsel > General Overview
Legal Ethics > Client Relations > Conflicts of Interest
[HN4]Disqualification is warranted where an attorney had access to confidential information. The attorney need not have actually obtained confidential information; it is sufficient if the attorney might reasonably have acquired information related to the subsequent representation.

Civil Procedure > Pleading & Practice > Defenses, Demurrers & Objections > Affirmative Defenses > Laches
Civil Procedure > Counsel > General Overview
Legal Ethics > Client Relations > Conflicts of Interest
[HN5]Ordinarily a law firm or an attorney may not rely upon laches to insulate it from disqualification. In a case of extreme delay in moving for disqualification, where the circumstances are extraordinary, a motion to disqualify may be denied based upon laches. However, even in extraordinary circumstances a motion to disqualify will be granted unless prejudice due to the delay is demonstrated, because disqualification is in the public interest where there is an ethical violation.

Civil Procedure > Class Actions > General Overview
Civil Procedure > Counsel > General Overview
[HN6]A motion to disqualify an attorney who has represented the entire class and who has thereafter been retained by a faction of the class to represent its interests in opposition to a proposed settlement of the action cannot be automatically granted. Rather, there must be a balancing of the interests of the various groups of class members and of the interest of the public and the court in achieving a just and expeditious resolution of the dispute.

COUNSEL: DAVID J. WUKITSCH, ESQ., McNAMEE, LOCHNER, TITUS & WILLIAMS, P.C., Albany, NY, for Plaintiffs.

RONALD M. GREEN, ESQ., EPSTEIN BECKER & GREEN, P.C., New York, New York, for Defendant.

JUDGES: DAVID N. HURD, United States Magistrate Judge.

OPINION BY: DAVID N. HURD

OPINION

[*114] ***MEMORANDUM-DECISION and ORDER***

Plaintiffs filed this action on October 7, 1994, alleging, inter alia, that defendant discriminated against them in their employment based upon their age, in violation of the Age Discrimination in Employment Act, 29 U.S.C. §§ 621-634. The action was subsequently certified as a class action. Defendant General Electric Company ("G.E.") moves for disqualification of plaintiffs' attorneys. Plaintiffs oppose.

I. BACKGROUND

The plaintiff class has been represented by McNamee, Lochner, Titus & Williams, P.C. ("McNamee Firm") since the institution of the lawsuit. Defendant was initially represented by Bond, Schoeneck & King, L.L.P. ("BSK"). On October 7, 1997, Epstein Becker & Green, P.C. ("Epstein Firm") was substituted as counsel for the defendant. This motion to disqualify the McNamee Firm followed shortly thereafter.

Attorney Michael [**2] J. Grygiel ("Grygiel") was employed by BSK from 1991 through January 15, 1997. While employed by BSK, Grygiel defended G.E. in two other age discrimination law suits, *Arendt v. General Elec. Co.*, No. 1664-95 (N.Y. Sup. Ct), and *Raco v.* [*115] *General Elec. Co.*, No. 95-CV-0062 (N.D.N.Y.). Grygiel reviewed pleadings, prepared answering pleadings, performed legal research, drafted motion papers, drafted opposition to a motion, and conferenced with other BSK counsel, G.E.'s in-house counsel, and other G.E. employees. During this time, BSK represented G.E. in this case as well as *Abrams v. General Elec. Co.*, No. 95-CV-1734 (N.D.N.Y.). BSK's representation of G.E. in *Abrams* ended on July 8, 1996. *Abrams* is another class action age discrimination law suit involving the same layoff policy at issue in this case and in the *Arendt* case. Grygiel did not work directly on this case or on *Abrams*, although other BSK attorneys did so.

On January 15, 1997, Grygiel became "of counsel" to the McNamee Firm. Neither Grygiel nor the McNamee Firm notified G.E. of Grygiel's new employment and of the potential for a conflict of interest. While Grygiel did not then directly participate [**3] in the representation of the plaintiffs, the McNamee Firm continued its representation of plaintiffs in this suit and in *Abrams*. Grygiel and the McNamee Firm have been disqualified as counsel for plaintiffs in the *Abrams* case. *See Abrams v. General Elec. Co.*, No. 95-CV-1734 (N.D.N.Y. Jan. 16, 1998).

II. DISCUSSION

[HN1]An attorney must preserve a client's confidences and secrets, and must not use a client's confidence or secret to the client's disadvantage. N.Y. Jud. Law app. DR 4-101(B) (McKinney 1992). Attorneys must also avoid conflicts of interest with former clients, unless the conflict has been fully disclosed and the former client consents. N.Y. Jud. Law app. DR 5-108(A) (McKinney 1992). Thus,

> except with the consent of a former client after full disclosure a lawyer who has represented the former client in a matter shall not:
>
> 1. Thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client.
>
> 2. Use any confidences or secrets of the former client except as permitted by DR 4-101(C) or when the confidence or secret has become generally known.

[**4] *Id.* [HN2]An attorney, therefore, may be disqualified from representing a client in a case if:

> (1) the moving party is a former client of the adverse party's counsel;
>
> (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and
>
> (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client.

Hammond v. Goodyear Tire & Rubber Co., 933 F. Supp. 197, 199-200 (N.D.N.Y. 1996)(quoting *Evans v. Artek Sys. Corp.*, 715 F.2d 788, 791 (2d Cir. 1983)). In addition, an attorney has a continuing duty of loyalty to a client which constrains the attorney from representing another party whose interests are adverse to the interests of the former client. *In re "Agent Orange" Prod. Liab. Litig.*, 800 F.2d 14, 17 (2d Cir. 1986)(hereinafter "*Agent Orange*").

Finally, where an individual attorney is precluded from a representation due to a conflict, no other affiliated attorney or law firm may accept or continue such representation. N.Y. Jud. [**5] Law app. DR 5-105(D) [1]; *Marshall v. New York Div. of State Police*, 952 F. Supp. 103, 110 (N.D.N.Y. 1997); *Decora Inc. v. DW Wallcovering, Inc.*, 899 F. Supp. 132, 139 (S.D.N.Y. 1995). The presumption that an attorney shares confidential information with law firm attorneys which is implicit in this rule may only be rebutted by procedures designed to assure that the disqualified attorney cannot share the confidences of the former client. *Marshall*, 952 F. Supp. at 110; *Decora Inc.*, 899 F. Supp. at 139.

1 The Disciplinary Rule states that "while lawyers are associated in a law firm, none of them shall knowingly accept or continue employment when any one of them practicing alone would be prohibited from doing so under DR 5-101(A), DR 5-105(A), (B) or (C), DR 5-108, or DR 9-101(B) except as otherwise provided therein. *Id*.

[*116] It is undisputed that G.E. is a former client of attorney Grygiel, and that Grygiel and the McNamee Firm now represent a party adverse to G.E. Accordingly, substantial relationship [**6] of the representations, access to confidential information, and disqualification of Grygiel's current firm will be analyzed.

A. Substantial Relationship

[HN3]Where the "'relationship between the issues in the prior and present cases is "patently clear" . . . [or] when the issues involved have been "identical" or "essentially the same"' disqualification is warranted. *Hammond*, 933 F. Supp. at 201 (quoting *Government of India v. Cook Indus., Inc.*, 569 F.2d 737, 739-40 (2d Cir. 1978)).

BSK represented G.E. in four law suits: *Schwed* (the case at bar), *Arendt*, *Raco*, and *Abrams*. Grygiel personally worked on *Arendt* and *Raco*. In *Arendt*, it was alleged that G.E. discriminated against plaintiffs based upon their age when they were laid off from their employment at G.E.'s Corporate Research and Development Center, in Niskayuna, New York. It is undisputed that Grygiel spent considerable time on the *Arendt* file, billing over one hundred hours. Moreover, BSK asserts that the same layoff policy at issue in this case is at issue in *Arendt*. (D'Ambrosio Aff. P 6.) While the *Arendt* case involves state law claims and the present litigation involves federal [**7] law claims, both revolve around the central issue of age discrimination in a layoff. It is therefore apparent that the issues in the prior representation are essentially the same as the those in the present case.

The McNamee Firm argues that because *Arendt* involved state law claims, a different layoff, a different facility, different employees, different managers, and a different business unit, *Arendt* and the present action are not substantially related. The central issue in both cases, however, is age discrimination resulting from application of a corporate layoff policy. *Arendt* and the present case clearly are substantially related.

Grygiel's prior representation in *Arendt* alone would suffice to support finding a substantial relationship between the prior and present representations; his prior representation of G.E. in *Raco* is merely additive. *Raco* involved claims regarding discrimination based upon age and gender, and wrongful discharge. While the present case involves layoffs and *Raco* involved wrongful denial of tuition assistance, both involve discrimination. Moreover, the alleged discrimination in *Raco* and in the present case occurred in the [**8] same business unit. Therefore, Grygiel's prior representation in *Raco* was substantially similar to the issues in the present case.

Additionally, while not relied upon by G.E. in this disqualification motion, it is notable that BSK represented G.E. in the present action, *Schwed*, and in *Abrams*, at the same time during which Grygiel worked for that firm. Just as an individual's prior representations are imputed to a firm, the firm's representations must be imputed to the individual. *Cf. Marshall*, 952 F. Supp. at 110. Thus, if BSK's representation in *Schwed* is imputed to Grygiel, then he is now representing an adverse party in the very same litigation.

B. Confidential Information

[HN4]Disqualification is warranted where an attorney had access to confidential information. *Marshall*, 952 F. Supp. at 109; *Hammond*, 933 F. Supp. at 201. The attorney need not have actually obtained confidential information; it is sufficient if the attorney might reasonably have acquired information related to the subsequent representation. *Marshall*, 952 F. Supp. at 109; *Hammond*, 933 F. Supp. at 201.

Grygiel had access to confidential information by virtue of his prior [**9] representation of G.E. in substantially similar actions, *Arendt* and *Raco*. Confidential G.E. information was necessarily imparted to him in order for him to prepare an answer, motion, and opposition to a motion. Grygiel participated in meetings, both with other BSK attorneys and G.E. employees, including meetings at which the present case was discussed. [2] (D'Ambrosio [*117] Aff. P 3.) Grygiel had access to all BSK case files and computer files. BSK represented G.E. in two additional cases, *Schwed* and *Abrams*, which involve substantially similar claims and about which other BSK attorneys must have possessed confidential information.

2 Grygiel asserts that he does not possess any confidential information and does not recall any discussions while he was employed at BSK regarding the instant case. (Grygiel Aff. P 4-5.) There is no reason to doubt the sincerity and truth of Grygiel's assertions. It need not be shown that Grygiel does, in fact, have confidential information, but only that he had access to such information. *See Marshall*, 952 F. Supp. at 109; *Hammond*, 933 F. Supp. at 201.

[**10] The McNamee Firm argues that BSK's failure to object between January and October 1997, while BSK was still representing G.E., implicitly demonstrates

that Grygiel did not possess confidential information relating to this law suit. Again, G.E. need not show that Grygiel actually possessed confidential information, only that he had access to it. *See* *Marshall*, 952 F. Supp. at 109; *Hammond*, 933 F. Supp. at 201.

Clearly it can reasonably be said that Grygiel had access to confidential information during the course of the prior representation which is related to the current representation. *See* *Marshall*, 952 F. Supp. at 109; *Hammond*, 933 F. Supp. at 201. In fact, it would be unreasonable to say that he did not have access to related confidential information.

C. The McNamee Firm

Having found that attorney Grygiel must be disqualified, the McNamee Firm must also be disqualified unless it rebuts the presumption that Grygiel has shared confidential information with other attorneys in the firm. *See* *Marshall*, 952 F. Supp. at 110. In some cases, law firms can avoid disqualification by adopting a screening method which prevents the disqualified individual attorney from [**11] imparting confidential information to other attorneys in the law firm. *Marshall*, 952 F. Supp. at 110. However, the McNamee Firm failed to initiate any screening method to prevent inadvertent disclosure of confidential information by Grygiel to other attorneys in the firm. Thus, the McNamee firm must be disqualified from continuing to represent plaintiffs in this matter.

The McNamee Firm urges that G.E. will not be prejudiced by permitting continued representation of plaintiffs and that plaintiffs will be significantly prejudiced should the McNamee Firm be disqualified. The McNamee Firm further argues that because BSK failed to move for disqualification between January 15, 1997, when Grygiel joined the McNamee Firm, and October 7, 1997, when BSK was replaced as G.E.'s counsel, that G.E. should now be prohibited from challenging the continued representation. This is in essence a laches argument.

[HN5]Ordinarily a law firm or an attorney may not rely upon laches to insulate it from disqualification. *Baird v. Hilton Hotel Corp.*, 771 F. Supp. 24, 28 (E.D.N.Y. 1991). In a case of extreme delay in moving for disqualification, where the circumstances are extraordinary, a motion to disqualify [**12] may be denied based upon laches. *Emle Indus., Inc. v. Patentex Inc.*, 478 F.2d 562, 574 (2d Cir. 1973). However, even in extraordinary circumstances a motion to disqualify will be granted unless prejudice due to the delay is demonstrated, because disqualification is in the public interest where there is an ethical violation. *Id.* (three-year delay insufficient to invoke doctrine of laches).

The factual situation in *Baird* demonstrates the principles just stated. Attorney Pluchino worked for a firm defending the party seeking disqualification. 771 F. Supp. at 25. Pluchino actively participated in the defense of the defendant during discovery. *Id.* Pluchino then moved to a new law firm, the Katz firm, which represented the plaintiff in the same action. The Katz firm placed procedures into effect to prevent Pluchino from disclosing confidential information with other attorneys in the firm. *Id.* at 25-26. Some seven months later, the defendant substituted another firm. *Id.* at 25. An attorney at that firm noticed Pluchino's name on the Katz firm's letterhead and immediately sought disqualification. *Id.* The Katz firm argued, inter alia, that it should not be disqualified [**13] from the representation because of the delay in seeking disqualification. *Id.* at 27-28.

[*118] While recognizing that the plaintiff would suffer some prejudice by the disqualification, particularly since it was merely five days prior to trial, the court refused to apply laches. *Id.* at 28. The *Baird* Court chastised the disqualified firm for its failure to formally notify the defendant of the potential conflict. *Id.* Such notification, the court pointed out, would have permitted the defendant to review the record and determine if it should move for disqualification. *Id.* If the Katz firm had notified the defendant, the motion to disqualify would have been timely, and prejudice due to closeness to trial would not be at issue. *Id.*

Here approximately ten months passed between the time Grygiel moved from BSK to the McNamee Firm and the time G.E. moved to disqualify Grygiel. However, at no time did BSK, Grygiel, or the McNamee Firm ever notify G.E. of Grygiel's move and the potential conflict. Any prejudice to plaintiffs, conflicts of interest, or grounds for disqualification could have been avoided or certainly lessened if appropriate steps had been taken by the McNamee [**14] Firm at the time it was considering employing Grygiel as "of counsel."

The McNamee Firm should have notified BSK and G.E. in writing of the potential conflict before making a final decision to employ Grygiel. [3] It should have made full disclosure in writing of the circumstances and inquired if G.E. had any objection to the McNamee Firm continuing to represent the plaintiffs in this action if Grygiel joined the firm. If G.E. consented in writing to the continuing representation, the McNamee Firm would have had no conflict with Grygiel's former client. If G.E. objected, the McNamee Firm could have attempted to work out a formal screening procedure satisfactory to G.E. If that failed, the McNamee Firm then would have had to decide whether or not to hire Grygiel. If it still decided to employ Grygiel, at the very least a formal screening procedure should have been instituted to insulate him from revealing any confidential information and

to remove any appearance of impropriety. Again, the McNamee Firm should have notified G.E. in writing of the details of the procedure. None of the above was done.

> 3 The McNamee Firm was aware of the potential conflict from direct discussions with Grygiel. *See* Wukitsch Aff. at P 10.) Despite Grygiel's expertise and experience in the field of age discrimination, the fact that the McNamee Firm never assigned him to work on this case further demonstrates that it was aware of the problem.

[**15] Now is not the time to beseech the court to permit the representation to continue despite a conflict of interest, while attempting to blame another firm for its own inaction. *See* *id.* at 28. Furthermore, it would be ineffective to now order some sort of insulating screening procedure, since there has been no such procedure in place for well over one year. The public interest is best served by disqualifying conflicted attorneys and law firms, and thereby avoiding the appearance of impropriety. *See id.*

The McNamee Firm argues that it should not be disqualified due to the substantial prejudice plaintiffs in this class action suit would suffer, citing *Agent Orange* for the proposition that a balancing test is appropriate in determining disqualification motions in class action law suits. The balancing test used by the *Agent Orange* Court, however, would be inappropriate to use in this case. First, in *Agent Orange* the prior representation was for all the class action plaintiffs, and the subsequent representation was for a discreet group of plaintiffs whose interests had diverged from the others'. 800 F.2d at 18. Second, the potential conflict arose only at the relief stage, [**16] in relation to a proposed settlement. *Id.* Third, the court has a duty to protect the interests of all class members when apprised of potential conflicts among the members of the class. *Id.* The *Agent Orange* Court recognized these special circumstances, and characterized it this way:

> [HN6]A motion to disqualify an attorney who has represented the entire class and who has thereafter been retained by a faction of the class to represent its interests in opposition to a proposed settlement of the action cannot be automatically granted. Rather, there must be a balancing of the interests of the various groups of class members and of the interest of the public and the court [*119] in achieving a just and expeditious resolution of the dispute.

Id. at 19. None of these distinguishing special circumstances are present in this case. Although this is a class action, the conflicted attorney represented the defendant and now is "of counsel" for the firm that represents the entire class in a substantially similar suit against the defendant. The conflict issue arose during the discovery phase of the suit, not at the relief stage. While there is a duty to protect all members of the [**17] plaintiff class in this suit, there is also a duty to preserve the integrity of the adversary process. *See* *id.* at 18. The adversary process can best be protected in this action by disqualifying the McNamee Firm.

III. CONCLUSION

Grygiel must be disqualified due to his prior direct representation of G.E. in matters substantially similar to this action, his former firm representing G.E. in this action at the time he was employed by them, and his access to confidential information. The McNamee Firm, which now employs Grygiel, must be disqualified from representing plaintiffs in this action, whose interests are clearly adverse to G.E. The McNamee Firm is not saved from the disqualification because it never notified G.E. of the conflict nor instituted any screening procedure to prevent Grygiel from disclosing confidential information to other members of the firm. Laches is not a defense to the disqualification, nor is prejudice to the plaintiff class.

This decision is made with great reluctance not only because of respect for the McNamee Firm, which deservedly enjoys a fine reputation in the legal community, but also because of the enormous amount of effort it has expended [**18] on behalf of the plaintiffs and the hardship its absence will cause. It is particularly distressing because the situation easily could have been avoided. However, it must be emphasized that neither the McNamee Firm nor Grygiel did anything improper. Rather, it was just the inadvertent failure to take the necessary precautions to avoid the appearance of a conflict which leaves no choice but to disqualify.

Accordingly, it is

ORDERED that

1. defendant's motion to disqualify is GRANTED;

2. the law firm of McNamee, Lochner, Titus & Williams, P.C. is disqualified from representing the plaintiffs in this action, except with regard to any appeal of this Memorandum Decision and Order or with assisting plaintiffs retain substitute counsel;

3. all other proceedings in this action are stayed pending further order of the court.

IT IS SO ORDERED.

David N. Hurd

United States Magistrate Judge

Utica, New York.

Dated: January 22, 1998

LEXSEE

Analysis
As of: Jan 11, 2010

MICHAEL FIERRO AND CHRISTINE FIERRO, Plaintiffs, VERSUS THOMAS GALLUCCI AND FLORENCE GALLUCCI, AND VILLA POINTE LLC, JAMES NICOTRA AND ANN MARIE NICOTRA, Defendants.

No 06-CV-5189 (JFB) (WDW)

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

2007 U.S. Dist. LEXIS 89296

December 4, 2007, Decided
December 4, 2007, Filed

SUBSEQUENT HISTORY: Claim dismissed by, Motion denied by, in part Fierro v. Gallucci, 2008 U.S. Dist. LEXIS 38513 (E.D.N.Y., May 12, 2008)

CORE TERMS: disqualification, conversation, confidence, attorney-client, lawsuit, disqualify, secret, consultation, confidential information, disciplinary, contract of sale, telephone, privileged, tainted, subject matter, message, phone, former client, citation omitted, recollection, consulted, potential claims, affirmation, tear, prior representation, attorney client relationship, substantial relationship, confidential, disqualified, disclosure

COUNSEL: [*1] Michael & Christine Fierro, Plaintiffs, Pro se, Mableton, GA.

For defendants: Floyd G. Grossman, Michael J. Spithogiannis, Dollinger, Gonski & Grossman, Carle Place, NY.

JUDGES: JOSEPH F. BIANCO, United States District Judge.

OPINION BY: JOSEPH F. BIANCO

OPINION

MEMORANDUM AND ORDER

JOSEPH F. BIANCO, District Judge:

Plaintiffs Michael and Christine Fierro brought this action against Thomas and Florence Gallucci, Villa Pointe LLC, and James and Ann Marie Nicotra, claiming that defendants committed fraud by making false and misleading statements to the plaintiffs in order to induce plaintiffs to enter into a contract of sale for their home. Plaintiffs contend that the subsequent demolition of the home and development of the property constitute, among other things, fraud, fraudulent inducement, and breach of contract. Plaintiffs now move to disqualify defendants' counsel - namely, the law firm of Dollinger, Gonski, and Grossman (hereinafter, "the Dollinger Firm" or the "Firm") - because, according to Michael Fierro, he consulted with a member of the Dollinger Firm almost two years prior to bringing this lawsuit about the subject matter of this lawsuit. As set forth below, the motion to disqualify is granted.

I. [*2] BACKGROUND

A. The Amended Complaint

This case involves the plaintiffs sale of their residence at 327 Lakeview Avenue in Rockville Centre, New York (hereinafter, the "Residence"), to Thomas and Florence Gallucci (hereinafter, the "Gallucci Defendants").

According to the amended complaint, plaintiffs were introduced to the Gallucci Defendants by James and Ann-Marie Nicotra (hereinafter, the "Nicotra Defendants"), who reside immediately adjacent to the Residence. (Amended Compl. P 8.) The amended complaint alleges that the Gallucci Defendants, the Nicotra Defendants, and an LLC created by the Galucci Defendants - namely, Villa Pointe LLC - "were partners in a scheme to con the Plaintiffs into selling the Galucci Defendants

their Home, and to then tear it down and develop the property with new homes." (*Id.* P 9.) Specifically, it is alleged that the Gallucci Defendants fraudulently concealed their intention to tear down the home and develop the property. (*Id.* P 11.) Less than one week prior to the consummation of the contract of sale in August 2004, the Gallucci Defendants allegedly informed plaintiffs that they wished to have the right to purchase the home under the contract of sale transferred [*3] to the Villa Pointe LLC. (*Id.* P 19.) According to the complaint, prior to the agreement to this assignment of rights to the LLC, plaintiffs asked the Gallucci Defendants whether they intended to tear down the Residence and the Gallucci Defendants denied any current intention to tear down the home. (*Id.* PP 23-24.) The complaint further alleges that, within one month after the closing on the Residence, the Gallucci Defendants had arranged for the property to be re-zoned for two homes and, shortly thereafter, had the Residence destroyed. (*Id.* PP 28-29.) Plaintiffs allege that, pursuant to a partnership with the Nicotra Defendants, the Gallucci Defendants (through the Villa Pointe LLC) built two new residences in place of the Residence which sold for approximately $ 1,300,000 each. (*Id.* PP 30-31.)

Plaintiffs allege, among other things, that the Gallucci Defendants and Nicotra Defendants made false and misleading statements prior to the signing of the contract of sale in order to fraudulently induce them to enter into the contract of sale for the purchase of the Residence. (*Id.* PP 35,45.) Plaintiffs contend that "had the [Plaintiffs] known about Defendants' plan to tear down their Home, [*4] and had it not been for Defendants' false and misleading statements to Plaintiffs, Plaintiffs would have never sold the Home to Gallucci Defendants, nor would they have agreed to the assignment for the contract of sale to the LLC or the waiver of the rights under the contract of sale." (*Id.* P 32.)

B. Facts Regarding Disqualification Motion

According to plaintiffs, in late November/ early December of 2004, plaintiffs became aware of defendants' intentions and actions to demolish plaintiffs' former residence and develop the property. According to Michael Fierro, he then consulted with Matthew Dollinger, Esq., of the Dollinger Firm on at least two, and possibly three, occasions. (Michael Fierro Affidavit P 3.) Mr. Fierro stated in his affidavit that these conversations related to potential claims pertaining to the subject matter of this action:

> The subject of my conversation with Mr. Dollinger related to potential claims for fraud against the defendants in the above-referenced lawsuit, relating to the sale of our former home. During the conversations, Mr. Dollinger and I discussed the underlying facts of the case, potential claims against the defendants, potential defenses available to the [*5] defendants, dollar amounts at risk, and relevant case law and other legal theories applicable to the facts in issue.

(*Id.* PP 4-5.) Mr. Fierro further contends that a fax was sent to him relating to the relevant case law pertaining to plaintiffs' claim. (*Id.* P 6.) Finally, Mr. Fierro states the following: (1) "I have not consented to the Dollinger firm's representation of the defendants in this action" (*Id.* P 7); and (2) "I have not consented to the disclosure of any of the contents of my conversations with any employee of the Dollinger firm nor of any confidential information concerning this case in the Dollinger firm's possession, nor have I waived the attorney-client privilege covering my conversations with the Dollinger firm and its employees" (*Id.* P 8). Plaintiffs decided not to retain Mr. Dollinger and his Firm to represent them in this matter and filed this lawsuit *pro se* on September 25, 2006.

Mr. Dollinger stated in an affirmation to the Court that he has "absolutely no recollection of ever having been contacted by Michael Fierro, or anyone on behalf of the plaintiffs." (Dollinger Affirmation P 5.) Mr. Dollinger further stated that he does "not recall ever speaking with Bernadette [*6] Arnold, Esq., who apparently was Mr. Fierro's real-estate attorney in connection with the transaction underlying the plaintiff's lawsuit." (*Id.*) However, at the Court's request, Mr. Dollinger searched the Firm's records to determine whether there is any documentation reflecting contact with Mr. Fierro. [1]

> 1 The Court notes that both Mr. Dollinger and the Dollinger Firm have acted in good faith at all times in this litigation in attempting to provide to the Court any information or documentation in their possession that may be relevant to plaintiffs' motion for disqualification. Although Mr. Fierro claims that Mr. Dollinger has unnecessarily disclosed confidential communications to the Court, the Court finds the allegation to be without merit. Instead, Mr. Dollinger has been diligently acting as an officer of the Court in conducting a thorough search of the Firm's records and providing documentation to the Court that, in fact, helps Mr. Fierro's position by corroborating his contact with the Firm, which Mr. Dollinger does not independently recall. Although the phone record provides a very brief summary of the substance of Mr. Fierro's phone message, such disclosure to

the Court in connection [*7] with the disqualification motion has not in any way prejudiced Mr. Fierro.

A search of the Firm's records revealed a record of a phone message from Mr. Fierro taken by Mr. Dollinger's Office Administrator on December 10, 2004, which suggests that Mr. Dollinger spoke with Bernadette Arnold on December 9, 2004, and that the Dollinger Firm had sent a fax to Mr. Fierro. (*Id.* P 10; *see also* Attachment to Aug. 14, 2007 Letter to the Court.) A further search of telephone company records by the Firm reflects that two telephone calls were placed from the Firm to plaintiffs' telephone number in Atlanta, Georgia, one lasting 36 seconds, and another lasting ten minutes, twelve seconds. (Dollinger Affirmation P 13.) Based upon these records, Mr. Dollinger concluded the following in his Affirmation: "I assume from these records that I called Michael Fierro and spoke with him for about ten minutes. But again, I have no recollection of ever having spoken to him. I kept no record of any conversation between myself, and Michael Fierro." (*Id.*) Mr. Dollinger emphasized, "I have not worked on, nor have I had any connection with this case except my appearance before Judge Bianco on August 7, 2007 to address [*8] the conflict-of-interest issue." (*Id.* P 17.) Instead, his partners, with the assistance of some associates, have performed all the legal work in this matter. (*Id.* P 16.) Finally, Mr. Dollinger stated that the Firm did not make any record indicating either plaintiff as a potential client, did not open up a file as a result of the telephone contact, and never issued a bill in connection with any communications between Mr. Fierro and the Firm. (*Id.* P 18.)

C. Procedural History

Plaintiffs acting *pro se* brought this action by a Summons and Complaint on September 25, 2006. Dollinger, Gonski, & Grossman was retained, through partner Floyd G. Grossman, Esq., to represent the defendants in this action. (Dollinger Affirmation P 14.) On January 31, 2007, plaintiffs filed an amended complaint. On April 17, 2007, defendants moved to dismiss the complaint. In a letter filed July 17, 2007, Mr. Fierro notified the Court that he recently remembered that he had contacted Mr. Dollinger two years prior to bringing this lawsuit about the subject matter of this lawsuit. On September 17, 2007, plaintiffs moved to disqualify defense counsel.

II. DISCUSSION

A. Standard for Disqualification of Counsel

Disqualification [*9] is viewed "with disfavor in this circuit," *In re Bohack Corp.*, 607 F.2d 258, 263 (2d Cir. 1979), because it "impinges on parties' rights to employ the attorney of their choice." *US. Football League v. Nat'l Football League*, 605 F.Supp. 1448, 1452 (S.D.N.Y. 1985) (citation omitted). In particular, the Second Circuit has noted the "high standard of proof' required for disqualification motions because, among other things, they are "often interposed for tactical reasons, and that even when made in the best of faith, such motions inevitably cause delay." *Evans v. Artek Sys. Corp.*, 715 F.2d 788, 791 (2d Cir. 1983); *accord Gov't India v. Cook Indus., Inc.*, 569 F.2d 737, 739 (2d Cir. 1978).

Nevertheless, the disqualification of counsel "is a matter committed to the sound discretion of the district court." *Cresswell v. Sullivan & Cromwell*, 922 F.2d 60, 72 (2d Cir. 1990). A federal court's power to disqualify an attorney derives from its "inherent power to 'preserve the integrity of the adversary process,'" *Hempstead Video, Inc. v. Vill. of Valley Stream*, 409 F.3d 127, 132 (2d Cir. 2005) (quoting *Bd. of Educ. v. Nyquist*, 590 F.2d 1241, 1246 (2d Cir. 1979)), and "is only appropriate where allowing [*10] the representation to continue would pose a significant risk of trial taint." *Glueck v. Jonathan Logan, Inc.*, 653 F.2d 746, 748 (2d Cir. 1981) (internal quotation marks omitted). In exercising this power, courts look for "general guidance" to the American Bar Association ("ABA") and state disciplinary rules, although the Second Circuit has emphasized that "not every violation of a disciplinary rule will necessarily lead to disqualification." *Hempstead Video, Inc.*, 409 F.3d at 132. [2] However, "any doubt is to be resolved in favor of disqualification." *See Hull v. Celanese Corp.*, 513 F.2d 568, 571 (2d Cir. 1975); *see also Nichols v. Vill. Voice*, 99 Misc.2d 822, 826, 417 N.Y.S.2d 415 (N.Y. 1979).

2 The Court also notes that Civil Rule 1.5(b)(5) of the Local Rulesof the U.S. District Courts for the Southern and Eastern Districts of New York binds attorneys appearing before those courts to the New York State Lawyer's Code of Professional Responsibility. Local Civ. R. 1.5(b)(5); *see, e.g., United States v. Hammad*, 846 F.2d 854, 857-58 (2d Cir.1988); *Polycast Tech. Corp. v. Uniroyal, Inc.*, 129 F.R.D. 621, 625 (S.D.N.Y.1990) ("[I]n this Court federal law incorporates by reference the Code of [*11] Professional Responsibility.").

B. Grounds for Disqualification

Plaintiffs argue that the Dollinger Firm should be disqualified because, almost two years before bringing this action, plaintiff Michael Fierro had preliminary discussions with the Firm regarding his claims and potential representation in this matter. Specifically, plaintiffs contend that the Firm's continued representation of the de-

fendants would violate New York Code of Professional Responsibility, Disciplinary Rule 4-101(B) and Disciplinary Rule 5-108.

Defendants argue that the motion to disqualify the Dollinger Firm should be denied because of the following: (1) there was never an attorney-client relationship established between the Mr. Dollinger or the Firm and Mr. Fierro; (2) there was no indication that there were any "secrets" or "confidences" discussed during the conversations between Mr. Dollinger and Mr. Fierro; and (3) even if such secrets or confidences were discussed, Mr. Dollinger has no recollection of any such conversations. Thus, defendants contend that there is no conflict of interest in continuing to represent the defendants in this lawsuit.

As set forth below, the Court concludes that plaintiffs have made [*12] a sufficient showing to warrant disqualification of the Dollinger Firm. Fierro's statement in his affidavit - that he consulted with Mr. Dollinger in late 2004 regarding the subject matter of this case, including potential claims, potential defenses, and relevant case law - is corroborated by a phone message and phone records maintained by the Firm. Thus, this preliminary discussion regarding the subject matter of this litigation fell within the umbrella of an attorney-client relationship and was privileged. This prior consultation with Mr. Fierro regarding the exact subject matter of this litigation is sufficient to warrant disqualification. Although Mr. Dollinger does not recall any client confidences revealed to him during the conversation, his failure to recall such conversations does not vitiate the otherwise clear basis for disqualification.

a. Code of Professional Responsibility Disciplinary Rules 4-101(B) and 5-108(A)

The two key provisions of the New York Code of Professional Responsibility implicated by this motion are DR 4-101(B) and DR 5-108(A). Disciplinary Rule 4-101 (B) provides, in relevant part, that "a lawyer shall not knowingly: (1) Reveal a confidence or secret of [*13] a client; [or] (2) Use a confidence or secret of a client to the disadvantage of that client." (McKinney Supp. 1991).

The Disciplinary Rules define a "confidence" as "information protected by the attorney-client privilege under applicable law" and a "secret" as "other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client." DR 4-101 (A) (McKinney Supp. 1991). Although DR 4-101(A) generally only applies where an attorney-client relationship is present, courts have held that an "analagous fiduciary obligation may be implied in the absence of a attorney-client relationship." *Liu v. Real Estate Inv. Group, Inc.*, 771 F. Supp. 83 (S.D.N.Y. 1991) (internal citations omitted). As the court in *Liu* noted:

> It is clear that where an attorney receives confidential information from a person, who under the circumstances has a right to believe that the attorney, as an attorney, will respect such confidences, the law will enforce the obligation of confidences irrespective of the absence of a formal attorney client relationship.

Id. at 86 (quoting *Nichols*, 99 Misc.2d 822, 417 N.Y.S.2d at 418); [*14] *see also Rosman v. Shapiro*, 653 F. Supp. 1441, 1445 (S.D.N.Y. 1987); *Trinity Ambulance Serv., Inc. v. G & L Ambulance Servs., Inc.*, 578 F. Supp. 1280, 1283 (D. Conn. 1984).

Disciplinary Rule 5-108 analyzes the duties owed by an attorney to a former client. Specifically, Disciplinary Rule 5-108 provides that "[a] lawyer who has represented a client in a matter shall not, without the consent of the former client after full disclosure . . . .[t]hereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client . . . ." DR 5-108 (McKinney Supp. 1991). Further, an individual lawyer's conflicts are ordinarily imputed to his firm based on the presumption that "associated attorneys share client confidences." *Hempstead Video, Inc.*, 409 F.3d at 133 (internal citations omitted); *see also* 22 N.Y.C.R.R. § 1200.27(b); *Kasis v. Teacher's Ins. and Annuity Ass'n*, 93 N.Y.2d 611, 616, 695 N.Y.S.2d 515, 717 N.E.2d 674 (N.Y.1999) ("[W]here an attorney working in a law firm is disqualified from undertaking a subsequent representation opposing a former client, all the attorneys in that firm are likewise [*15] precluded from such representation."). The Second Circuit has held that an attorney may be disqualified under Disciplinary Rule 5-108 if:

> (1) the moving party is a former client of the adverse party's counsel; (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client.

Hempstead Video, 409 F.3d at 133. As set forth below, under this standard, the Court finds in its discretion that disqualification is warranted because (1) plaintiffs have established that an attorney-client relationship existed as to Mr. Fierro's preliminary discussions, (2) the matters are not just "substantially related" to this litigation, but are indeed identical, and (3) it is likely that confidential and privileged information relevant to this lawsuit was shared with Mr. Dollinger during these conversations.

The first prong of this test requires an attorney-client relationship between the movant and the law firm sought [*16] to be disqualified. Although defendants point to the several factors in arguing there was no attorney client relationship - including the fact that the preliminary conversations were brief, the Dollinger Firm never opened a file related to Mr. Fierro, and the Dollinger Firm never charged any legal fees for the initial consultation - none of those factors, individually or collectively, is necessarily dispositive in analyzing whether there was an attorney-client relationship. *See, e.g.*, *United States v. Devery*, No. 93 Cr. 273 (LAP), 1995 U.S. Dist. LEXIS 4799, 1995 WL 217529, at *14 (S.D.N.Y. Apr. 12, 1995) ("It is well-established that no formal indicia or technical requirements are required in order to establish an attorney-client relationship."); *Green v. Montgomery County*, 784 F. Supp. 841, 844 (M.D. Ala. 1992) ("The mere existence of an express contract of employment, or the payment of legal fees, or the length of consultation is not determinative of whether a preliminary consultation has matured into an attorney-client relationship.").

"[C]ourts have not employed a single, well-defined test for determining whether an attorney client relationship exists, and, moreover, have consistently rejected the argument [*17] that indicia of a formal relationship are necessary. Most courts have acknowledged, as a general matter, that an attorney-client relationship exists if the party divulging confidences and secrets to an attorney believes that he is approaching the attorney in a professional capacity with the intent to secure legal advice." *First Hawaiian Bank v. Russell & Volkening, Inc.*, 861 F. Supp. 233, 238 (S.D.N.Y. 1994); *accord* *Bennett Silvershein Assocs. v. Furman*, 776 F. Supp. 800, 803 (S.D.N.Y. 1981) (quoting *Trinity Ambulance Serv., Inc. v. G & L Ambulance Servs., Inc.*, 578 F. Supp. at 1283); *Keoseian v. Von Kaulbach*, 707 F. Supp. 150, 152 (S.D.N.Y. 1989) (same). As the Second Circuit has stated, "[t]he key, of course, to whether an attorney/ client relationship existed is the intent of the client and whether he reasonably understood the conference to be confidential." *United States v. Dennis*, 843 F.2d 652, 657 (2d Cir. 1998).

Further, whether or not employment occurs, preliminary discussions between an attorney and a prospective client are subject to the attorney client privilege. *See* *Dennis*, 843 F.2d at 657 ("To be sure, initial statements made while Pilgrim intended to employ Gerace were [*18] privileged even though the employment was not accepted."); *see also* *Green*, 784 F. Supp. at 845 ("[T]he fiduciary relationship existing between a lawyer and client extends to preliminary consultation by a prospective client with a view to retention of the lawyer although actual employment did not result.") (quotations and citations omitted); *Liu*, 771 F.Supp. at 86 ("[T]he duty to preserve confidentiality extends to preliminary consultation by a prospective client even though actual employment does not result."); McCormick on Evidence 6th Ed. § 88 (West Publishing Co., 2006) ("[C]ommunications in the course of [a] preliminary discussion with a view to employing the lawyer are privileged though the employment is in the upshot not accepted.").

In this instance, it is clear from Mr. Fierro's affidavit - and the corroboration contained in the phone message - that Mr. Fierro engaged Mr. Dollinger in preliminary discussions related to a legal analysis of the potential claims that could be brought in connection with the alleged fraudulent conduct by defendants during the purchase of plaintiff's Residence. Although Mr. Fierro decided not to retain Mr. Dollinger, any communication made during [*19] this preliminary consultation is protected by the duty of confidentiality and protected by the attorney- client privilege. Thus, this preliminary conversation is sufficient to establish the existence of an attorney-client relationship, even though the Dollinger Firm was not ultimately retained.

The next prong of the test requires that there be a "substantial relationship" between the issue in the pending case and those in the prior representation. "The substantial relationship test does not depend on the amount of work performed or the duration of the representation, but on the similarity of the issues in the former and current represetantions." *Arifi v. De Transport Du Cocher, Inc.*, 290 F. Supp. 2d 344, 349 (E.D.N.Y. 2003). In this case, the issues are identical. Therefore, the substantial relationship element is met.

The final requirement under the test articulated in *Hempstead Video* is that "the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client." *Hempstead Video*, 409 F.3d at 133. In finding that there was a substantial relationship between Mr. Fierro's [*20] preliminary consultation and the current litigation, a rebuttable presumption is created that Mr. Fierro imparted to Mr. Dollinger confidential information relevant to the present litigation. *See* *Arifi*, 290 F. Supp. 2d at 350. A party moving to disqualify opposing counsel "is not required to prove that [opposing counsel] had access to confidential informa-

tion while representing the [moving party] but only that he was *likely* to have had such access." *Id.*

As noted *supra*, Mr. Ferro's statement in his affidavit that "confidences" and "secrets" were shared with Mr. Dollinger is corroborated by the Firm's records. Specifically, there are telephone records indicating that there were at least two telephone calls on December 14, 2004 between Mr. Dollinger and Mr. Fierro, one of which lasted over ten minutes. Additionally, a message left with Mr. Dollinger's assistant on that date establishes that Mr. Fierro called Mr. Dollinger, Mr. Dollinger spoke with Ms. Arnold (Mr. Fierro's real estate attorney), that a fax from Mr. Dollinger was transmitted and reviewed by Mr. Fierro, and that Mr. Fierro wanted to proceed with his claim. The message provides sufficent circumstantial evidence to conclude [*21] that it is likely that some "confidences" or "secrets" were revealed to Mr. Dollinger in order for him to evaluate the case.

Although Mr. Dollinger states that he has no recollection of any conversation with Mr. Fierro or Ms. Arnold, his failure to recall the conversation does not change the analysis. For example, in *Arifi*, the court held that the former attorney's assertion, that he could not remember any confidential information conveyed to him during the short representation of one of the defendants, did not cure the professional responsibility conflicts which were present. *Arifi*, 290 F. Supp. 2d at 350 ("While there is no reason to doubt Green's claim that he does not remember any confidential information, the Court nevertheless finds that he was likely to have had *access* to such information during the short representation."); *see also* *Schwed v. Gen. Elec. Co.*, 990 F. Supp. 113, 117 n.2 (N.D.N.Y. 1998) (holding in a case where attorney claimed he did not possess confidential information and did not recall any discussions regarding the case, that the third prong of the Second Circuit test was nevertheless met because there was a likelihood that attorney had access to confidential [*22] information.) This Court agress with the analysis in those cases and finds that Mr. Dollinger's lack of recollection does not negate the fact that Mr. Dollinger likely had access to "confidences" or "secrets" during Mr. Fierro 's preliminary discussions and, thus, the third prong has been met.

In sum, the Court finds that all of the requirements of the *Hempstead Video* test have been met and that disqualification is warranted. [3] In reaching this decision, the Court recognizes that the defendants have already moved to dismiss the lawsuit because they argue that it must fail as a matter of law. Defendants argue that the motion to disqualify should be held in abeyance until after the defendants' motion to dismiss is decided. [4] However, the Court believes such an approach under the circumstances presented here is ill-advised. Although that motion to dismiss is fully briefed, the Court is going to hear oral argument on that motion and believes that this disqualification issue should be resolved prior to having oral argument and addressing the motion to dismiss. [5] As the court stated in *Mitchell v. Metropolitan Life Insurance Co., Inc.*,

> Client confidences are not so inert as to limit their [*23] usefulness to defined legal disciplines or practice areas. They are fungible, and once disclosed can be applied by an experienced lawyer in ways too numerous to anticipate at this stage of the proceeding. As the Second Circuit observed, "[t]he dynamics of litigation are far too subtle, the attorney's role in that process is far too critical, and the public's interest in the outcome is far too great to leave room for even the slightest doubt concerning the ethical propriety of a lawyer's representation in a given case."

No. 01 CIV. 2112 (WHP), 2002 U.S. Dist. LEXIS 4675, 2002 WL 441194, at *8 (S.D.N.Y. Mar. 21, 2002) (quoting *Emle Indus., Inc. v. Patentex, Inc.*, 478 F.2d 562, 571 (2d Cir. 1973). Given the circumstances, and the fact that Mr. Dollinger's conflict is imputed to the Firm, the Court will not allow the Dollinger Firm to continue the representation even for purposes of a motion to dismiss.

> 3 Plaintiffs further contend that the Firm's representation of defendants in this matter would violate Canon 9 of the Code of Professional Responsibility. Canon 9 of the Code states that "[a] lawyer should avoid even the appearance of professional impropriety." This requirement "reflects the bar's concern that some conduct [*24] which is in fact ethical may appear to the layman as unethical and thereby erode public confidence in the judicial system and the legal profession." *Liu*, 771 F. Supp. at 87 (S.D.N.Y. 1991). A motion to disqualify under Canon 9 should only be granted under circumstances in which the facts present a real risk that the trial will be tainted. *See* *Nyquist*, 590 F.2d at 1246; *accord* *United States Football League*, 605 F. Supp. at 1452. Although the Court has already concluded that disqualification is warranted under the *Hempstead Video* test, the Court also finds that disqualification is warranted under Canon 9. In the present case, defendants' counsel was consulted by the plaintiffs, but then was retained by the defendants. Such facts raise the specter that this litigation could be tainted. *See* *Liu*, 771 F. Supp. at 87 ("Although this is not strictly a successive representation problem be-

cause R & D simultaneously consulted with plaintiffs and [defendant] simultaneously, the second situation is not implicated here. R & D's [*25] initial involvement with parties having adverse postures in this litigation raises significant risks that the trial will be tainted or will appear to be tainted to the laymen."). For the reasons stated above, the risk of the litigation being tainted, or appearing to be tainted, is real.

4 As a threshold matter, the Court notes that this argument is inconsistent with the position taken by counsel for the defendants at the August 7, 2007 pre-motion conference at which both sides agreed that the Court should decide the disqualification issue before addressing the motion to dismiss. In any event, as set forth *infra*, the Court declines to follow the approach suggested by the defendants

5 The Court also notes that, even assuming *arguendo* defendants are successful in their motion, the Court would generally provide plaintiffs with an opportunity to replead to attempt to cure any pleading defects, which could then lead to another round of motion practice.

C. Undue Delay

Defendants also contend that plaintiffs' delay in bringing this motion is evidence that they are using disqualification as litigation tactic and, therefore, disqualification should be barred. Defense counsel cites to *Abel v. Morabito*, No. 04 Civ. 7284 (SCR)(MDF), 2005 WL 2452906, at *1 (S.D.N.Y. Oct. 3, 2005) [*26] for the proposition that a negative inference should be drawn from delay. In *Abel*, the court had set a discovery schedule five months prior to when the motion for disqualification was filed. *Id.* At the time of the motion for disqualification, various discovery disputes were ruled on and a deposition schedule was about to be set. *Id.* However, the court in *Abel* specifically stated "[d]elay in bringing an application to disqualify counsel, whether tactical or inadvertent, cannot defeat the motion because the basis for disqualification, if it exists, would be a breach of the Code of Professional Responsibility, a matter which implicates the public interest." *Id.* at *1 (internal citations omitted). Thus, undue delay was not a factor in the court's analysis and decision to deny the motion.

In the instant case, the Court does not believe there is any basis to conclude that plaintiffs intentionally delayed bringing this motion. First, the Court has no reason to doubt Mr. Fierro's representation that he did not immediately realize that the Dollinger Firm is the same firm that he had engaged in these preliminary discussions [*27] several years ago. Moreover, Mr. Fierro has gained no tactical advantage by not raising this issue as soon as the Dollinger Firm appeared in the action. The case was filed in September 2006, discovery has not begun, and defendants have suffered no material prejudice from any alleged delay. *See, e.g.*, *Talvy v. Am. Red Cross in Greater N.Y.*, 205 A.D.2d 143, 618 N.Y.S.2d 25 (1st Dept. 1994) (disqualification motion made three years had elapsed), *aff'd*, 87 N.Y.2d 826, 661 N.E.2d 159, 637 N.Y.S.2d 687; *Potters v. 71st Street Lexington Corp.*, 8 A.D.3d 198, 779 N.Y.S.2d 473 (1st Dept. 2004) (disqualification motion made on eve of trial). Thus, the Court does not conclude there was undue delay or prejudice to the defendants from the timing of the motion. Moreover, although defendants will need to retain new counsel, that counsel will not necessarily need to duplicate the work product of the Dollinger Firm. Specifically, new counsel could adopt the motion papers already filed by the Dollinger Firm or, if necessary, the Court will allow supplemental briefing before oral argument.

III. CONCLUSION

For the foregoing reasons, plaintiffs' motion to disqualify Dollinger, Gonski and Grossman is GRANTED. [*28] Defendants will have 30 days to obtain new counsel and have that counsel file a notice of appearance in this action. Following the filing of a notice of appearance, the Court will schedule a telephone conference to discuss how it intends to proceed with respect to the motion to dismiss.

SO ORDERED.

JOSEPH F. BIANCO

United States District Judge

Dated: December 4, 2007

Central Islip, New York

LEXSEE


Positive
As of: Jan 11, 2010

LUMNIJE ARIFI, as Administratrix of the Estate of BAJRAM ARIFI, Plaintiff, -against- DE TRANSPORT DU COCHER, INC. and KAROL KUBICKI, Defendants. LUMNIFE ARIFI, as Administratrix of the Estate of BAJRAM ARIFI, Plaintiff, -against- GREAT DANE TRAILERS, INC., et al., Defendants.

01-CV-5569 (ILG), 03-CV-1275 (ILG)

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF NEW YORK

290 F. Supp. 2d 344; 2003 U.S. Dist. LEXIS 20314

November 13, 2003, Decided

DISPOSITION: [**1] Motion to disqualify counsel granted.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff wife of decedent brought a wrongful death action against defendants, a trucking company and a trailer manufacturer. In the instant motion the trucking company moved to disqualify a firm from representing the trailer manufacturer.

OVERVIEW: Decedent sustained mortal injuries when his car struck the rear of a parked tractor-trailer. The tractor-trailer was operated by the company; the trailer and its rear-impact safety bar were allegedly manufactured by the trailer manufacturer. The company's insurer contacted the law firm in question to defend the interests of the company. The insurer transferred files and information regarding the accident. Shortly thereafter, the firm's representation of the company was terminated. The manufacturer retained the firm for the wife's claim against it for the same accident. The court held that the company was a client of the firm and as a practical matter, if a jury found the company and the manufacturer liable for the wife's injuries, the company and the manufacturer would each likely assert that the other was primarily responsible for the damages. In that respect, the company and the manufacturer were in adverse positions and would continue to remain so as the litigation progresses. Obviously there was a substantial relationship between the subject matter of the firm's prior representation of the company and the issues in the present lawsuit against the company.

OUTCOME: The trucking company's motion to disqualify the law firm was granted.

CORE TERMS: confidence, former client, disqualification, prior representation, substantial relationship, lawsuit, secret, subject matter, adverse party's, conversation, disqualify, decedent's, law firm's, privileged information, confidential information, discovery, insured's, tractor-trailer, disqualified, cross-claim, instituted, involvement, trailer, Disciplinary Rules, client confidences, appearance of impropriety, full disclosure, unfair advantage, moving party, citations omitted

LexisNexis(R) Headnotes

Civil Procedure > Counsel > General Overview
Legal Ethics > Professional Conduct > General Overview
[HN1]In the Second Circuit, the American Bar Association Code of Professional Responsibility provides guidelines for the professional conduct of the bar.

Civil Procedure > Jurisdiction > Subject Matter Jurisdiction > Jurisdiction Over Actions > General Overview

Civil Procedure > Counsel > General Overview
Legal Ethics > Professional Conduct > General Overview
[HN2]Even where subject matter jurisdiction is based upon diversity of citizenship, ethical standards imposed upon attorneys in federal court are a matter of federal law.

Legal Ethics > Client Relations > Appearance of Impropriety
Legal Ethics > Client Relations > Confidentiality of Information
[HN3]See N.Y. Code of Prof. Resp. § DR 4-101(B) (McKinney 2003).

Legal Ethics > Client Relations > Confidentiality of Information
[HN4]The duty of loyalty that runs from an attorney to a client does not necessarily end when the formal attorney-client relationship ends, because the attorney owes a "duty of continuing loyalty" to his former client.

Legal Ethics > Client Relations > Confidentiality of Information
Legal Ethics > Client Relations > Conflicts of Interest
[HN5]See N.Y. Code of Prof. Resp. § DR 5-108(A) (McKinney 2003).

Legal Ethics > Client Relations > Confidentiality of Information
Legal Ethics > Client Relations > Conflicts of Interest
[HN6]The United States Court of Appeals for the Second Circuit has held that an attorney may be disqualified from representing a client in a particular case if: (1) the moving party is a former client of the adverse party's counsel; (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client.

Criminal Law & Procedure > Counsel > Right to Counsel > General Overview
Legal Ethics > Client Relations > Conflicts of Interest
[HN7]The high standard of proof on the part of one who seeks to disqualify his former counsel is necessitated by a client's right freely to choose his counsel - a right which of course must be balanced against the need to maintain the highest standards of the profession.

Legal Ethics > Client Relations > Conflicts of Interest
[HN8]Disqualification of counsel for conflict of interest has been granted or approved only when the issues involved have been identical or essentially the same. When deciding a motion for disqualification, a court must resolve any doubts in favor of disqualification.

Legal Ethics > Client Relations > Conflicts of Interest
[HN9]Client confidences are not so inert as to limit their usefulness to defined legal disciplines or practice areas. They are fungible, and once disclosed can be applied by an experienced lawyer in ways too numerous to anticipate at this stage of the proceeding. The dynamics of litigation are far too subtle, the attorney's role in that process is far too critical, and the public's interest in the outcome is far too great to leave room for even the slightest doubt concerning the ethical propriety of a lawyer's representation in a given case.

Business & Corporate Law > General Partnerships > Dissolution & Winding Up > Dissolution > Continuation
Legal Ethics > Client Relations > Accepting Representation
Legal Ethics > Law Firms
[HN10]If a lawyer is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other lawyer affiliated with him or his firm, may accept or continue such employment.

Legal Ethics > Client Relations > Conflicts of Interest
Legal Ethics > Law Firms
[HN11]The American Bar Association Code's presumption that client confidences are shared among attorneys in a law firm may be rebutted if (1) the attorney is effectively screened, i.e. an adequate "Chinese Wall" is created, and (2) there is no further appearance of impropriety.

COUNSEL: For Lumnije Arifi, Plaintiff (1:01-cv-05569-ILG-ASC): Phyllis E. Spisto, Hicksville, NY, LEAD ATTORNEY.

For De Transport Du Cocher Inc., Karol Kubicki, Defendants (1:01-cv-05569-ILG-ASC): David Alexander Abrams, Strongin, Rothman & Abrams, LLP, New York, NY, LEAD ATTORNEY.

For De Transport Du Cocher Inc., Counter Claimant (1:01-cv-05569-ILG-ASC): David Alexander Abrams, Strongin, Rothman & Abrams, LLP, New York, NY, LEAD ATTORNEY.

For Lumnije Arifi, Counter Defendant (1:01-cv-05569-ILG-ASC): Phyllis E. Spisto, Hicksville, NY, LEAD ATTORNEY.

For Lumnij Arifi, Plaintiff (1:03-cv-01275-ILG-ASC): Jeffrey S. Antin, Antin Ehrlich & Epstein, LLP, New York, NY, LEAD ATTORNEY.

For Great Dane Trailers, Inc, Great Dane Limited Partnership, Defendants (1:03-cv-01275-ILG-ASC): David H. Kochman, Lester Schwab Katz & Dwyer LLP, New York, NY, LEAD ATTORNEY. Natasha L. Nordahl, Lester Schwab Katz & Dwyer, LLP, New York, NY, LEAD ATTORNEY.

For Ryder Truck Rental Canada Ltd., Ryder Truck Rental, Inc., Defendants (1:03-cv-01275-ILG-ASC): William [**2] H. Bave, Jr., Wilson, Bave, Conboy, Cozza & Couzens, P.C., White Plains, NY, LEAD ATTORNEY.

For Ryder Truck Rental Canada Ltd., Ryder Truck Rental, Inc., Cross Claimants (1:03-cv-01275-ILG-ASC): William H. Bave, Jr., Wilson, Bave, Conboy, Cozza & Couzens, P.C., White Plains, NY, LEAD ATTORNEY.

For Great Dane Limited Partnership, Great Dane Trailers, Inc, Cross Defendants (1:03-cv-01275-ILG-ASC): Natasha L. Nordahl, Lester Schwab Katz & Dwyer, LLP, New York, NY, LEAD ATTORNEY.

For Great Dane Limited Partnership, Great Dane Trailers, Inc, Cross Claimants (1:03-cv-01275-ILG-ASC): Natasha L. Nordahl, Lester Schwab Katz & Dwyer, LLP, New York, NY, LEAD ATTORNEY.

For Ryder Truck Rental Canada Ltd., Ryder Truck Rental, Inc., Cross Defendants (1:03-cv-01275-ILG-ASC): William H. Bave, Jr., Wilson, Bave, Conboy, Cozza & Couzens, P.C., White Plains, NY, LEAD ATTORNEY.

JUDGES: I. Leo Glasser, United States District Judge.

OPINION BY: I. Leo Glasser

OPINION

[*345] *MEMORANDUM & ORDER*

GLASSER, United States District Judge:

Before the Court is the motion of Defendant Transport du Cocher, Inc. ("Coachman") to disqualify the firm of Lester [*346] Schwab Katz & Dwyer, LLP from representing Defendant [**3] CRA Trailers, Inc. ("Great Dane"). For the reasons that follow, Coachman's motion to disqualify is granted.

FACTUAL BACKGROUND

This motion arises out of an action for wrongful death brought by Lumnije Arifi ("Plaintiff") against Coachman and Great Dane. On December 9, 2000, Plaintiff's deceased husband, Bajram Arifi ("Plaintiff's decedent" or "decedent"), sustained serious injuries when his car struck the rear of a parked tractor-trailer on Woodhaven Boulevard in Queens, New York. (Abrams Aff. Ex. J, Pl. Compl. against Great Dane P46.) The tractor-trailer was operated by Coachman, (Abrams Aff. P3); the trailer and its rear-impact safety bar were allegedly manufactured by Great Dane, (Pl. Compl. against Great Dane P43). Plaintiff's decedent died two days after the accident from the injuries he sustained. (Abrams Aff. P3.)

In July 2001, Plaintiff instituted an action in the Supreme Court of Queens County against Coachman, alleging that decedent's injuries and death were caused by Coachman's carelessness, negligence, and recklessness. (Abrams Aff. Ex. C, Pl. Compl. against Coachman P8.) Coachman later removed the action to the United States District Court for the Eastern District [**4] of New York. (Abrams Aff. P12.)

In December 2002, Plaintiff filed an action in the Supreme Court of Queens County against Great Dane, the manufacturer of the tractor-trailer, alleging that a dangerous and defective condition in the rear-impact safety bar caused the decedent's injuries and death. (Abrams Aff. Ex. E, Pl. Summons with Notice.) Great Dane, in turn, removed this action to the United States District Court for the Eastern District of New York. (Abrams Aff. Ex. F, Notice of Removal.) On March 17, 2003, Magistrate Judge Chrein directed that the two actions be consolidated for discovery purposes. (Abrams Aff. P15.)

History of LSKD's Involvement with Coachman

After the accident, Plaintiff retained attorney Phillis Spisto, Esq. ("Spisto") to represent Plaintiff's interests against those involved in the accident. (Abrams Aff. P4.) After learning of the accident but before any lawsuits were initiated, Coachman, through its insurer, Markel Insurance Company of Canada ("Markel"), also sought

legal representation. (Sabourin Aff. P4.) Anticipating litigation, Markel undertook various investigations, including taking statements from the driver of the tractor-trailer and a [**5] principal of Coachman. (Sabourin Aff. P4.) Eventually, Markel received a letter of representation from Spisto, along with a request for presuit discovery. (Sabourin Aff. PP5, 6.) In response, Markel contacted Lester Schwab Katz & Dwyer, LLP ("LSKD") to represent and defend the interests of Coachman, Markel's insured. (Sabourin Aff. P7.)

On June 14, 2001, Charles Sabourin ("Sabourin"), a senior claims representative for Markel, perhaps with several other Markel employees, spoke by telephone with Lawrence R. Green, Esq. ("Green"), an LSKD partner. (Green Aff. P3; Sabourin Aff. P9.) Accounts differ as to the exact content of that conversation. According to Green, during that conversation, Markel merely provided him with some basic information about the underlying accident and requested that he "get Ms. Spisto off Markel's back." (Green Aff. P3.) Sabourin, however, recalls discussing more during that conversation, including the facts and findings that resulted from Markel's investigations, the substance of Plaintiff's allegations, and his theories for [*347] defending Coachman. (Sabourin Aff. P9.) Green and Sabourin agree that Markel directed Green to contact Spisto regarding her requests for [**6] pre-suit discovery. (Green Aff. P4; Sabourin Aff. P9.)

Green contacted Spisto on that day and requested that she have no further contact with Markel or Coachman regarding the accident. (Green Aff. P4.) Green followed up this conversation with a letter to Spisto dated June 14, 2001, which stated that Green "[would] be representing the interests of [Markel] and its insureds with regard to the accident." (Green Aff. Ex. A.) Also on that day, Markel sent a fax to Green, which indicated that Green should contact Spisto and that Markel would send Green the claims investigation file. (Abrams Aff. Ex. B.)

Green was out of the office for the next several days, during which time the file arrived. (Green Aff. PP6, 7.) Coachman asserts that the claims investigation file sent to Green included the following: (a) the results of Markel's investigation into the accident; (b) the insured's privileged statement to Markel investigators; (c) the privileged statement of the driver provided to Markel investigators; (d) information obtained from non-party witnesses involved in the post-accident repair of the trailer; (e) external investigation reports; and (f) Markel's internal notes and memoranda [**7] containing the adjusters' conclusions, impressions, and analysis of (1) Plaintiff's asserted claims against Coachman, (2) theories of defense for Coachman, and (3) strategies for defense of the claim. (Sabourin Aff. P8.)

When Green returned to the office on June 25, 2001, he received a message from Sabourin, requesting that the claims investigation file be returned to Markel. (Green Aff. P7.) Green maintains that he did not read the file, does not recall opening it, and returned it immediately as requested by Sabourin. (Green Aff. P7.) At that point in time, both parties considered LSKD's representation to be terminated. (Green Aff. P7; Sabourin Aff. P10.) Markel later retained the firm of Strongin, Rothman, and Abrams to defend Coachman against Plaintiff's claims. (Sabourin Aff. P10.)

After Plaintiff instituted its second suit in state court, Great Dane, the Defendant in that suit, retained LSKD to assist in its defense. [1] LSKD attorneys Harold Lee Schwab, Esq. ("Schwab") and Natasha Nordahl, Esq. ("Nordahl") were and continue to be primarily responsible for the Great Dane defense. Great Dane filed an answer to Plaintiff's complaint and with it asserted a cross-claim against Coachman, [**8] alleging that Coachman's negligence, breach of contract, obligation, or warranty caused Plaintiff's damages and that Great Dane is entitled to indemnification from Coachman. (Abrams Aff. Ex. K, Answer PP39, 40.)

1 At some point prior to instituting suit against Great Dane, Plaintiff terminated Spisto and retained the firm of Antin, Erlich, and Epstein, which continues to represent Plaintiff.

Green maintains that he has never spoken with Schwab or Nordahl about the earlier representation of Coachman and has not read any of the papers prepared by LSKD for the defense of Great Dane. (Green Aff. P9.) In fact, Schwab asserts that neither he nor Nordahl would have known of the potential conflict but for Coachman's bringing it to their attention. (Schwab Aff. P9.) Aside from his assertion that he has had no involvement in the Great Dane defense, Green makes no claims about his general interactions with Schwab or Nordahl.

[*348] After Coachman discovered the potential conflict, there followed some communication between Abrams [**9] and Green regarding LSKD's former involvement with Markel. (Abrams Aff. P16.) Coachman refused to waive any conflict (Abrams Aff. P17), and LSKD continued to insist that no conflict existed (Abrams Aff. Ex. I). As such, Coachman now moves to disqualify LSKD from representing Great Dane.

DISCUSSION

[HN1]In this Circuit, the American Bar Association Code of Professional Responsibility ("ABA Code") provides guidelines for the professional conduct of the bar. *Mitchell v. Metro. Life Ins. Co., Inc.*, 2002 U.S. Dist. LEXIS 4675, 2002 WL 441194, at *3 (S.D.N.Y. March

21, 2002); *see also* Local Civil Rule 1.5 (grounds for discipline include conduct violative of the New York State Lawyer's Code of Professional Responsibility). [HN2]Even where, as here, subject matter jurisdiction is based upon diversity of citizenship, "ethical standards imposed upon attorneys in federal court are a matter of federal law." *County of Suffolk v. Long Island Lighting Co.*, 710 F. Supp. 1407, 1413-14 (E.D.N.Y. 1989) (quoting *Cord v. Smith*, 338 F.2d 516, 524 (9th Cir. 1964), *clarified*, 370 F.2d 418 (9th Cir. 1966) (holding that federal law applies even in diversity action where [**10] state's substantive law controls)).

The provisions of the ABA Code applicable here are Canons 4 and 9, which state that a lawyer "should preserve the confidences and secrets of a client" and "should avoid even the appearance of professional impropriety." ABA Code (1980), *at* http://www.abanet.org/cpr/ethics/mcpr.pdf; *NCK Org. Ltd. v. Bregman*, 542 F.2d 128, 130 n.2 (2d Cir. 1976). [HN3]The ABA Code's Disciplinary Rules provide more specific guidance on the manner in which an attorney must treat client confidences:

> Except when permitted under DR 4-101(C), [2] a lawyer shall not knowingly:
>
> 1. Reveal a confidence or secret of a client.
>
> 2. Use a confidence or secret of a client to the disadvantage of the client.
>
> 3. Use a confidence or secret of a client for the advantage of the lawyer or of a third person, unless the client consents after full disclosure.

N.Y. Code of Prof. Resp. § DR 4-101(B) (McKinney 2003).

> 2 DR 4-101(c) outlines several situations in which a lawyer may reveal confidences of a clinet, including when it is required by a court order, necessary to prevent a crime, or necessary for the lawyer to defend himself against an accusation of wrongful conduct. None of these exceptions apply here.

[HN4]The duty of loyalty that runs from [**11] an attorney to a client does not necessarily end when the formal attorney-client relationship ends, *In re "Agent Orange" Prod. Liab. Litig.*, 800 F.2d 14, 17 (2d Cir. 1986), because the attorney owes a "duty of continuing loyalty" to his former client, *Id.* (quoting *In re Corn Derivatives Antitrust Litig.*, 748 F.2d 157, 161 (3d Cir. 1984)). [HN5]The ABA Code also addresses the duties owed by an attorney to a former client:

> [A] lawyer who has represented a client in a matter shall not, without the consent of the former client after full disclosure:
>
> 1. Thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client.
>
> 2. Use any confidences or secrets of the former client except as permitted by DR 4-101(C) or when the confidence [*349] or secret has become generally known.

N.Y. Code of Prof. Resp. § DR 5-108(A) (McKinney 2003). The rule against successive representations addresses "the unfair advantage that a lawyer can take of his former client in using adversely to that client information communicated in confidence in the [**12] course of the representation." *Mitchell*, 2002 U.S. Dist. LEXIS 4675, [WL] at * 4.

In *Evans v. Artek Sys. Corp.*, 715 F.2d 788, 791 (2d Cir. 1983), [HN6]the Court of Appeals held that an attorney may be disqualified from representing a client in a particular case if:

> (1) the moving party is a former client of the adverse party's counsel;
>
> (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and
>
> (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged infor-

> mation in the course of his prior representation of the client.

[HN7]This "high standard of proof on the part of one who seeks to disqualify his former counsel" is necessitated by "a client's right freely to choose his counsel -- a right which of course must be balanced against the need to maintain the highest standards of the profession." *Gov't of India v. Cook Indus., Inc.*, 569 F.2d 737, 739 (2d Cir. 1978). Furthermore:

> A client whose attorney is disqualified incurs a loss of time and money in being compelled [**13] to retain new counsel who in turn have to become familiar with the prior comprehensive investigation which is the core of modern complex litigation. The client moreover may lose the benefit of its longtime counsel's specialized knowledge of its operations.

Id. at 739 (internal citations omitted). For this reason, [HN8]"disqualification has been granted or approved only when the issues involved have been identical or essentially the same." *Id.* at 740 (internal citations omitted). When deciding a motion for disqualification, the Court must resolve any doubts in favor of disqualification. *Crudele v. New York City Police Dep't*, 2001 U.S. Dist. LEXIS 13779, 2001 WL 1033539, at *2 (S.D.N.Y. Sept. 7, 2001).

The first element of the *Evans* test requires the Court to find that Coachman is a former client of LSKD and that Great Dane and Coachman are adverse parties. *See Evans*, 715 F.2d at 791. LSKD argues that its representation of Coachman was short-lived and limited to "getting Spisto off Markel's back." Nevertheless, Coachman was a client of LSKD, as Green made clear in his letter to Spisto where he wrote, "I will be representing the interests [**14] of Markel Insurance Company of Canada and its insureds with regard to the accident." (Green Aff. Ex. A.) Although the duration of the representation turned out to be limited, both Green and Coachman apparently understood that Coachman was a client of LSKD.

Furthermore, while LSKD argues that cross-claims are brought as a matter of course, Great Dane and Coachman are nevertheless adverse parties. LSKD clearly asserted in its answer to Plaintiff's complaint that Coachman's negligence or breach caused the damages sustained by Plaintiff. As a practical matter, if a jury finds Coachman and Great Dane liable for Plaintiff's injuries, Coachman and Great Dane will each likely assert that the other was primarily responsible for the damages. In that respect, Coachman and Great Dane are in adverse positions and will continue to remain so as the litigation progresses.

The second element of the *Evans* test, that there is a substantial relationship between [*350] the subject matter of LSKD's prior representation of Coachman and the issues in the present lawsuit against Great Dane, is clearly met here. *See Evans*, 715 F.2d at 791. LSKD's prior representation of Coachman concerned pre-suit [**15] discovery sought by Plaintiff in connection with the accident. LSKD's current client, Great Dane, is being sued by the same Plaintiff with regard to the same accident and has asserted a cross-claim against Coachman to determine liability. The substantial relationship test does not depend on the amount of work performed or the duration of the representation, but on the similarity of issues in the former and present representations. Here, the issues are identical and, thus, the substantial relationship element is met. [3]

> 3 According to LSKD, the substantial relationship element cannot be met because Plaintiff instituted her lawsuit against Coachman after LSKD's representation of Coachman had ended. The articulation of the standard for disqualification by the Evans court makes clear, however, that the subject matter of the prior representation need not involve litigation. *See United States Football League v. National Football League*, 605 F. Supp. at 1459 (holding that the law firm's prior representation of client required its disqualification even where the former representation "entitled not litigation but general background legal work"). That LSKD represented Coachmen before Plaintiff filed her lawsuit against Coachman does not change the result that the prior and current representations are substantially related.

Finally, the *Evans* test requires the Court to find that Green had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of Coachman. *See Evans*, 715 F.2d at 791. The finding above -- that there is a substantial relationship between the two representations -- creates a rebuttable presumption that Coachman imparted to Green confidential information relevant to the present suit. *See* [**16] *United States Football League v. National Football League*, 605 F. Supp. 1448, 1461 (S.D.N.Y. 1985). Coachman is not required to prove that Green actually had access to confidential information while representing Coachman but only that he was *likely* to have had such access. *Gov't of India*, 569 F.2d at 740 (explaining that such a requirement would "put the former client to the Hobson's choice of either having to disclose his privi-

leged information . . . or having to refrain from the disqualification motion altogether").

While there is no reason to doubt Green's claim that he does not remember any confidential information, the Court nevertheless finds that he was likely to have had *access* to such information during the short period of representation. *See* Schwed v. GE, 990 F. Supp. 113, 117 n.2 (N.D.N.Y. 1998) (holding in case where attorney claimed he did not possess confidential information and did not recall any discussions regarding the case, that the third prong of the *Evans* test was nevertheless met because there was a likelihood that attorney had access to confidential information). Green's admission that he returned the claims investigation file to Coachman demonstrates that [**17] he was, at one time, in physical possession of it. [4] Furthermore, Green was a party to a conversation with several employees of Markel regarding the accident.

4 Although Green claims to have never read the file, it is unclear whether any othert LSKD employees may have opened or read it.

Although Green's representation of Markel was limited, he had at least enough information about the accident and Coachman's relationship to it to contact Plaintiff's attorney regarding the matter. This access might give LSKD an unfair advantage in its representation of Great Dane. As the court in *Mitchell* explained,

> [HN9]Client confidences are not so inert as to limit their usefulness to defined legal [*351] disciplines or practice areas. They are fungible, and once disclosed can be applied by an experienced lawyer in ways too numerous to anticipate at this stage of the proceeding. . . . "The dynamics of litigation are far too subtle, the attorney's role in that process is far too critical, and the public's interest in the outcome is far too great to leave room for even the slightest doubt concerning the ethical propriety of [**18] a lawyer's representation in a given case."

2002 U.S. Dist. LEXIS 4675, [WL] at *8 (quoting Emle Indus., Inc. v. Patentex, Inc., 478 F.2d 562, 571 (2d Cir. 1973)).

Imputing Disqualification to LSKD

The foregoing analysis merely establishes that Green is disqualified from representing Great Dane in this action. The ABA code further provides that, [HN10]"if a lawyer is required to decline employment or to withdraw from employment under a Disciplinary Rule, no partner, or associate, or any other lawyer affiliated with him or his firm, may accept or continue such employment." *Cheng v. GAF Corp.*, 631 F.2d 1052, 1056 (2d Cir. 1980), *vacated on other grounds*, 450 U.S. 903, 67 L. Ed. 2d 327, 101 S. Ct. 1338 (1981) (disqualifying law firm in case where associate had been involved in the same matter while employed at a legal services office that represented the adverse party); [5] *see also* N.Y. Code of Prof. Resp. § DR 5-105(D) (McKinney 2003) ("while lawyers are associated in a law firm, none of them shall knowingly accept or continue employment when any one of them practicing alone would be prohibited from doing so"). [HN11]The ABA Code's presumption that client confidences [**19] are shared among attorneys in a law firm may be rebutted if "(1) the attorney is effectively screened, *i.e.* an adequate 'Chinese Wall' is created, and (2) there is no further appearance of impropriety." *Crudele*, 2001 U.S. Dist. LEXIS 13779, [WL] at *3.

5 Although the Supreme Court vacated Cheng on procedural grounds, district courts continue to loom to the case for guidance and the Second Circuit appears to consider its reasoning sound. *Crudele*, 2001 WL 1033539, at *3 n.3 (citing *Baird v. Hilton Hotel Corp.*, 771 F. Supp. 24, 27 n.1 (E.D.N.Y. 1991)).

LSKD does not claim to have erected a Chinese Wall between Green and the rest of the firm. Although Green is not "personally involved" in the Great Dane defense, "he is a member of a relatively small firm. . . . [and] it is unclear to us how disclosures, admittedly inadvertent can be prevented throughout the course of this representation." *Cheng*, 631 F.2d at 1058. Because Green was not screened from the rest of the firm, LSKD has failed to rebut the presumption that confidences were shared. Imputing the disqualification to the entire firm will prevent the possibility of trial taint and any appearance of impropriety.

CONCLUSION

Coachman has established that it is a former client of LSKD, the current counsel [**20] to Great Dane, and that Coachman and Great Dane are adverse parties; that there is a substantial relationship between the subject matter of that prior representation and the issues in the present lawsuit; and that Green was likely to have had access to privileged information in the course of his representation of Coachman. LSKD has failed to rebut the presumption that those confidences were shared within LSKD. For these reasons, Defendant Coachman's motion to disqualify the firm of Lester Schwab Katz & Dwyer from representing Defendant Great Dane is granted.

SO ORDERED.

Dated: November 13, 2003

Brooklyn, New York

United States District Court Judge

I. Leo Glasser