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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF CALIFORNIA

ADVANCED STEEL RECOVERY, LLC,
Plaintiff/Counter-defendant,
v.
X-BODY EQUIPMENT, INC., JEWELL
ATTACHMENTS, LLC, J.D.M.L., INC.
dba STANDARD INDUSTRIES, and
ALLSTATE PAPER & METAL
RECYCLING CO., INC.,
Defendants/Counterclaimants.

No. 2:16-cv-00148-KJM-EFB

ORDER

Counsel Lauren Keller Katzenellenbogen and Arthur S. Rose, of the law firm Knobbe, Martens, Olson & Bear, LLP, renew their motion to withdraw as counsel of record for defendant Allstate Paper & Metal Recycling Co., Inc. Mot., ECF No. 80. Counsel first moved to withdraw on April 19, 2017, ECF No. 67, but the court denied the motion without prejudice due to concerns regarding the thoroughness of counsel’s efforts to notify Allstate of the intended withdrawal and because withdrawal would leave Allstate, a corporate party, without counsel, in contravention of Local Rule 183(a), ECF No. 72, at 2–4.

1 Counsel have since addressed the court's concerns and now renew their motion to
2 withdraw. Mot. The motion is unopposed by all parties, including Allstate itself. *Id.* at 2, 4. As
3 explained below, the motion is GRANTED.

4 I. LEGAL STANDARD

5 If withdrawal would leave a client without counsel, Local Rule 182(d) requires the
6 withdrawing party to seek leave of court, file a formal motion and provide notice of the
7 withdrawal to the client and all other parties who have appeared. The attorney must also provide
8 an affidavit stating the current or last known address or addresses of the client and the efforts
9 made to notify the client of the motion to withdraw. E.D. Cal. L.R. 182(d). Withdrawal must
10 also comply with the Rules of Professional Conduct of the State Bar of California. *Id.* Rule of
11 Professional Conduct Rule 1.16(d) requires an attorney to “take[] reasonable[] steps to avoid
12 reasonably[] foreseeable prejudice to the rights of the client, such as giving the client sufficient
13 notice to permit the client to retain other counsel, and complying with paragraph (e).” Cal. R.
14 Prof. Conduct Rule 1.16(d). The Rules permit withdrawal if the client “breaches a material term
15 of an agreement with, or obligation, to the lawyer relating to the representation, and the lawyer
16 has given the client a reasonable[] warning after the breach that the lawyer will withdraw unless
17 the client fulfills the agreement or performs the obligation,” as well as when “the client
18 knowingly[] and freely assents to termination of the representation.” *Id.* 1.16(b)(5)–(6).

19 Whether to grant a motion to withdraw is within the court's discretion. *Liang v.*
20 *Cal-Bay Int'l, Inc.*, No. 06CV1082-WMC, 2007 WL 3144099, at *1 (S.D. Cal. Oct. 24, 2007)
21 (citing *LeGrand v. Stewart*, 133 F.3d 1253, 1269 (9th Cir. 1998)). Courts consider several factors
22 when evaluating a motion to withdraw, including the reasons for withdrawal, possible prejudice
23 to the client and other litigants, harm to the administration of justice and possible delay. *Deal v.*
24 *Countrywide Home Loans*, No. 09-01643, 2010 WL 3702459, at *2 (N.D. Cal. Sept. 15, 2010)
25 (citation omitted).

26 II. DISCUSSION

27 Here, counsel have established good cause for withdrawal and have complied with
28 the applicable local rules, the rules of professional conduct and addressed the concerns previously

1 expressed by the court. Principally, counsel seek to withdraw because Allstate is unable to meet
2 its financial obligations: “Allstate Paper still has not paid any portion of its long overdue balance,
3 is in bankruptcy proceedings, and has been notified of Knobbe’s seeking to withdraw as counsel
4 of record in this action[.]” Mot. at 1; *see also* Lin Decl., ECF No. 80-2, ¶¶ 4–5 (“Allstate Paper
5 has ceased operations and is no longer an active business [and] . . . has a significant past-due
6 balance and is not in a position to pay Knobbe to represent it going forward in this action.”).

7 It is well established that failure to pay attorney’s fees provides grounds for
8 withdrawal. *Milliner v. Bock Evans Fin. Counsel, Ltd.*, No. 15-CV-01763-TEH, 2016 WL
9 409799, at *1 (N.D. Cal. Feb. 3, 2016) (“[F]ailure to pay attorneys’ fees constitutes good cause
10 for withdrawal under Rule [1.16(b)(5)].”). And when a party willingly consents to withdrawal,
11 all the more reason exists to permit withdrawal. *See Austin Inv. Fund, LLC v. United States*, No.
12 SACV 11-750 DOC (ANx), 2011 WL 4947550, at *2 (C.D. Cal. Oct. 17, 2011) (listing party’s
13 non-objection to counsel’s motion to withdraw as one of numerous reasons to grant withdrawal);
14 *see also* Lin Decl. ¶ 8 (“Allstate Paper hereby knowingly and freely assents and consents to the
15 termination of the employment of Knobbe’s motion to withdraw as counsel for Allstate Paper
16 . . .”). Moreover, although corporate parties may not appear before the court without counsel,
17 E.D. Cal. L.R. 183(a), “federal courts routinely include, in orders granting motions to withdraw, a
18 directive that corporate parties file a substitution of counsel by a date certain or face default,”
19 *Milliner*, 2016 WL 409799, at *2 (citing *United States v. High Country Broad. Co., Inc.*, 3 F.3d
20 1244, 1245 (9th Cir. 1993)). For these reasons, and because as explained below Allstate
21 acknowledges its need to locate new counsel, its current counsel has provided ample justification
22 to permit withdrawal.

23 The court is also satisfied that counsel’s withdrawal complies with California
24 Rule of Professional Conduct 1.16(d), which requires the withdrawing attorney to “take[]
25 reasonable[] steps to avoid reasonably[] foreseeable prejudice to the rights of the client . . .” In
26 addressing the court’s concerns regarding the thoroughness of counsel’s notification efforts,
27 counsel contacted Vincent Y. Lin, the personal bankruptcy attorney for the Chief Executive
28 Officer of Allstate, James P.Y. Lin, and through attorney Vincent Y. Lin, fully informed Allstate

1 of the issues raised in the court’s prior order that may arise as a result of the withdrawal. Mot. at
2 2. Counsel also obtained a signed declaration from James P.Y. Lin acknowledging the company
3 has been notified of counsel’s intent to withdraw, the circumstances and timing affecting when
4 the stay of this action against Allstate¹ may be lifted, the requirements of Local Rule 183(a) and
5 Allstate’s risk of default should it fail to secure substitute counsel. *Id.* (citing Lin Decl. ¶¶ 6–8).
6 Additionally, counsel obtained CEO Lin’s knowing consent to their withdrawal. *Id.* (citing Lin
7 Decl. ¶ 10). These efforts satisfy the court’s notification concerns and satisfy California Rule of
8 Professional Conduct 1.16(d).

9 Additionally, withdrawal will not prejudice the remaining parties or delay
10 proceedings. Counsel have notified the remaining parties of their intent to withdraw, “and the
11 other litigants have all indicated that they will not oppose Knobbe’s motion.” Mot. at 4 (citing
12 Rose Decl., ECF No. 69, ¶ 7). Moreover, the parties acknowledge withdrawal will not cause
13 them prejudice because the case “is stayed against Allstate Paper pending resolution of the action
14 against X-Body and Jewell” *Id.*; *see also id.* at 5 (“[T]his case will likely remain stayed as to
15 Allstate Paper for at least another year [as of the motion’s November 9, 2017 filing date], and
16 Knobbe’s withdrawal will have no effect on the schedule for the case against X-Body and
17 Jewell.”).

18 Finally, counsel have satisfied Local Rule 182(d) by providing Allstate’s most
19 current address. Lin Decl. ¶ 9.

20 III. CONCLUSION

21 For each of these reasons, the motion by Lauren Keller Katzenellenbogen and
22 Arthur S. Rose, of the law firm Knobbe, Martens, Olson & Bear, LLP, to withdraw as counsel of
23 record for defendant Allstate Paper & Metal Recycling Co., Inc. is GRANTED. The law firm of
24 Knobbe, Martens, Olson & Bear, LLP is immediately withdrawn as counsel of record. The Clerk
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26 ¹ On March 30, 2016, the court severed and stayed the action against Allstate pending
27 resolution of the patent infringement claim by Advanced Steel Recovery, LLC against X-Body
28 Equipment, Inc. and Jewell Attachments, LLC. *See* ECF No. 23. The stay of the action against
Allstate remains in effect.

1 of Court is directed to temporarily designate Allstate as proceeding without counsel and list
2 Allstate CEO James P.Y. Lin, at 8889 Etiwanda Ave, Etiwanda, California 91739, as the
3 individual designated to receive all case-related filings. Allstate is granted 30 days to file a
4 substitution of counsel. If Allstate has not filed a substitution of counsel within 30 days, then it
5 will be subject to further orders of the court, including a possible order to show cause or a notice
6 of the potential for default proceedings upon the lifting of the stay.

7 IT IS SO ORDERED.

8 DATED: October 8, 2019.

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11 UNITED STATES DISTRICT JUDGE
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