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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

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NATIONAL GRANGE OF THE ORDER
OF PATRONS OF HUSBANDRY,

Plaintiff,

v.

CALIFORNIA GUILD, formerly
doing business as "California
State Grange,"

Defendant.

CIV. NO. 2:14-676 WBS DB

MEMORANDUM AND ORDER RE: MOTION
TO DISQUALIFY

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On March 6, 2017, defendant California Guild filed a notice with the court ("March 6 notice") stating that one of its attorneys of record, Amanda Griffith of the Ellis Law Group, would be withdrawing from this case, and attorney Anthony Valenti of the same firm would "remain [one of its] attorneys of record."¹ (Docket No. 186.) Four days after defendant filed the

¹ Valenti had not appeared in this case prior to the March 6 notice.

1 March 6 notice, plaintiff National Grange notified the court, via
2 the present Motion, that Valenti had previously represented
3 plaintiff in a related case while at the firm of Porter Scott,
4 plaintiff's current counsel of record. (See Pl.'s Mot., Mem.
5 ("Pl.'s Mem.") at 3-4 (Docket No. 190-1).) Defendant withdrew
6 Valenti from this case on the day plaintiff filed its Motion.
7 (Docket No. 191.) Plaintiff's Motion, now before the court,
8 seeks to disqualify the Ellis Law Group from this case on grounds
9 that Valenti's conflict of interest should be imputed to the
10 Ellis Law Group. (Pl.'s Mot. (Docket No. 190).)

11 I. Factual and Procedural Background

12 Plaintiff brought this action against defendant on
13 March 12, 2014, alleging trademark infringement, false
14 designation of origin, and unfair competition under the Lanham
15 Act. (Compl. (Docket No. 1).) The court granted summary
16 judgment to plaintiff on July 14, 2015. (July 14, 2015 Order
17 (Docket No. 60).) Since the court granted summary judgment to
18 plaintiff, the parties have continued to engage in extensive
19 litigation over defendant's failure to comply with the court's
20 orders requiring that it cease using the "Grange" trademark, (see
21 Mot. for Inj. (Docket No. 126)), and pay plaintiff attorneys'
22 fees, (see Mot. for Assignment Order (Docket No. 178)).
23 Defendant has been represented by the Ellis Law Group in this
24 action since October 11, 2016. (See Docket No. 162.)

25 On March 6, 2017, defendant filed a notice with the
26 court stating that it would be withdrawing Amanda Griffith of the
27 Ellis Law Group from this case and Anthony Valenti of the same
28 firm would "remain [one of its] attorneys of record." (See

1 Docket No. 186.)

2 Before being hired by the Ellis Law Group, Valenti had
3 been employed by Porter Scott, plaintiff's current counsel of
4 record, from March 10 to October 6, 2014. (See Decl. of Martin
5 Jensen ("Jensen Decl.") ¶ 6 (Docket No. 190-2).) While Porter
6 Scott did not represent plaintiff in this action during the time
7 it employed Valenti, it did represent plaintiff in a related
8 action plaintiff had brought against defendant in the California
9 Superior Court ("state action") during that time.² (See id. ¶
10 7.) While at Porter Scott, Valenti billed twenty-six hours
11 working on the state action. (Decl. of Mark Ellis ("Ellis
12 Decl.") Ex. 5, Valenti Timesheet (Docket No. 201-1).) His
13 involvement in the state action included "assist[ing] with
14 discovery, draft[ing] memoranda, perform[ing] case law research,
15 and communicat[ing] by phone and email with Plaintiff's former
16 president" regarding case-related matters. (Jensen Decl. ¶ 7;
17 see also Valenti Timesheet (corroborating Jensen declaration).)

18 Four days after defendant filed the March 6 notice,
19 plaintiff filed the present Motion, seeking to disqualify Valenti
20 and the Ellis Law Group from this case. (Pl.'s Mot.) As

21 ² The state action, like this action, concerns property
22 disputes which arose between the parties after the parties
23 disaffiliated in 2012. (See Docket No. 188-1 Ex. 3, Oct. 20,
24 2015 State Ct. Order at 2.) Whereas this action concerns
25 ownership of the "Grange" trademark, (see Compl. at 1), the state
26 action concerns ownership of tangible property, (see Oct. 20,
27 2015 State Ct. Order at 2). The court judicially notices the
28 October 20, 2015 state action order submitted by defendant for
the fact that it addresses disputes between the parties over
ownership of tangible property, a fact which neither party
disputes. See Harris v. Cty. of Orange, 682 F.3d 1126, 1132 (9th
Cir. 2012) (noting that federal courts "may take judicial notice
of undisputed matters of public record").

1 defendant has already withdrawn Valenti from this case,³ (see
2 Docket No. 191), the only issue presented in plaintiff's Motion
3 that remains pending before the court is whether the Ellis Law
4 Group should be disqualified from this case. Plaintiff argues
5 that the Ellis Law Group should be disqualified from this case
6 because Valenti's conflict of interest should be imputed to the
7 Ellis Law Group. (See Pl.'s Mem. at 7.) Defendant argues that
8 the Ellis Law Group should not be disqualified from this case
9 because the Ellis Law Group has screened Valenti from working on
10 this case since the day it hired him. (See Def.'s Opp'n at 4-5
11 (Docket No. 201).) Listing Valenti as an active attorney on the
12 March 6 notice, defendant claims, was a clerical mistake. (Id.
13 at 5-6.)

14 II. Discussion

15 In determining whether the Ellis Law Group should be
16 disqualified from this case, the court must apply California law.
17 See S.E.C. v. King Chuen Tang, 831 F. Supp. 2d 1130, 1141 (N.D.
18 Cal. 2011) ("Federal courts in California look to [California]
19 law to decide motions to disqualify."); see also E.D. Cal. L.R.
20 180(e) ("[A]ny attorney permitted to practice in this Court . . .
21 shall become familiar with and comply with the standards of
22 professional conduct required of members of the State Bar of
23 California and contained in the State Bar Act, the Rules of
24 Professional Conduct of the State Bar of California, and court
25 decisions applicable thereto, which are hereby adopted as

26 ³ It is undisputed that Valenti has a conflict of
27 interest with respect to, and thus may not participate in, this
28 case. (See Pl.'s Mem. at 4-6; Def.'s Opp'n at 4-6 (Docket No.
201).)

1 standards of professional conduct in this Court.").

2 The law of vicarious disqualification, whereby a law
3 firm is disqualified from a case on account of its employment of
4 an attorney who has a conflict of interest with respect to that
5 case, remains unsettled in California. Specifically, it remains
6 unsettled under California law as to when vicarious
7 disqualification of a firm is required, and when it is subject to
8 a flexible case-by-case analysis.

9 In Henriksen v. Great Am. Sav. & Loan, 11 Cal. App. 4th
10 109 (1st Dist. 1992), a California appellate court held that a
11 firm must be vicariously disqualified from a case when one of its
12 attorneys "switch[e]d sides" during that case. Id. at 115. In
13 such situations, Henriksen held, no amount of screening will be
14 sufficient to remove the taint of conflict from the firm. Id. at
15 116.

16 The California Supreme Court extended Henriksen's
17 holding in Flatt v. Superior Court, 9 Cal. 4th 275 (1994), where
18 it stated that a firm must also be vicariously disqualified from
19 a case when one of its attorneys previously represented a party
20 opposing the firm in the case in a "substantial[ly] relat[ed]"
21 but different case. See id. at 283-84. Flatt's extension of
22 Henriksen's holding, however, was dictum, as Flatt did not decide
23 whether a firm should be disqualified. See id. at 279
24 (addressing whether an attorney with multiple clients has a duty
25 to continue advising one client upon learning that the client's
26 interests conflict with those of another client's); see also Kirk
27 v. First Am. Title Ins. Co., 183 Cal. App. 4th 776, 796 (2d Dist.
28 2010) ("The Flatt case . . . was not concerned with whether a

1 tainted attorney's law firm was subject to vicarious
2 disqualification.").

3 The California Supreme Court then called into question
4 Flatt's extension of Henriksen's holding in People ex rel. Dep't
5 of Corps. v. Speedee Oil Change Sys., Inc., 20 Cal. 4th 1135
6 (1999), where it stated, after dispositively applying Henriksen's
7 holding to vicariously disqualify the firm in question, that it
8 "need not consider" whether the firm in question would also have
9 been disqualified from the case had it employed an attorney who
10 previously represented the party opposing the firm in the case in
11 a "substantially related" but different case and "imposed
12 effective screening procedures" to prevent the attorney from
13 participating in the case at hand. Id. at 1151. Subsequent
14 California appellate court decisions have interpreted Speedee Oil
15 to stand for its unstated assumption that a firm need not be
16 vicariously disqualified from a case when it employs an attorney
17 who previously represented a party opposing the firm in the case
18 in a "substantially related" but different case so long as it
19 imposes effective screening procedures to ensure that the
20 attorney does not participate in the case at hand. See, e.g.,
21 Farris v. Fireman's Fund Ins. Co., 119 Cal. App. 4th 671, 689
22 n.17 (5th Dist. 2004).

23 In view of Speedee Oil and the subsequent cases which
24 have interpreted it, a California appellate court has summarized
25 the present status of vicarious disqualification law in
26 California to be as follows: (1) Henriksen's holding, which
27 requires that a firm be vicariously disqualified from a case when
28 one of its attorneys switched sides during that case, remains

1 good law, and (2) where Henriksen's holding does not apply,
2 including situations where the attorney in question previously
3 represented a party opposing his firm in a substantially related
4 but different case, the court should conduct a "case-by-case
5 analysis," with a focus on screening procedures implemented by
6 the attorney's firm, to determine whether the firm should be
7 vicariously disqualified from the case at hand. See Kirk, 183
8 Cal. App. 4th at 800.

9 Because the court is not aware of a California case
10 that has disputed Kirk's summary of California's vicarious
11 disqualification law,⁴ it will rely on Kirk's summary in deciding
12 the present Motion. See Tompkins v. 23andMe, Inc., 840 F.3d
13 1016, 1023 (9th Cir. 2016) ("[W]e will generally follow a
14 published intermediate state court decision regarding California
15 law unless we are convinced that the California Supreme Court
16 would reject it.").

17 The conflict of interest in this case arises from
18 Valenti's previous representation of plaintiff in the state
19 action. Because the state action and this action are related but

20 ⁴ Plaintiff notes that Hitachi, Ltd. v. Tatung Co., 419
21 F. Supp. 2d 1158 (N.D. Cal. 2006), in contrast to Kirk, held that
22 Speedee Oil did not invalidate Flatt's extension of Henriksen's
23 holding and Flatt's extension of Henriksen's holding remains good
24 law. (See Pl.'s Mem. at 7.) Hitachi, however, relied partially
25 on the premise that "no California court case after Henriksen . .
26 . ha[d] expressly allowed the use of an ethical wall where an
27 attorney moves from one private firm to another." Hitachi, 419
28 F. Supp. 2d at 1164. That premise is no longer true after Kirk.
See Kirk, 183 Cal. App. 4th at 814 ("In sum, we have concluded
that, when a tainted attorney moves from one private law firm to
another, the law gives rise to a rebuttable presumption of
imputed knowledge to the law firm, which may be rebutted by
evidence of effective ethical screening"). Thus, Hitachi is of
limited persuasive value.

1 separate cases, Henriksen's holding does not resolve plaintiff's
2 Motion, and the court must conduct the "case-by-case analysis"
3 set forth in Kirk. See Kirk, 183 Cal. App. 4th at 800.

4 Kirk's case-by-case analysis involves a two-step
5 burden-shifting process whereby the party moving for
6 disqualification must first "establish[] that [the] attorney [in
7 question] is tainted with confidential information" adverse to
8 that party. Id. at 809. If the moving party meets its burden,
9 "a rebuttable presumption arises that the attorney shared [such]
10 information with [his] firm," the non-moving party's counsel.
11 Id. at 809-10. The burden then shifts to the non-moving party to
12 rebut the presumption of shared confidences by establishing that
13 the attorney's firm has imposed "ethical screening [that] will
14 effectively prevent the sharing of confidences in [the]
15 particular case." Id. at 801.

16 Here, plaintiff has met its burden of establishing that
17 Valenti is tainted with confidential information adverse to it.
18 Under California law, a "court will conclusively presume that
19 [an] attorney possesses confidential information adverse to [his]
20 former client" if "the former client establishes the existence of
21 a substantial relationship between" the attorney's "former and
22 current representation[s]." Henriksen, 11 Cal. App. 4th at 114;
23 see also City Nat. Bank v. Adams, 96 Cal. App. 4th 315, 327 (2d
24 Dist. 2002) (same).⁵ "[A] 'substantial relationship' exists" for

25 ⁵ Defendant cites Adams v. Aerojet-Gen. Corp., 86 Cal.
26 App. 4th 1324 (3d Dist. 2001) for the proposition that the
27 presumption of exposure to confidential information can be
28 rebutted. (See Def.'s Sur-Reply at 4-7 (Docket No. 208).) Even
if the court were to follow that case, the evidence before the
court does not indicate that Valenti was not exposed to

1 these purposes "whenever the subjects of the prior and the
2 current representations are linked in some rational manner."
3 Jessen v. Hartford Cas. Ins. Co., 111 Cal. App. 4th 698, 711 (5th
4 Dist. 2003). It is clear to the court that the state action and
5 this action "are linked in [a] rational manner," as both actions
6 concern property disputes which arose between the parties after
7 the parties disaffiliated in 2012. See supra note 2.

8 Defendant contends that the state action and this
9 action are not substantially related because this action concerns
10 ownership of the "Grange" trademark while the state action
11 concerns ownership of tangible property, and plaintiff stated in
12 its Complaint that "[t]his . . . action involves . . .
13 substantially different claim[s]" from the claims alleged in the
14 state action. (Def.'s Sur-Reply at 7-8 (citing Compl. ¶¶ 5-6)
15 (Docket No. 208).) The court disagrees with defendant's
16 contention that the distinction between tangible and intangible
17 property is material to whether this action is substantially
18 related to the state action for vicarious disqualification
19 purposes. While the two actions may differ in terms of the type
20 property at issue, they each concern, at core, the same question
21 of whether defendant may properly assume the identity of the
22 California State Grange⁶ after it disaffiliated from plaintiff in

23 confidential information at Porter Scott. Valenti's Porter Scott
24 billing records indicate that he "communicated by phone and email
25 with Plaintiff's former president" and conducted "discovery,
26 drafted memoranda, [and] performed case law research" on
27 plaintiff's behalf while at Porter Scott. (Jensen Decl. ¶ 7; see
also Valenti Timesheet (corroborating Jensen declaration).) Each
of those activities indicates exposure to client confidences.

28 ⁶ The court judicially notices paragraph nine of the

1 2012. That question clearly links the state action and this
2 action in a rational manner. As for the representation stated in
3 plaintiff's Complaint, the court will not accord any material
4 weight to that representation because it was not addressed to the
5 issue of vicarious disqualification.

6 Because the state action and this action are linked in
7 a rational manner, they are "substantially related." Thus, the
8 court must presume that Valenti is tainted with confidential
9 information adverse to plaintiff. See Henriksen, 11 Cal. App.
10 4th at 114; City Nat. Bank, 96 Cal. App. 4th at 327.

11 Having found that Valenti is tainted with confidential
12 information adverse to plaintiff, the court next considers
13 whether defendant has rebutted the presumption of shared
14 confidences by establishing that the Ellis Law Group has imposed
15 "ethical screening [that] will effectively prevent the sharing of
16 confidences in [this] case."

17 Defendant represents, citing declarations from
18 attorneys and other employees at the Ellis Law Group, that
19 Valenti has been screened from participating in this action since
20 the beginning of his employment at the Ellis Law Group. (Def.'s
21 Opp'n at 4 (citing Ellis Decl. ¶ 5 (Docket No. 201-1) and Decl.
22 of Anthony Valenti ("Valenti Decl.") ¶ 8 (Docket No. 201-14)).)
23 According to defendant, all employees assigned to this action at
24 the Ellis Law Group "were instructed not to talk to Mr. Valenti

25 declaration of Ed Kowski (Docket No. 54-2) filed in National
26 Grange and California State Grange v. California Guild and Robert
27 McFarland, Civ. No. 2:16-201 WBS DB (E.D. Cal. filed Feb. 1,
28 2016) ("Grange II") for the undisputed fact that the California
State Grange is plaintiff's California affiliate. See Harris,
682 F.3d at 1132.

1 about the Grange matters, and [Valenti] was so instructed as
2 well." (Id. at 4-5 (citing Ellis Decl. ¶ 8, Valenti Decl. ¶ 8,
3 Decl. of Paula Mahan-Crary ("Mahan-Crary Decl.") ¶ 2 (Docket No.
4 201-11), Decl. of Amanda Griffith ("Griffith Decl.") ¶ 6 (Docket
5 No. 201-7), and Decl. of Aleysya Nalbandyan ("Nalbandyan Decl.")
6 ¶ 4 (Docket No. 201-2)).) Valenti has also purportedly been
7 "segregated from Grange files, which are stored in a Grange war
8 room, to which he has no access." (Id. at 5 (citing Ellis Decl.
9 ¶ 7 and Mahan-Crary Decl. ¶ 4).)

10 The "ethical wall" imposed on Valenti since his arrival
11 at the Ellis Law Group, according to defendant, has been
12 effective. No Ellis Law Group employee assigned to this action
13 has "communicated with Mr. Valenti regarding information he
14 learned or work he did at Porter Scott," defendant represents,
15 and Valenti has purportedly "never worked on any Grange matter,"
16 "participated in conferences on Grange cases," or "participated
17 in internal communications about the [Grange] cases" while at the
18 Ellis Law Group. (Id. (citing Valenti Decl. ¶¶ 8-9, Ellis Decl.
19 ¶ 6, Mahan-Crary Decl. ¶ 6, Griffith Decl. ¶ 4, Nalbandyan Decl.
20 ¶ 4, and Decl. of Robert McFarland ("McFarland Decl.") ¶ 11).)

21 Notwithstanding the ethical wall that the Ellis Law
22 Group has imposed on Valenti, the March 6 notice filed by the
23 Ellis Law Group lists Valenti as an active attorney in this case.
24 (Docket No. 186.) Additionally, a set of emails submitted by
25 plaintiff show that Mark Ellis, an attorney at the Ellis Law
26 Group, copied Valenti on scheduling emails relevant to a separate
27 action involving the California State Grange ("scheduling
28

1 emails").⁷ (See Pl.'s Reply Ex. C, Scheduling Emails (Docket No.
2 202-1).) The March 6 notice and scheduling emails, plaintiff
3 suggests, show that the Ellis Law Group's ethical wall has not
4 been effective in preventing Valenti from actively participating
5 in "Grange"-related cases, including this case, and, in doing so,
6 using confidential information he obtained at Porter Scott
7 against plaintiff in this case. (See Pl.'s Mem. at 8; Pl.'s
8 Reply at 7 (Docket No. 202).)

9 While the March 6 notice and scheduling emails
10 establish that Ellis Law Group employees have not been perfect in
11 their efforts to isolate Valenti from "Grange"-related cases,
12 including this case, they do not establish that Valenti is
13 actively participating in this case, as plaintiff suggests.

14 The March 6 notice, defendant explains, lists Valenti
15 as an active attorney in this case because the Ellis Law Group
16 paralegal who filed the notice forgot to add another attorney's
17 name in place of Valenti's name before filing the notice. Ellis
18 Law Group paralegals, according to defendant, have created a
19 number of "template" attorney withdrawal notices which use
20 Valenti's name as a "placeholder" until other attorneys' names
21 are added. (Id. at 5 (citing Ellis Decl. ¶ 9 and Decl. of
22 Jennifer Mueller ("Mueller Decl.") ¶¶ 3-4 (Docket No. 201-10)).)
23 The March 6 notice, defendant explains, was one such "template"
24 attorney withdrawal notice, and Valenti's name was left on the
25 notice by "pure mistake." (Id. at 6.) Valenti, defendant
26

27 ⁷ That action is entitled California State Grange and Ed
28 Komski v. California Grange Foundation, No. 34-2016-192665 CU MC
GDS (Cal. Sup. Ct. filed Apr. 5, 2016).

1 represents, "was never expected to be [an] active . . . attorney"
2 in this case. (Id. at 5 (citing Ellis Decl. ¶ 9, Decl. of
3 Rosanne Estrella ("Estrella Decl.") ¶ 5 (Docket No. 201-12), and
4 Mueller Decl. ¶ 5).)

5 The scheduling emails, defendant explained at oral
6 argument, include Valenti as a copied party because the name
7 recognition function on Ellis' computer recognized part of
8 another attorney's name, which Ellis had typed, to be Valenti's
9 name, and added Valenti to the emails without Ellis' knowledge.
10 Defendant represented that Ellis never intended to copy Valenti
11 on the emails, and that doing so was also a pure mistake. The
12 emails did not address any substantive legal matters, and Valenti
13 did not actively participate in the emails. (See Scheduling
14 Emails.)

15 In sum, the March 6 notice and scheduling emails both
16 appear to have included Valenti by mistake. Because both
17 documents appear to have included Valenti by mistake, they do not
18 establish that Valenti is actively participating in this case.
19 Having been satisfied that neither document establishes Valenti's
20 active participation in this case, the court is left with no
21 evidence showing that Valenti is using or sharing confidential
22 information he obtained at Porter Scott in this case.⁸ Without

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24 ⁸ Plaintiff cites the fact that the Ellis Law Group is an
25 eight-attorney firm and the fact that Valenti shares a secretary
26 with another Ellis Law Group attorney who is assigned to "Grange"
27 cases as circumstantial evidence supporting a reasonable
28 inference that Valenti disclosed confidential information to
Ellis Law Group staff. (See Pl.'s Reply at 8-9.) Neither fact
cited by plaintiff supports that inference. The relevant issue
here is whether Valenti disclosed confidential information to
Ellis Law Group staff. How many attorneys comprise the Ellis Law

1 such evidence, and in light of the numerous declarations
2 submitted by defendant testifying that the Ellis Law Group has
3 taken steps to ethically screen Valenti from this case and
4 Valenti has not actively participated in this case, the court
5 will not disqualify the Ellis Law Group from this case. See
6 Kirk, 183 Cal. App. 4th at 801.

7 The court's decision here is guided in part by the
8 Ninth Circuit's admonition that in deciding motions to
9 disqualify, courts should give consideration to a client's "right
10 to choice of counsel." Radcliffe v. Hernandez, 818 F.3d 537, 547
11 (9th Cir. 2016) (quoting William H. Raley Co. v. Superior Court,
12 149 Cal. App. 3d 1042, 1048 (4th Dist. 1983)). A motion to
13 disqualify counsel "ultimately . . . involves a conflict between
14 a client's right to counsel of his choice and the need to
15 maintain ethical standards of professional responsibility."
16 Comden v. Superior Court, 20 Cal. 3d 906, 915 (1978). While "the
17 need to maintain ethical standards of professional
18 responsibility" is an important policy consideration, it does not
19 always outweigh a party's right to choice of counsel. See Kirk,
20 183 Cal. App. 4th at 807-808, 817. Where, as here, the party
21 whose counsel is at issue has offered extensive affidavit
22 evidence indicating that its counsel has put in place ethical
23 screening with respect to the attorney in question, and no
24 evidence shows that the attorney has breached confidences, the
25 need to maintain ethical standards of professional responsibility
26 does not outweigh the party's right to choice of counsel. See

27
28 Group and who Valenti's secretary is have no bearing upon that
issue.

1 id. at 801, 817.

2 For the reasons stated in this Order, the court will
3 deny plaintiff's Motion to disqualify the Ellis Law Group from
4 this case.

5 IT IS THEREFORE ORDERED that plaintiff's Motion to
6 disqualify the Ellis Law Group from this case be, and the same
7 hereby is, DENIED.

8 Dated: May 11, 2017

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10 WILLIAM B. SHUBB
11 UNITED STATES DISTRICT JUDGE
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