ETHICS QUARTERLY

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IN THIS ISSUE . . .

Among the questions answered by rulings abstracted in this issue of *Ethics Quarterly* are:

- Does the tripartite attorney-client privilege among an attorney, an insured, and an insurer apply where a title insurer exercises its right under an insurance policy to retain counsel for its insured, a bank, to bring an equitable subrogation action based on a property lien? (10.1.3)
- Does the litigation privilege bar a conspiracy claim against attorneys who allegedly engaged in affirmative misconduct to disrupt enforcement of a court-ordered remediation plan arising out of a dispute between neighbors? (10.1.5)
- Is disqualification of plaintiff's counsel warranted for posting on his firm's website an allegedly misleading description of the case which defendant contends was prejudicial to resolution of the matter? (10.1.14)

The Commentary is entitled: **"Limitations on Disqualifying Conflicts Resulting from Preliminary Consultations."**

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CASE NOTES

10.1.1 Rule 1-311: Unauthorized Practice of Law, Aiding and Abetting of; Attorney-Client Privilege

Case: *People ex rel. Herrera v. Stender* (2013) 212 Cal.App.4th 614

Issue: A City brought an Unfair Competition Law (B & P Code § 17200) action against an immigration law firm, an immigration lawyer not licensed to practice in California, and a former California lawyer. The City alleged, among other things, that the firm and lawyer had aided and abetted former lawyer, who had resigned from the state bar with disciplinary charges pending, in engaging in the unauthorized practice of law. Was a preliminary injunction properly issued to require that the law firm and the non-California lawyer provide notice to its clients that the former lawyer had resigned from the bar pending charges, was no longer authorized to practice law, and notifying the clients of their right to fire the former lawyer, obtain return from the former attorney and the firm of unearned fees, and get their client files back?

Holding: **Yes**. The Court of Appeal affirmed the trial court ruling granting the preliminary injunction. The Court of Appeal found that the injunction could be based on a violation of rules and statutes related to the unauthorized practice of law, even though those rules and statutes were intended for disciplinary purposes, not as the basis of a civil action. The UCL may be based on a statute the plaintiff cannot directly enforce. Nothing precluded the City from using the Rules of Professional Conduct as the asserted measure of the unlawful practice, as opposed to asserting the breach of the rules as an independent cause of action. (212 Cal.App.4th at 632, citations omitted.)

It did not matter that neither the non-California lawyer nor his law firm were members of the California Bar. As a registered California law corporation under Business and Professions Code section 6167 entitled to practice law in California, the law firm was bound to adhere to the ethical rules applicable to individual members of the State Bar. (*Ibid*.) Since the non-California lawyer controlled the activities, and alleged unlawful practices, of the law firm, he, too, was subject to liability for the law firm's unlawful practices. (*Id*. at 634.)

The Court of Appeal upheld the trial court's findings that the lawyer and his law firm had aided and abetted former lawyer's unauthorized practice of law. The lawyer and law firm argued that, since licensed firm attorneys signed the pleadings in federal court, they were responsible for the legal actions taken on behalf of clients, making it irrelevant whether former lawyer gave legal advice to the firm's clients. But it was by the very act of assuming legal responsibility for the actions taken on behalf of firm clients that the lawyer and other attorneys in his firm enabled the former attorney to continue his law practice in giving advice to clients and developing legal strategies. (*Id*. at 638.)

The lawyer and his firm could be liable for aiding and abetting the former attorney's unauthorized practice of law even though the lawyer and former lawyer were both employees of the firm. The rule that agents/employees cannot act in concert with their principal does not apply where the actions of the agents are in pursuit of individual advantage rather than on behalf of the principal. In practicing law without a license, former lawyer was not acting on the firm's behalf; rather the complaint alleged that the firm and non-California lawyer made it possible for former lawyer to continue practicing despite his resignation from the Bar. The signing of the pleadings by the lawyer and other firm attorneys was one means to aid the unauthorized practice of law. (*Id*. at 638-639.)

Nor was the City's UCL action an attempt to regulate the practice of law, in derogation of the prerogatives of the State Bar and the federal court to regulate the practice of law. There was a difference between regulating the practice of law, which the City was not allowed to do, and taking action to prevent a fraud upon the public, which was the gravamen of this action and which the City was authorized to do. (*Id*. at 640.)

The injunction also was appropriate even though the former attorney had left the firm, the firm itself was no longer in operation, and there was assertedly no continuing risk that clients would continue to receive services from former lawyer in the mistaken belief that he was licensed to practice law. There was evidence before the trial court that the non-California attorney saw the former attorney as an asset to the practice, facilitated the former attorney's practice of law, assured clients that the former attorney continued to be their attorney, and told clients that the former attorney had not been forced to leave the firm. The injunction was needed to keep the non-California attorney from resuming such enabling conduct should former lawyer return. (*Id*. at 643.)

The Court rejected the non-California attorney and law firm's final argument that the mandatory injunction was improper because they were barred from presenting key evidence in their defense without revealing privileged or private client information. Dismissal of a case against an attorney on this ground is extremely rare and warranted only under extraordinary circumstances. (*Id*. at 646-647, discussing, among other cases, *Dietz v. Meisenheimer & Herron* (2009) 177 Cal.App.4th 771, 794.) "Here, it is not apparent how clients' confidential information would be necessary to defend against the [City's] claims. The allegations of unfair business practices upon which the injunction was issued pertain to [defendants'] conduct regarding [former attorney's] loss of the right to practice law," such as what notice was given to the clients and the bar about the former attorney's status and what clients were told and observed about whether the former attorney or a different attorney performed legal services. "It is not obvious how any details of the clients' legal cases or legal advice they were provided would be required" to defend the case. (212 Cal.App.4th at 647.) Disclosure of the immigration clients' identity would not constitute confidential information, even if

disclosure carried the risk of the client being prosecuted or deported. The Court of Appeal acknowledged that "many clients of immigration attorneys face deportation or serious immigration problems." (*Id*. at 649-650.) The Court nonetheless noted that at least some of the defendants' clients were present in the United States legally and therefore available to provide testimony in support of defendants. The names of clients who were at risk could be redacted by the trial court. (*Id*. at 650.) More fundamentally, the claims against the defendants "are not based on the substance, content and details of their representation of their clients but, in essence, on their failure to protect the clients from, and active facilitation of, an unlicensed lawyer's provision of legal services. The advice given to the clients on their legal matters is not the point. The point is simply whether they were unlawfully provided legal services by an attorney who had resigned from the bar with disciplinary charges pending and was not authorized to practice law. To allow [defendants] to avoid liability for permitting and assisting an unlicensed lawyer to provide legal services to their clients by invoking attorney-client privilege would turn the purpose of the attorney-client privilege – to protect clients' right to legal counsel – on its head." (*Id*. at 650-651.)

10.1.2 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Davis v. EMI Group Limited* (N.D.Cal. 2013) 2013 WL 75781

Issue: In an action brought by the lead singer of a band against record labels and related entities for breach of royalty provisions, was disqualification of the firm representing the defendants warranted where: (1) the firm previously represented the lead singer and her band in negotiating the contracts from which the action arose; (2) among additional related tasks, the firm sent demand letters to defendants on plaintiff's behalf; (3) the firm unsuccessfully sought a written conflict waiver from plaintiff; (4) two attorneys and one paralegal who worked on unrelated matters for plaintiff and her band remain with the firm; (5) lead counsel for defendants was a senior firm partner at the time of the firm's extensive representation of plaintiff and her band; but where (6) the firm's representation of plaintiff and her band had ended 11 years before the current action was brought; and (7) all nine attorneys who had done work substantially related to the matters at issue in the current litigation had left the firm no later than the date the firm's work for plaintiff and her band had ended?

Holding: **Yes**. Rule of Professional Conduct 3-310(E) bars an attorney from representing a party adverse to a former client without the informed written consent of the former client where, in the prior representation, the attorney normally would have obtained confidential information from the former client material to the current matter. "When a substantial relationship has been shown to exist between the former representation and the current representation, and when it appears by virtue of the nature of the former representation or the relationship of the attorney to his former client confidential information material to the current dispute would normally have been imparted to the attorney or subordinates for whose legal work he was responsible, the attorney's knowledge of confidential information is presumed." (2013 WL 75781 at *2, quoting *Global Van Lines, Inc. v. Superior Court* (1983) 144 Cal.App.3d 483, 489.)

The Court found disqualification was warranted in this case because of the "clear and substantial relationship" between the royalty agreements at issue in the current case and the firm's prior representation of plaintiff and her band in negotiating the very same agreements. "That relationship is sufficient to create the presumption that [the firm] has confidential information material to the current matter and that this information is shared by all attorneys in the firm." (2013 WL 75781 at *3.)

The firm conceded that the matters it had handled for plaintiff and her band were substantially related to the current litigation. Citing *Goldberg v. Warner/Chappell Music, Inc.* (2005) 125 Cal.App.4th 752, the firm contended that no vicarious disqualification was warranted since the attorneys who had handled the substantially related matters had not been with the firm for over a decade. The Court rejected that

argument. *Goldberg* had held that no vicarious disqualification of defense counsel was warranted in an action brought by a former employee where a now-former partner who had had preliminary conversations with the plaintiff about her proposed employment contract had left the firm three years before plaintiff sued defendant. The departed partner was the only one aware of the consultation and had not opened a client file.

In this case, by contrast, the firm's relationship with the plaintiff was extensive. In addition, both senior defense counsel and 58 other current firm attorneys and paralegals worked at the firm during its work for the plaintiff and her band. Lead counsel's assurances that he and the other employees had never received any confidential information about the lead singer-plaintiff were "not sufficient to overcome the presumption that attorneys in the same firm share a close, fluid, and continuing relationship, with its attendant exchanges of information, advice, and opinions that create ample opportunity for imparting confidential information and impressions from one to another. (2013 WL 75781 at *4, internal marks and citation omitted.)

10.1.3 Tripartite Insurer-Insured Attorney-Client Privilege

Case: *Bank of America, N.A. v. Superior Court* (2013) 212 Cal.App.4th 1076

Issue: In an action brought by a bank for equitable subrogation and other claims in which bank's title insurer was paying counsel to prosecute the action on behalf of insurer's insured the plaintiff-bank, did a tripartite attorney-client relationship arise among the title insurance company, the insured bank, and counsel, making confidential communications among them privileged?

Holding: **Yes**. The Court first found that a tripartite relationship existed among title insurer, the bank, and the attorney retained by the insurer to represent the bank in the underlying action, even though there was no formal retainer agreement between the title insurer and counsel for the bank. Retaining counsel to represent its insured the bank was enough to establish the tripartite attorney-client relationship. (212 Cal.App.4th at 1091.)

The tripartite relationship was not defeated by insurer providing counsel to its insured the bank under a reservation of rights. The reservation of rights was based on the timing of the tender of the claim to the insurer rather than on the merits of the underlying lawsuit. (*Id*. at 1092.) In addition, there was no evidence that the retained firm was acting as independent *Cumis* counsel for the bank rather than as counsel retained by the insurer for its insured, the bank. (*Ibid*.) Even if the reservation of rights did create a disqualifying conflict, the right to assert that conflict would belong exclusively to the insured bank rather than its litigation adversary. (*Ibid*.) And, if counsel were serving as *Cumis* counsel, counsel and the bank would still be obligated to share with the insurer information concerning the representation except privileged material related to the coverage dispute. (*Id*. at 1093, quoting Civ. Code § 2860(d).)

The Court of Appeal rejected the trial court's conclusion that the tripartite relationship exists only where the insurer pays for counsel to *defend* an action rather than, as here, for counsel to *initiate* an action. The Court of Appeal called this an "artificial distinction." (*Ibid*.) The Court pointed out that the insurance policy both obligated insurer to defend its insured in an action and gave it the right to initiate and prosecute an action, such as a lawsuit to quiet title against an adverse claim. (*Id*. at 1093-1094.)

The Court further explained that, as discussed in *Jarchow v. Transmerica Title Ins. Co.* (1975) 48 Cal.App.3d 917 and illustrated by the current action, it is often necessary for a title insurer to initiate an action to protect its insured's title. In the current action, another bank foreclosed on the underlying property, jeopardizing the insured bank's assertedly superior lien. Therefore, the means of the title insurer to protect its insured's lien rights was to initiate this action for equitable subrogation. "If a tripartite attorney-client relationship did not arise in such a situation, the title insurer would be unable to

communicate with counsel retained to represent the insured without the risk of being forced to disclose confidential or privileged information." (221 Cal.App.4th at 1095.) While California case law addressing the tripartite attorney-client relationship to date has done so only in the context of liability policies, no case has limited the principle to such policies or held the relationship does not apply when a title insurer initiates litigation pursuant to the terms of the policy. (*Id*. at 1096.)

Note: The Court of Appeal went on to conclude that the insured bank had not waived the privilege by failing to submit a privilege log in response to earlier discovery and that the documents identified in a later submitted privilege log were covered by the attorney-client privilege. (*Id*. at 1097-1101)

10.1.4 Expert. Disqualification of

Case: *Ziptronix, Inc. v. Omnivision Technologies, Inc.* (N.D.Cal. 2013) 2013 WL 146413

Issue: In a patent dispute, was disqualification of a defense expert warranted where expert signed a non-disclosure agreement with plaintiff, but no retainer agreement had been signed, plaintiff shared no confidential information with expert, and plaintiff had no contact with expert for nearly two years after the NDA had been signed?

Holding: **No**. Under *Hewlett-Packard Co. v. EMC Corp.* (N.D. Cal. 2004) 330 F.Supp.2d 1087, disqualification of an expert in a federal question action generally is warranted only where: (1) the party seeking disqualification had a confidential relationship with the expert *and* (2) the party seeking disqualification disclosed confidential information to the expert relevant to the current litigation. The Court in this case found neither element satisfied. The NDA did not establish a confidential relationship between the plaintiff and expert. The NDA was not a retainer agreement, addressing neither fees nor the scope of the retention. After expert signed the NDA, plaintiff gave expert no consulting work or informed expert what patents were at issue in the current litigation. (2013 WL 146413 at *2.) As to the second element in the expert disqualification analysis, there was no dispute that plaintiff had shared no confidential information with expert. (*Id*. at *3.)

Nor did considerations of fairness warrant disqualification of expert. "Plaintiff showed no interest in working with [expert] even as this case moved toward claim construction, and Plaintiff only belatedly contacted [expert] after she contacted Plaintiff almost two years after the NDA was signed. It is not clear from Plaintiff's conduct that it intended to retain [expert]." (*Id*. at *4.) It was plaintiff's own inaction over the nearly two years after the NDA was signed that precluded plaintiff's retention of expert, not any improper motive by defendant in reaching out to expert. (*Ibid*.)

10.1.5 Civ. Code § 1714.10; Litigation Privilege (Civil Code §47(b)); Attorney-Client Privilege

Case: *Rickley v. Goodfriend* (2013) 212 Cal.App.4th 1136

Issue: In a dispute between next-door neighbors concerning the removal of contaminated debris from both properties, did the litigation privilege bar plaintiffs from amending their complaint to add claims against defense counsel for civil conspiracy where plaintiffs alleged that counsel had conspired with their clients, the neighbor-defendants, to engage in affirmative misconduct that interfered with a court-approved remediation plan and alleged that counsel disbursed funds from the attorneys' trust account in a manner to avoid remediating the debris on plaintiffs' property?

Holding: **No**. California Civil Code section 1714.10 prohibits the assertion of a cause of action against an attorney for a civil conspiracy with his or her client arising out of his or her attempt to contest or settle a dispute, and which is based on the attorney's representation of the client, without leave of court. "Section 1714.10 was intended to weed out the harassing claim of conspiracy that is so lacking in *reasonable foundation*

as to verge on the *frivolous*." (212 Cal.App.4th at 1148, emphasis added by the *Rickley* court, internal quotation marks and citations omitted.) A court will allow such a cause of action to be asserted only if the court determines that the party seeking to file it has established a reasonable probability of success on the merits. (Civ. Code § 1714.10(a).)

Section 1714.10 does not apply if the attorney has an independent legal duty to the plaintiff or the attorney has acted in furtherance of his own financial gain. (Civ. Code § 1714.10(b).) "A license to practice law does not shield an attorney from liability when he or she engages in conduct that would be actionable if committed by a layperson. An attorney who commits such conduct may be liable under a conspiracy theory when the attorney agrees with his or her client to commit wrongful acts." (212 Cal.App.4th at 1153.)

In a 2-1 ruling, the Court of Appeal held that the trial court properly allowed the amendment because the proposed amended complaint alleged that the attorney-defendants violated two independent duties owed to plaintiffs: (1) the duty not to engage in affirmative misconduct that would interfere with the remediation of the contaminated debris and (2) the duty to disburse fairly the funds from the attorneys' trust account designated to remove contaminated debris from both neighbors' properties. (*Id*. at 1148.) The complaint alleged that defendant-neighbors' attorneys interfered with the court-ordered remediation process by, among other things, contacting the third-party contractors doing the remediation work through unapproved emails thereby personally disrupting the remediation process, interfering with the remediation plan by one defendant-attorney misdirecting employees of the contractor, nd even personally digging in the contaminated soil after a judge told him in a telephone conference to stop. The majority concluded that, in these ways, the attorneys continued to the continuation of the nuisance. (*Id*. at 1155-1156.)

If the allegations of the amended complaint were proven, the attorneys violated their duty to disburse funds for the remediation in way that did not unfairly benefit their clients. At the attorney-defendants' clients' request, the court in the action in which the remediation had been ordered required the defendant-neighbors to fund the remediation of both properties rather than awarding damages to plaintiff-neighbors. The attorneys held those funds in their client trust account and thus assumed a duty to disburse the funds fairly. Instead, as alleged in the proposed conspiracy cause of action, the defendant-attorneys disbursed those funds without plaintiffs' knowledge in a way that unduly favored their own clients' interests. (*Id*. at 1156-1157.)

The Court of Appeal agreed with the trial court that the litigation privilege was no bar to the conspiracy cause of action because the alleged misconduct, such as contacting the third-party contractors doing the remediation work through unapproved emails, was done to contravene the original remediation judgment rather than enforce it. (212 Cal.App.4th at 1162, distinguishing *Rusheen v. Cohen* (2006) 37 Cal.4th 1048.) "[T]he litigation privilege offers no protection for the collaborative efforts of the parties and their attorneys to interfere with a court-approved remediation plan. The privilege does not bar a civil conspiracy claim against a defendant and his or her attorney when they jointly act to interfere with efforts to remove contaminated debris from a neighbor's property, resulting in a continuing nuisance." (212 Cal.App.4th at 1164.)

Nor was the conspiracy claim barred because defense of the claim would require disclosure of confidential communications between the attorney-defendants and their clients. The conspiracy claims against the attorney-defendants were based on their non-confidential communications with third parties, such as the contractors and their employees doing the remediation work, and their non-confidential conduct, such as by sending unapproved emails to the contractors and personally digging in the contaminated soil even after a judge told them to stop. "The determination of whether the attorney-defendants and [their clients] participated in a conspiracy to thwart the remediation effort and unfairly disburse the remediation funds can be resolved by the trier of fact without any evidence of statements between the attorneys and their clients."

(*Id*. at 1165.) In any event, dismissal of a claim because the attorney-client privilege precludes an adequate defense is warranted only after a trial court conducts an evidentiary hearing and determines ad hoc measures to shield confidential material from public view would be inadequate to allow the action to proceed. No such evidentiary hearing had been held in this action. (*Id*. at 1165-1166.)

Note: Justice Frances Rothschild dissented, contending that the attorney-defendants had no conceivable liability since they were acting only as agents of their clients. Thus, if the allegations of the proposed conspiracy claim were true, the defendant-attorneys only were assisting their clients in the violation of the clients' duties to the defendants rather than violating an independent duty the attorneys owed the plaintiffs. (*Id*. at 1166-1167, Rothschild, J. dissenting, asserting that the majority's conclusion was irreconcilable with *Doctors' Co. v. Superior Court* (1989) 49 Cal.3d 39.)

Justice Rothschild also rejected the majority's reasoning that the litigation privilege was inapplicable to the proposed conspiracy cause of action against the attorney-defendants because the attorney-defendants' misconduct was taken to contravene, rather than enforce, the original remediation judgment. "The difference between enforcement and obstruction . . . is often in the eye of the beholder. Remediation work that plaintiffs view as implementing the judgment might be viewed by defendants as beyond the judgment's scope, and conduct the defendants view as endeavoring to make sure the judgment is enforced strictly according to its terms might be viewed by plaintiffs as obstruction. The protection afforded by the litigation privilege is hollow if it can be defeated by a mere allegation that plaintiffs are right and defendants are wrong." (*Id*. at 1168-1169, Rothschild, J., dissenting.)

10.1.6 C.C.P. § 1281.9: Arbitrator's Duty To Disclose

Case: *Gray v. Chiu* (2013) 212 Cal.App.4th 1355

Issue: In a medical malpractice arbitration, must the judgment of a three-arbitrator panel in favor of the defense be vacated where, subsequent to commencement of the arbitration proceeding but prior to the hearing, lead trial counsel for defendant-doctor affiliates with the firm providing the neutral arbitrator on the panel and neither counsel nor the arbitrator discloses that fact?

Holding: **Yes**. The trial court should have granted plaintiff's motion to vacate the arbitration award on the ground of the arbitrator's violation of his statutory duty to disclose this information. In a consumer arbitration such as this one, the plain language of the applicable rule requires an arbitrator to disclose whether "a party, a lawyer in the arbitration, or a law firm with which a lawyer in the arbitration is currently associated is a member of" the administering dispute resolution provider organization. (212 Cal.App.4th at 1363, quoting Ethics Standard 8 adopted by the Judicial Council pursuant to C.C.P. § 1281.5.) The arbitrator has a continuing duty to disclose. (212 Cal.App.4th at 1363-1364.)

The Court of Appeal rejected defendants' contention that plaintiff was estopped from seeking vacatur on this basis or had waived her right to do so. As applicable to this case, Standard 8 requires that the neutral arbitrator alone disclose the required information. (*Id.* at 1366.) There was no waiver, even though plaintiff knew from the posters of the dispute resolution provider's panel members in the hallways of the provider's offices where the arbitration had been held over nine working days that lead trial counsel for defendant-doctor was affiliated with the provider. That is because the ethics standards could not be waived and because plaintiff did not become aware of the arbitrator's violation of his disclosure obligation until months after expiration of the 10-day disclosure period after the arbitrator himself had become aware of defense counsel's affiliation with the dispute resolution provider organization. (*Ibid*.)

California Code of Civil Procedure section 1286.2(a)(6) mandated vacatur of the

arbitration award for failure of the neutral arbitrator to make the timely required disclosure. "While that rule seems harsh, it is necessary to preserve the integrity of the arbitration process." (*Ibid*.)

10.1.7 Rule 5-200 and B & P Code § 6068(d): Duty Not to Mislead Court

Case: *In re Hubbard* (S.D.Cal. 2013) 2013 WL 435945

Issue: Was a one-year suspension from the bar of a federal district court warranted based on, among other things, a finding that, in the underlying Americans with Disabilities Action, respondent-member of the district court bar misled opposing counsel and a Magistrate Judge into believing that the signature on a settlement agreement was that of his client-plaintiff, who also was his mother, when in fact the agreement had been signed after his client's death by someone else?

Holding: **Yes**. The Court found that this misconduct, as well as misleading the Magistrate Judge at a settlement conference about whether counsel had personally witnessed his mother's deteriorating condition and about whether a decision had been made as to who would replace his mother as plaintiff in the underlying action after her death, warranted the one-year suspension from the bar sought by the Standing Committee on Discipline of the Southern District of California.

Rule 83.4(b) of the Local Rules of the Southern District of California adopts as its standards of professionalism the standards of professional conduct applicable to members of the State Bar of California. The Local Rule expressly warns members of the district court bar that those standards are not exhaustive, referring members to the ethical rules of the American Bar Association. The Court found that respondent's "intentionally deceptive and misleading conduct" in the underlying ADA action violated ABA Model Rules 3.3, 4.1(a), 7.1 and 8.4; California Rules of Professional Conduct 5-200 and 5-220; and State Bar Act §§ 6101, 6068(b), and 6068(d). The Court found that those violations amounted to unprofessional conduct in violation of Local Rule 83.4. (2013 WL 435945 at *5.)

The Court rejected respondent's contention that he could not be disciplined for this conduct since the Magistrate Judge in the underlying action already had imposed monetary sanctions against him for the same conduct. "Though deterrence was a substantial reason for imposing the monetary sanctions, so was compensation – compensation for attorney's fees incurred as a result of [respondent's] misconduct. Unlike the purpose for the monetary sanctions, the purpose of this disciplinary proceeding is to consider [respondent's] fitness to practice in this district and to protect the public from an unqualified or unscrupulous practitioner. Thus, the Court finds that imposing discipline in this proceeding would not amount to double punishment and it also would not be fundamentally unfair to [respondent]." (*Id*. at *6, internal citation and quotation marks omitted.) The Court also noted that Local Rule 83.5 specifically contemplates the imposition of discipline in addition to other sanctions. (*Ibid*.)

Note: Disclosure: The publisher of *Ethics Quarterly* was trial counsel for petitioner Standing Committee.

10.1.8 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Bernhoft Law Firm v. Pollock* (S.D.Cal. 2013) 2013 WL 542987

Issue: In an action by a law firm against a former client for unpaid legal fees, was disqualification of defense counsel warranted on the grounds that he was a former attorney at plaintiff-firm and, while at the firm, was the lead attorney representing client in the underlying IRS tax proceeding for which the firm was seeking its fees and took the client and the IRS matter with him when he left the firm?

Holding: **Yes**. There was "an obvious conflict of interest" between defense counsel, a former attorney at plaintiff-firm, and his client in defending the fee dispute. The legal fees defendant-client was refusing to pay largely were billed and approved by defense counsel when he was an attorney at plaintiff-firm. "In the event that [former client-defendant] refutes the validity of these fees during the course of this litigation, such an argument will require [defense counsel] to attack the appropriateness of his own representation, a position that the Court finds untenable." Defense counsel could not zealously represent his client in this fee dispute if it meant challenging the bills he approved and the services he provided. These circumstances created a substantial risk that counsel's own interests would compromise his ability to represent his client, thereby creating a disqualifying conflict of interest. (2013 WL 542987 at *2.)

Note: Since it disqualified defense counsel based on a conflict of interest between himself and his client, the Court declined to address whether defense counsel had established an attorney-client relationship with his former firm or violated any duties he owed under that alleged relationship. (*Ibid*. at note 3.)

10.1.9 Attorney-Client Privilege

Case: *In re High-Tech Employee Antitrust Litigation* (N.D.Cal. 2013) 2013 WL 772668

Issue: A federal antitrust action included allegations that a group of employers colluded to avoid poaching each other's employees and to stabilize compensation packages. Was Defendant A entitled to withhold emails from plaintiffs based on the attorney-client privilege that were sent between, on the one hand, the chairman of the board of directors of Defendant B who simultaneously served as a consultant or part-time employee to Defendant A and, on the other hand, counsel for Defendant A, where this consultant/employee's duties included serving as an advisor to Defendant A's management and board on corporate strategy and advising on internal business processes, but where the emails in which the consultant/employee was included were sent to his email address at Defendant B and Defendant B reserved the right as a matter of policy to review its employees' emails?

Holding: **Yes**. The duties of this consultant/employee as well as the sensitive nature of communications with him indicated that, both before and after he signed a formal part-time employment contract with Defendant A setting forth his duties, the consultant/employee was the functional equivalent of an employee and had substantial input into the development of the issue at the heart of the litigation. Under *United States v. Graf* (9th Cir. 2010) 610 F.3d 1148, communications between him and counsel for Defendant A were eligible to be covered under Defendant A's attorney-client privilege. (2013 WL 772668 at *4.)

The Court rejected plaintiff's contention that Defendant A had waived the privilege over such communications by sending them to the consultant/employee at his email address at Defendant B. The Court applied the four factors articulated in *In re Asia Global Crossing, Ltd.* (S.D.N.Y. 2005) 322 B.R. 247 concerning whether the attorney-client privilege applies to attorney-client communications sent to the email address at a third-party corporate employer: (1) whether Defendant B had a policy banning personal use of the company's email system; (2) whether Defendant B monitored its employees' use of email; (3) whether Defendant B, a third party, had the right to access the computer and emails; and (4) whether the consultant/employee or Defendant A were aware of Defendant B's use and monitoring policy. (2013 WL 772668 at *6, citing *In re Asia Global Crossing, Ltd.*, 322 B.R. at 258.)

Applying those factors to this case, the Court concluded that Defendant B's policy that said that company email generally "should" be used only for company business fell slightly short of an all-out ban and this factor slightly favored Defendant A's claim of privilege. (2012 WL 772668 at *6.) As to the second factor, "a company's failure to actually monitor employees' emails or to have an explicit policy of monitoring the

emails may suggest to employees that their emails in fact remain confidential." (*Id*. at *7, footnote with citations omitted.) While Defendant B's code of conduct reserved the right to monitor emails sent over its computer system, there was no evidence that Defendant B actually did monitor its employee's emails, further weighing in favor of the assertion of the privilege. (*Ibid*.) The Court found that the third and fourth factors weighed against the assertion of the privilege since Defendant B had the right to access the emails and the consultant/employee, who also was chairman of Defendant B, had at least constructive knowledge of the company's policy reserving the right to monitor emails. (*Ibid*.) Although the factors split in favor of and against the application of the privilege, the Court found that the importance of the privilege and the lack of evidence that Defendant B actually monitored employee emails warranted a finding that receipt of the emails at consultant/employee's Defendant B email address did not destroy the privilege. (*Ibid*. See also *id*. at note 63, quoting *United States v. Mett* (9th Cir. 1999) 178 F.3d 1058, 1065: "[W]here attorney-client privilege is concerned, hard cases should be resolved in favor of the privilege, not in favor of disclosure.")

Note: The Court reviewed the sample communications Defendant A submitted for the Court's in camera review and concluded they were all privileged since they all involved either seeking or receiving legal advice. Plaintiffs were given a deadline to seek in camera review of whether the privilege applied to other withheld documents. (*Id*. at *8.)

10.1.10 Rule 5-210: Attorney As Witness

Case: *U.S. v. Murray* (N.D.Cal. 2013) 2013 WL 942514

Issue: In a criminal action alleging a scheme to defraud outside investors in an investment fund, was disqualification of defense counsel warranted where the government presented documents that defense counsel received allegedly tainted funds in partial payment of fees and then allegedly laundered a substantial portion of those funds by sending them to defendant's father who in turn sent a substantial portion of the funds to defendant and an entity defendant controlled?

Holding: **Yes.** The Court first found that there were two distinct kinds of conflicts of interest between defense counsel and his client. First, defense counsel has an interest in funds the government claims were tainted. Under ABA Model Rule 1.8(i), a lawyer is, with limited exceptions not applicable here, prohibited from acquiring a proprietary interest in litigation the lawyer is handling for a client. (2013 WL 942514 at *2.) It is not true that defense counsel and his client have aligned interests in resisting a finding of a conflict of interest simply because they have a joint interest in establishing that the transferred funds were not tainted. Defendant would be an important witness in establishing the circumstances of the transfer of funds, but such testimony would risk waiving his Fifth Amendment rights. "The calculus of weighing the costs and benefits of waiving [defendant's] Fifth Amendment rights in the hearing on conflict of interest differs between [defendant] and [defense counsel];" defense counsel not only has the transfer of the received funds at risk, but also compensation for his continued representation of the defendant; and defense counsel does not have the same personal stake in the underlying criminal action as his client does. (*Id*. at *2.)

Second, because defense counsel had received a portion of the allegedly tainted funds, defense counsel had become "at the very least a potential percipient witness." That implicated the advocate-witness rule, reflected in ABA Model Rule 3.7(a) and California Rule of Professional Conduct 5-210(c) generally prohibiting an attorney from acting as both a trial advocate and a witness on a contested issue. Defense counsel may have knowledge as to the rightful ownership of the allegedly tainted funds. (*Id*. at *3.)

The Court found that defendant could not waive the conflict of the attorney serving as both advocate and witness by consenting to it even though California Rule of Conduct 5-210(c) allows such waiver with the informed written consent of the client. Federal

courts have an independent interest in ensuring that criminal trials are conducted within the bounds of ethics and that such trials appear to be fair to observers. (*Id*. at *5, citing *Wheat v. United States* (1988) 486 U.S. 153, 160.) The Court was unwilling to condone defense counsel's continued representation of the defendant given that counsel's receipt of allegedly tainted funds effectively amounted to an actual conflict of interest between his client and him. Counsel's potential role as a trial witness would be "particularly problematic" since the government was investigating whether counsel was a knowing participant in the alleged money laundering scheme. (2013 WL 942514 at *5.)

10.1.11 Rule 3-110: Duty of Competence

Case: *Dizon v. Wells Fargo* (N.D.Cal. 2013) 2013 WL 978191

Issue: In an action challenging a bank's foreclosure actions, were referral of plaintiff's counsel to the Standing Committee on Professional Conduct and monetary sanctions warranted where counsel: (1) failed to respond to bank's motion to dismiss; (2) failed to comply with a court order to send a copy of a Magistrate Judge's recommendation that the action be dismissed with leave to amend two claims to counsel's client and file a declaration that he had done so; and (3) failed to file a declaration stating that he had complied with a later court order to send a subsequent order dismissing the action to his client?

Holding: **Yes**. The Court initially observed that this case was "one of many" in which this attorney had failed to respond to a dispositive motion and court orders. (2013 WL 978191 at *2, collecting cases.) The Court found that counsel's "pattern of missing deadlines, failing to oppose dispositive motions, and giving weak and often tardy excuses" amounted to bad faith. "The fact that [plaintiff's counsel] has failed to prosecute nearly every action he has brought in this district shows that his disregard of the local rules and the courts' orders is more than mere recklessness. His repeated failures to respond to orders to show cause amount to willful disobedience." (*Id*. at *3.)

While Counsel's disrespect for the Court was troubling, it was his clients who were most keenly harmed by his failing to prosecute their claims. The Court acknowledged that lawsuits challenging foreclosure proceedings were difficult to win and may have been dismissed even had plaintiff's counsel opposed motions to dismiss. But plaintiff's counsel "is representing plaintiffs attempting to stave off or in throes of losing their home as part of the mortgage crisis. These clients are potentially more vulnerable than some others who may have a greater opportunity to vet a prospective attorney. And he is doing his clients no service by bringing claims and then failing to represent their interests. He is, in fact, shirking his duty as an attorney" to perform competently. (*Ibid.*, citing Cal. Rule of Prof. Conduct 3-110(A).)

To protect the public, the Court referred plaintiff's counsel to the Northern District of California's Standing Committee on Professional Conduct for further investigation and discipline. To deter counsel's future misconduct, the Court ordered counsel to pay $1,000 in sanctions to the Clerk of the Court. (2013 WL 978191 at *4.)

10.1.12 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Sharma v. VW Credit, Inc.* (C.D.Cal. 2013) 2013 WL 1163801

Issue: In a putative class action alleging creditor failed to provide borrowers with statutorily mandated notice of rights, was disqualification of plaintiffs' counsel warranted where plaintiffs' counsel worked on clearly substantially related cases for defendant while an associate at the firm representing defendant, but where defendant waited 16 months before bringing a motion to disqualify less than six months before plaintiffs' motion for class certification was due?

Holding: **No.** The Court found that defendant's delay in bringing the motion was unreasonable. While no trial date had been set, the imminent date for filing plaintiffs' certification motion was a "crucial step" in a putative class action and had been preceded in this case by a great deal of discovery work. (2013 WL 1163801 at *4.)

The delay could not be excused by defense counsel's asserted informal efforts to get plaintiffs' counsel to withdraw from the case. Since the grounds for disqualification were so "black and white" given the relationship between the current action and the matters on which plaintiffs' counsel had worked when he was employed at the firm representing the defendant, a potential resolution of the request to withdraw on some "middle ground" could not justify the delay. (*Id*. at *5.) The Court further found that defendant would not have been prejudiced by moving to disqualify earlier and plaintiffs would have been prejudiced had the motion been granted after such a long, unjustified delay. (*Id*. at *6.)

10.1.13 Rule 3-310: Avoiding Representation of Adverse Interests

Case: *Novelty Textile, Inc. v. Windsor Fashions, Inc.* (C.D.Cal. 2013) 2013 WL 1164065

Issue: In a copyright dispute, plaintiff's counsel sent a pre-filing cease-and-desist letter to Defendant A. Was disqualification of plaintiff's counsel warranted where: (1) Defendant B was a member of a trade group, which plaintiff's counsel served as one of several general counsels, that offered as a benefit a free legal consultation; and (2) an employee of Defendant B consulted with plaintiff's counsel after Defendant A demanded indemnification from Defendant B; but where (3) Defendant B's employee, knowing plaintiff's counsel had sent the letter to Defendant A, failed to tell plaintiff's counsel during the consultation the name of the company that had demanded indemnification from Defendant B at a time plaintiff's counsel was unaware of any indemnification arrangement between the two companies?

Holding: **No.** The Court held that Defendant B's membership in a trade group that offered free legal consultations and that plaintiff's counsel served as one of several general counsels was not enough by itself to create an attorney-client relationship between plaintiff's counsel and Defendant B. There at least had to be an actual communication between one of those general counsels and a member of the trade group. (2013 WL 1164065 at *3.)

The Court noted that plaintiff's counsel disputed that he had ever met with Defendant B's employee. Assuming the employee had met with plaintiff's counsel, to disqualify plaintiff's counsel where an employee of the defendant knew counsel was adverse to his employer "would clear the way for one party to disqualify opposing counsel at will." (*Ibid*.) Given that the employee went to see plaintiff's counsel before suit was filed against the employee's employer but after plaintiff's counsel had sent a pre-filing cease-and-desist letter to a company that demanded indemnification from employee's employer and yet withheld this information from plaintiff's counsel, disqualifying plaintiff's counsel "does not protect a client from an attorney's conflict of interest because the client knowingly created the conflict. If a client knowingly creates a conflict of interest, he cannot then ask the court to protect him from himself by disqualifying the innocent attorney." (*Id*. at *3.) "Although under normal circumstances a preliminary meeting between an attorney and a potential client creates a confidential relationship, where, as here, the client went into the meeting with opposing counsel knowingly and intentionally, it is not appropriate to disqualify the innocent attorney." (*Ibid*.)

Note: The Court recognized that Defendant B's employee was not an attorney and apparently not a native English speaker. Had the employee innocently disclosed significant confidential information about Defendant B to plaintiff's counsel, the Court may have taken steps to protect Defendant B's interests. But here Defendant B's employee intentionally altered the facts of the case that he presented to plaintiff's counsel,

demonstrating that he had some understanding that he should not be giving certain information to plaintiff's counsel and reducing the possibility that he actually communicated confidential information during their meeting. (*Id*. at *3.)

10.1.14 Rule 1-400: Attorney Solicitation; Rule 5-120: Trial Publicity

Case: *Ramirez v. Trans Union, LLC* (N.D.Cal. 2013) 2013 WL 1164921

Issue: In a putative class action for violation of consumer protection laws against a credit reporting agency for erroneously reporting information about putative class members' inclusion on a federal list of persons blocked from loans because of their connection with terrorist groups, was disqualification of plaintiffs' counsel warranted where, after the action was filed, plaintiffs' counsel posted on his website allegedly false information about credit agency's response to plaintiff's request to remove his erroneous inclusion on the list and by plaintiffs' counsel inviting others to contact plaintiffs' counsel if credit bureau refused to correct similar false alerts?

Holding: **No**. The posting did not violate Rule 1-400, the ethical rule addressing attorney solicitation. That rule defines a solicitation as a communication "(a) delivered in person or by telephone, or (b) directed by any means to a person known to the sender to be represented by counsel in a matter which is a subject of the communication." (Cal. Rule of Prof. Conduct 1-400(B)(2).) "Because the posting on counsel's website does not fall within either category, it is not a solicitation and therefore does not violate Rule 1-400." (2013 WL 1164921 at *3, citations omitted.)

The Court also concluded that the posting did not offend Rule 5-120, the ethical rule addressing trial publicity. That rule generally prohibits an attorney from making "an extrajudicial statement that a reasonable person would expect to be disseminated by means of public communication if the member knows or reasonably should know that it will have a substantial likelihood of materially prejudicing an adjudicative proceeding in the matter." (Cal. Rule of Prof. Conduct 5-120(A).) The rule does not prohibit statements about the claim involved and, except when prohibited by law, the person involved. (Cal. Rule of Prof. Conduct 5-120(B)(1)-(2).)

The credit reporting agency contended that the statement in the posting that the agency did nothing in response to plaintiff's request to remove the false alert about plaintiff's inclusion on the list was false, citing plaintiff's deposition testimony. The Court, however, pointed out other portions of plaintiff's deposition testimony where plaintiff described his alleged difficulty in getting the reporting agency to remove the false report. In light of that, the Court could not find that the posting was materially false or misleading. (*Id*. at *4.) Moreover, the Court found that the statements in the posting fell "well below" the prohibition on extrajudicial statements likely to prejudice an adjudicative proceeding. "Indeed, Defendant does not cite a single case in which an attorney was found to have violated Rule 5-120 based on a website, and certainly no case in which a court disqualified counsel based on a website posting about a case." (*Ibid*.)

In light of this, the Court found both disqualification of and sanctions against plaintiff's counsel unwarranted. (*Id*. at *5.)

10.1.15 Rule 3-110: Duty of Competence

Case: *In re Haynes* (N.D.Cal. 2013) 2013 WL 1195524

Issue: Was disbarment from the bar of a federal district court warranted based on evidence of counsel's misbehavior in two actions, which included (1) using profanity in written and oral communications with opposing counsel, including using profane and demeaning insults; (2) failure to pursue matters with diligence and competence, including failing to file timely oppositions to dispositive motions and failing to serve discovery responses, resulting in terminating sanctions; (3) failing to notify a client that her case had been

summarily dismissed as a result of counsel's failure to file a timely opposition to a summary judgment motion; (4) filing an appeal on behalf of a client despite the client's express emailed insistence that no appeal be filed in the matter; (5) failing timely to pay sanctions and otherwise comply with court orders; (6) delaying for 18 months return of a client's files after counsel's discharge despite numerous requests; (7) physically threatening opposing counsel and spewing profanities in a courtroom hallway in connection with a discussion about discovery matters, making opposing counsel fearful for his physical safety and requiring the intervention of federal law enforcement officers; (8) filing misleading statements with the court about his conduct; (9) failing to cooperate with the federal disciplinary committee in the course of this action and where (10) counsel had engaged in misconduct in three other cases?

Holding: **Yes**. The motion for summary adjudication of the disbarment petition of the Northern District of California Standing Committee on Professional Conduct was granted. The Court found that disbarment from the federal district court was warranted even were the only misconduct at issue counsel's failure to fulfill his ethical duties toward his clients in the two cases on which the disciplinary charges primarily were based. (2013 WL 1195524 at *43.) "In addition, however, the undisputed evidence reveals an ongoing pattern of failure to comply with court orders, failure to follow the rules of practice, and professional misconduct involving abusive and antagonistic behavior toward opposing counsel." (*Ibid*.)

The Court further pointed out that counsel had failed to cooperate with the Standing Committee at every turn. He sought multiple continuances of every deadline set by the court. "His written work product is sloppy, bordering on incomprehensible, and replete with typographical and grammatical errors, making it difficult for the court to even understand his arguments. In short, he has failed to practice competently." (*Id*. at *44.) Counsel compounded this by refusing to accept responsibility for his actions or even acknowledge that he had done anything wrong, casting blame instead on opposing counsel, the judges of the Northern District, the Standing Committee and his own clients for his professional failings. (*Ibid*.)

Accordingly, the Court concluded that only disbarment of counsel would sufficiently protect "the public, the court, and other attorneys who practice at this court from the deleterious effects of [counsel's] lack of professional responsibility." (*Ibid*.)

Important Update: No case abstracted in the previous edition of *Ethics Quarterly* has been accepted for review or otherwise rendered uncitable.

Disclaimer: Counsel should read the full text of the cases discussed before relying on the necessarily limited discussion of them here. Counsel also should be mindful that some of the Court of Appeal cases addressed may be subject to depublication or review by the California Supreme Court. All cases should therefore be checked to confirm they are citable.

COMMENTARY: Limitations on Disqualifying Conflicts Resulting from Preliminary Consultations

Daniel E. Eaton[1]

Introduction

A preliminary consultation in which a party discloses significant confidential information to an attorney with a view toward retaining the attorney normally creates a disqualifying conflict from later opposing that party in the connection with the subject matter of the consultation both for the consulting attorney and vicariously his firm, even where the prospective client does not actually retain the attorney. (*Beery v. State Bar* (1987) 43 Cal.3d 802, 811.) Normally, but not always.

For example, in *Goldberg v. Warner/Chappell Music, Inc*. (2005) 125 Cal.App.4th 752, the Court of Appeal held that disqualification of the employer's law firm in a wrongful termination action was not warranted where, six years earlier, the plaintiff-employee had briefly consulted with one of the law firm's partners concerning her contract with the employer and where the partner had left the law firm three years before the action was filed. The Court observed that the risk of attorneys at the defendant's firm receiving confidential information about the opposing party through contact with the consulting attorney was effectively eliminated when he left the firm. "[A]n attorney's presumed possession of confidential information concerning a former client should not automatically cause the attorney's former firm to be disqualified where the evidence establishes that no one other than the departed attorney had any dealings with the client or obtained confidential information. . . ." (*Id*. at p. 755.) The Court noted that the trial court had found that the law firm had never opened a file for the employee; never billed her; had no notes or records in any file about the meeting; no documents were prepared; no telephone calls made; and the partner left several years before the instant litigation began. (*Id*. at p. 758. See also, *In re Marriage of Zimmerman* (1993) 16 Cal.App.4th 556, 564-565, holding no disqualification resulted from partner of counsel's brief, preliminary consultation with opposing party, even though the consulting partner had offered his initial impressions of party's case.)

Is disqualification of opposing counsel warranted where a party knowingly consults with an attorney retained by an opposing party before counsel is aware of that party's involvement in the matter for which counsel has been retained and where the consulting party fails to disclose that fact to the attorney? And is disqualification of an opposing party's expert warranted where the expert had earlier signed the moving party's non-disclosure agreement -- but no retainer agreement -- in contemplation of consulting with the party, but the party never disclosed the nature of, or any confidential information about, the matter on which the party contemplated using the expert's services? Courts in two rulings abstracted in this issue of *Ethics Quarterly* answered both questions in the

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negative, suggesting additional limits on preliminary consultation as a basis for disqualification of an opposing party's attorney or expert.

A. ***Novelty Textile, Inc. v. Windsor Fashions, Inc.*: Intentional Consultation with Opposing Counsel**

In *Novelty Textile, Inc. v. Windsor Fashions, Inc.* (C.D.Cal. 2013) 2013 WL 1164065 (EQ 10.1.13), plaintiff's counsel represented a company with exclusive rights to unique graphic designs intended primarily to be used in the fashion industry. On behalf of his client, plaintiff's counsel sent a cease-and-desist letter to a retailer that was allegedly misappropriating a design to which plaintiff owned a registered copyright. The company that received the cease-and-desist letter in turn demanded indemnification from the middleman company that sold it the allegedly infringing apparel, attaching the cease-and-desist letter to its demand. (*Id*. at *1.) The general management assistant of the company from whom indemnity had been demanded sought guidance about how to handle the matter from a manufacturers' association to which the company belonged. One of the benefits of membership in the industry group was free legal consultation with one of several general counsels to the group including, as it happened, plaintiff's counsel. The assistant admitted that he realized before the meeting that it was plaintiff's counsel who had sent the cease-and-desist letter to the company that had demanded indemnification from the assistant's employer, but went ahead with the meeting anyway.

The assistant also admitted that he did not disclose to plaintiff's counsel the apparel product in dispute, the company from whom his employer had received the demand to indemnify, or show counsel the cease-and-desist letter that plaintiff's counsel himself had sent. Declarations filed by the assistant left it unclear as to whether he even had clearly disclosed the identity of his employer. The assistant also altered the facts of the controversy when he spoke to plaintiff's counsel, telling him exactly half the units the assistant's employer had sold to the company seeking indemnity and exactly half the price for which the products had been sold to the retailer, presumably to keep plaintiff's counsel from recognizing that the dispute that prompted the consultation was the same as the dispute that prompted the cease-and-desist letter. (*Ibid*.) Plaintiff's counsel allegedly provided legal advice to the assistant about his employer's indemnity obligations and advice about settling the claim. (*Id*. at 1-2.)

Plaintiff eventually sued the retailer. The middleman company whose employee had consulted with plaintiff also was a defendant, though there was no indication in the ruling whether plaintiff later had named the middleman company itself or the retailer had brought the company into the action through a cross-claim for indemnity. The middleman company moved to disqualify plaintiff's counsel based on two grounds: the company's membership in the industry group that plaintiff's counsel served as one of several general counsels and the alleged meeting between plaintiff's counsel and the company's general management assistant.

The Court ruled that the middleman company's mere membership in the industry group which plaintiff's counsel served as one of several general counsels was not enough by itself to establish a disqualifying attorney-client relationship between them, notwithstanding the right to a free legal consultation that was a member benefit. (*Id*. at *3.) But did the alleged meeting between the defendant's assistant and plaintiff's counsel require plaintiff's counsel to be removed from the case? As the use of the awkward

phrase "alleged meeting" suggests, plaintiff's counsel had no record of the meeting and disputed that it took place. (*Ibid*.) The Court concluded that even if the meeting had taken place as described by the defendant's assistant, no disqualifying conflict resulted from it. That is because the assistant went into the meeting knowing that counsel represented an opposing party and withheld from counsel information, such as the cease-and-desist letter or even the identity of the party that had demanded indemnity from the assistant's employer, that "would have triggered [plaintiff's counsel's] duty to consider conflicts of interest." (*Ibid*.) Disqualifying plaintiff's counsel under these circumstances "would clear the way for one party to disqualify opposing counsel at will." (*Ibid*.) Thus, the Court concluded, an "innocent attorney" who engages in a preliminary consultation with a potential client who goes "into [a] meeting with opposing counsel knowingly and intentionally." (*Ibid*.)

B. *Zipronix, Inc. v. Omnivision Technologies, Inc.*: Expert – Use It or Lose It

It takes more to disqualify an expert because of his past relationship with an opposing party than it does to disqualify a lawyer for the same reason. The presumption that confidential information was transmitted in such a relationship generally does not apply where the subject of the motion to disqualify is an expert rather than an attorney. At least in federal matters, disqualification of an expert on this ground generally is warranted only if the moving party can demonstrate that: "(1) the adversary had a confidential relationship with the expert *and* (2) the adversary disclosed confidential information to the expert that is relevant to the current litigation." (*Hewlett-Packard Co. v. EMC Corp.* (N.D.Cal. 2004) 330 F.Supp.2d 1087, 1092, emphasis added, citation omitted.) In addition to these factors, courts consider whether disqualification of the expert would promote fairness to the parties and the integrity of the process. (*Ibid*.)

In *Ziptronix, Inc. v. Omnivision Technologies, Inc.* (N.D.Cal. 2013) 2013 WL 146413 (EQ 10.1.4), the Court considered whether disqualification was warranted where plaintiff and expert signed a non-disclosure agreement governing discussions with expert, according to the agreement, "related to certain scientific, technical and business matters." (*Id*. at *2, quoting NDA.) The Court concluded that the NDA did not establish a confidential relationship between plaintiff and expert. The NDA said nothing about fees and nothing about the scope of work contemplated. "Plaintiff never gave [expert] any confidential information, never gave her any consulting work, and did not tell her what patents were at issue" in the litigation between plaintiff and defendant. (*Ibid*.) In addition, there was no contact from plaintiff to expert for nearly two years after the NDA was signed. In the meantime, expert had signed a retainer agreement with defendant. The Court concluded that having signed the NDA did not preclude expert from doing so.

There was no dispute that plaintiff had not shared confidential information with expert. (*Id*. at *3.) That left whether considerations of fairness or policy warranted expert's disqualification. The Court concluded they did not. Plaintiff's conduct for the nearly two years after the NDA was signed did not indicate that it intended to retain expert in this action. The Court found that any prejudice to plaintiff from now being unable to retain expert was the result of plaintiff's own inaction, not any illicit motive by defendant in reaching out to expert. Plaintiff did not show that defendant knew of the NDA when it contacted expert nearly two years after the agreement had been signed. Disqualification of expert would not have been warranted under the circumstances even if defendant had known about the NDA. (*Id*. at *4.) The lesson is that a preliminary non-

disclosure agreement with an expert that results in no work and no fees for the expert does not preclude the opposing party from taking the expert off the shelf and using the expert for its own purposes.

Conclusion

A party may not dislodge opposing counsel from a case if the party affirmatively consults with counsel knowing counsel represents the opposing party in a matter in which the party expects to be joined, at least without disclosing facts of the party's relation to the pending or imminent action that should trigger the attorney to conduct a conflicts analysis. A party may not dislodge an opposing expert from a case if the party signed a preliminary non-disclosure agreement with the expert and then passively avoids engaging the expert in a matter in which expert's services may be sought by the other side. Whether a party acts intentionally or passively, the bare fact of a preliminary consultation with either an attorney or an expert may not be sufficient to keep the attorney or expert from later working for the other side.