

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIAALL AMERICAN SEMICONDUCTOR,
INC. v. HYNIX SEMICONDUCTOR,
INC., et al.,Nos. C 07-1200
C 07-1207
C 07-1212
C 06-2915EDGE ELECTRONICS, INC. v. HYNIX
SEMICONDUCTOR, INC., et al.,**ORDER GRANTING MOTION TO
DISQUALIFY COUNSEL**JACO ELECTRONICS, INC. v. HYNIX
SEMICONDUCTOR, INC., et al.,UNISYS CORPORATION v. HYNIX
SEMICONDUCTOR, INC., et al.

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Before the court is defendants Infineon Technologies AG and Infineon Technologies North America Corporation's (collectively "Infineon") motion to disqualify John Vandeveld ("Vandeveld") and Crowell & Moring LLP ("Crowell") from representing plaintiffs All American Semiconductor, Inc., Edge Electronics, Inc., Jaco Electronics, Inc. and Unisys Corporation (collectively "plaintiffs") against Infineon in this litigation. Plaintiffs oppose the motion. Infineon's motion to disqualify came on for hearing before this court on December 10, 2008. Infineon appeared through its counsel, Aton Arbisser. Plaintiffs appeared through their counsel, Jerome Murphy of Crowell. Having carefully read the parties' papers and considered the relevant legal authority, the court hereby GRANTS Infineon's motion to disqualify counsel, for the reasons stated below.

BACKGROUND

These cases are related to an antitrust multi-district litigation ("MDL") action (In re DRAM Antitrust Litigation C 02-1486 PJH) that generally alleges a horizontal price-fixing conspiracy carried out by numerous defendants, in violation of various state and federal antitrust laws. Plaintiffs are generally direct purchasers of dynamic random access

memory (“DRAM”) chips - a type a semiconductor chip used in computers and other electronic equipment - who opted out of the direct purchaser class actions in the related MDL. While there are six different individual cases that belong to the “opt-out” category of DRAM cases, only four of those cases - All American Semiconductor, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-1200 PJH, Edge Electronic, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-1207 PJH, Jaco Electronics, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-1212 PJH and Unisys Corporation v. Hynix Semiconductor, Inc., et al., No. C 06-2915 PJH - are before the court here.¹ These individual cases, like the related MDL, follow a United States Department of Justice (“DOJ”) investigation that resulted in the filing of criminal charges of illegal price-fixing against Infineon and some of its executives.

From January 1980 to September 30, 2008, Vandavelde was an attorney at Lightfoot, Vandavelde, Sadowsky, Crouchley, Rutherford & Levine LLP (“Lightfoot Vandavelde”). Vandavelde Decl. ¶ 3. In or around November 2003, Lightfoot Vandavelde represented Infineon Technologies AG’s Vice President of Sales, Gunter Hefner (“Hefner”), in an investigation by the DOJ regarding pricing of DRAM chips. Id. ¶ 4. This investigation resulted in the filing of criminal charges, a guilty plea, and sentencing of Hefner. Id. Vandavelde’s representation of Hefner in this matter ended in or around December 2005. Id. Vandavelde subsequently represented Hefner in a related civil matter, entitled Petro Computer Sys., Inc. v. Micron Technology et al., C 05-2472 PJH (“Petro”).² Arbisser Decl. ¶ 6. Vandavelde’s representation of Hefner in that matter was limited to preparing Hefner

¹ There are two other opt-out cases, including one brought by Sun Microsystems, Inc. (“Sun”), which is also represented by Crowell. Infineon is not a party to the action brought by Sun.

² Petro is the lead indirect purchaser case in the MDL, involving plaintiffs that indirectly purchased DRAM from one or more named defendants.

1 for a deposition in May 2006. Vandevælde Decl. ¶ 5.³

2 During the course of his representation of Hefner, Vandevælde, Hefner, Infineon and
3 their counsel, entered into a joint defense agreement (the “JDA”). Arbisser Decl. ¶ 4;
4 Vandevælde Decl. ¶ 17. The JDA set forth the agreement among the attorneys, their firms
5 and their clients in connection with the investigation of the DRAM Industry being conducted
6 by, among others, the DOJ, as well as related civil litigation (referred to collectively as the
7 “Investigation”). Vandevælde Decl. ¶ 21. The JDA contained a confidentiality provision.
8 Also, in Paragraph 13 of the JDA, the parties agreed to waive possible conflicts that might
9 arise out of the joint defense relationship. Arbisser Decl. ¶ 4. It stated as follows:

10 While the precise nature of each possible conflict that may arise in the
11 future cannot be identified at the present time, each client member after
12 being informed of the general nature of the conflicts that may arise,
13 knowingly, and intelligently waives any conflict of interest that may arise
14 on account of this Agreement, including specifically from an attorney
15 member of this Agreement, other than his, her or its own attorney,
16 cross-examining him, her or it at trial or in any other proceeding arising
from or relating to the above Investigation. Each client member further
waives any claim of conflict of interest which might arise by virtue of
participation by his, her or its attorney in this Agreement. Each attorney
member and client member waives any right to seek the disqualification
of counsel for any other attorney member who is a party to this Agreement
based upon a communication of joint-defense privileged information.

17 Id. According to Infineon, pursuant to the JDA, it shared confidential information with
18 Vandevælde in the course of both the criminal and civil matters in which Vandevælde
19 represented Hefner. Id. ¶¶ 5-6. Specifically, Infineon claims that it collaborated extensively
20 with Vandevælde in the prior litigation, including sharing confidential and privileged
21 information regarding Infineon’s legal strategy as well as other information Infineon
22 obtained during its investigation of the alleged price-fixing conspiracy. See Arbisser Decl.
23 ¶¶ 5-6; Jeff Smith Decl. ¶¶ 1-3; Michael Blechman Decl. ¶¶ 1-3; Julian Brew Decl. ¶¶ 1-3.

24 On October 6, 2008, Lightfoot Vandevælde announced that it had merged with
25 Crowell. Arbisser Decl. ¶ 8. The Lightfoot Vandevælde facilities became Crowell’s Los

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27 ³ In November 2005, Lightfoot Vandevælde also represented Hefner at his deposition
28 in another related case commenced in the Eastern District of Texas, entitled Tessera, Inc. v. Micron Technology, Inc., et al., C-05-94. Vandevælde Decl. ¶ 6.

1 Angeles office, and Lightfoot Vandeveld attorneys became Crowell partners or associates.
2 Id. Vandeveld joined Crowell as a partner. Id.; Vandeveld Decl. ¶¶ 7, 9. In his
3 declaration, Vandeveld attests that because Hefner did not become a client of Crowell, all
4 of the files related to Lightfoot Vandeveld's representation of Hefner remained the
5 property of Lightfoot Vandeveld, and no one at Crowell had or has access to these files,
6 except Crowell's Information Technology staff. Vandeveld Decl. ¶¶ 9-12. Vandeveld
7 further attests that, in addition to himself, only three other former employees of Lightfoot
8 Vandeveld, one partner and two paralegals, were involved in representing Hefner. Id. ¶
9 13.

10 On October 8, 2008, Infineon wrote to Crowell demanding that Crowell, due to a
11 conflict of interest, withdraw from representing plaintiffs against Infineon in the following
12 cases: All American Semiconductor, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-
13 1200 PJH, Edge Electronic, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-1207 PJH,
14 Jaco Electronics, Inc. v. Hynix Semiconductor, Inc., et al., No. C 07-1212 PJH and Unisys
15 Corporation v. Hynix Semiconductor, Inc., et al., No. C 06-2915 PJH. Jerome Murphy
16 ("Murphy") Decl., Exh. A. Infineon stated that the conflict of interest arose from the fact that
17 Vandeveld joined Crowell after representing Hefner in prior litigation substantially related
18 to the current litigation - matters arising out of the same alleged DRAM price-fixing
19 conspiracy - in which Crowell is adverse to Infineon. Id. Infineon stated that it would not
20 consent to Crowell's ongoing representation of plaintiffs while Crowell was in possession of
21 Infineon's confidential information obtained during substantially related proceedings in
22 which Vandeveld and Infineon engaged in an active joint defense where Infineon paid
23 Vandeveld's fees and collaborated with him extensively on defense strategy, as well as
24 prepared Hefner for meetings with the DOJ and for his deposition in the Petro matter. Id.

25 On October 9, 2008, Crowell, despite its belief that there was no adversity between
26 Hefner and its current clients in this litigation, decided to erect an "ethics wall" to protect
27 against the inadvertent disclosure of confidential information to personnel at Crowell that
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1 the Lightfoot Vandeveldelde lawyers learned during their representation of Hefner. Barry E.
2 Cohen (“Cohen”) Decl. ¶¶ 8-9. Specifically, Crowell issued an “Ethics Wall Notice” on
3 October 9 and 14, 2008, which directed former Lightfoot Vandeveldelde employees not to
4 discuss or share any confidential information they may have received in the course of their
5 representation of Hefner with anyone at Crowell. Id. ¶ 11. The notice also stated that all
6 Crowell attorneys and staff assigned to DRAM related cases were prohibited from
7 discussing or otherwise accessing information related to Lightfoot Vandeveldelde’s
8 representation of Hefner. Id. According to Crowell, Crowell’s document management
9 system has been specially coded so that none of the former attorneys and staff of Lightfoot
10 Vandeveldelde can access any documents related to the current litigation. Id. ¶ 13.

11 On October 15, 2008, Crowell informed Infineon that it would not withdraw as
12 counsel for plaintiffs. Murphy Decl., Exh. B. On October 29, 2008, Infineon filed a motion
13 to disqualify Vandeveldelde and Crowell from representing plaintiffs against Infineon in this
14 litigation. Plaintiffs filed an opposition on November 19, 2008. A reply was filed on
15 November 25, 2008.

16 DISCUSSION

17 Infineon argues that disqualification of Vandeveldelde and Crowell is warranted on the
18 basis that a conflict of interest arose when Lightfoot Vandeveldelde merged with Crowell
19 because the current litigation is substantially related to prior litigation in which Vandeveldelde
20 represented Hefner and received confidential information belonging to Infineon. According
21 to Infineon, the information Vandeveldelde received during his representation of Hefner is
22 highly material to the current litigation insofar as the plaintiffs in this litigation seek damages
23 from Infineon for the same alleged DRAM price-fixing that was at issue in the prior litigation.

24 In short, Infineon maintains that because Vandeveldelde possesses Infineon’s confidential
25 information related to the current litigation, and because his knowledge is imputed to his
26 entire firm, Vandeveldelde and Crowell should be disqualified from representing plaintiffs who
27 are proceeding against it. Plaintiffs counter by arguing that disqualification is not warranted
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for four reasons: (1) there is no conflict of interest between Infineon and Crowell since neither Lightfoot Vandeveldel nor Crowell has ever had an attorney-client relationship with Infineon, and hence neither firm has ever owed Infineon a duty of loyalty; (2) Crowell, upon learning of Vandeveldel's representation of Hefner in the prior litigation, immediately enacted a broad ethical wall between all attorneys and staff from Lightfoot Vandeveldel and all other attorneys and staff of Crowell with respect to this litigation; (3) in the JDA, Infineon expressly agreed that it could not assert the conflict of interest it now raises and could not seek disqualification of Vandeveldel based upon Vandeveldel's participation in the joint defense (i.e., Infineon waived the conflict by signing the JDA); and (4) Infineon has not shown that it communicated actual confidential information to anyone at Lightfoot Vandeveldel or Crowell. The court will discuss these arguments individually below.

A. Legal Standards

1. Motion to Disqualify Counsel

Motions to disqualify counsel are decided under state law. In re County of Los Angeles, 223 F.3d 990, 995 (9th Cir. 2000). The right to disqualify counsel is within the discretion of the trial court as an exercise of its inherent powers. Visa U.S.A., Inc. v. First Data Corp., 241 F.Supp.2d 1100, 1103 (N.D. Cal. 2003) (citing United States v. Wunsch, 84 F.3d 1110, 1114 (9th Cir. 1996)); see also Metro-Goldwyn-Mayer, Inc. v. Tracinda Corp., 36 Cal.App.4th 1832, 1837-38 (1995) ("A trial court's authority to disqualify an attorney derives from the power inherent in every court '[t]o control in the furtherance of justice, the conduct of its ministerial officers, and of all other persons in any manner connected with a judicial proceeding before it, in every manner pertaining thereto.' "). Because a motion to disqualify is often tactically motivated and can be disruptive to the litigation process, disqualification is a drastic measure that is generally disfavored and should only be imposed when absolutely necessary. Concat LP v. Unilever, PLC, 350 F.Supp.2d 796, 814-15 (N.D. Cal. 2004). "The issue of disqualification 'ultimately involves a conflict between the clients' right to counsel of their choice and the need to maintain

1 ethical standards of professional responsibility. The paramount concern, though, must be
2 the preservation of public trust in the scrupulous administration of justice and the integrity of
3 the bar. The recognized and important right to counsel of one's choosing must yield to
4 considerations of ethics that run to the very integrity of our judicial process.' "

5 Metro-Goldwyn-Mayer, 36 Cal.App.4th at 1838; see also People ex rel. Dept. of
6 Corporations v. SpeeDee Oil Change Syst., 20 Cal.4th 1135, 1145 (1999).

7 2. Disqualification of Counsel Based on A Conflict of Interest

8 In determining matters of disqualification, this court follows the standards articulated
9 in the California Rules of Professional Conduct. Visa, 241 F.Supp.2d at 1103; see Civ. L.
10 R. 11- 4. Rule 3-310 of the California Rules of Professional Conduct provides as follows:

11 (E) A member shall not, without the informed written consent of the
12 client or former client, accept employment adverse to the client or
13 former client where, by reason of the representation of the client or
14 former client, the member has obtained confidential information
15 material to the employment.

16 Although conflicts relating to the disclosure of confidential communications usually
17 arise when a former client seeks to disqualify an attorney who has accepted employment
18 adverse to the former client where, by reason of the former representation, the attorney had
19 obtained confidential information material to their current employment, disqualification may
20 also be proper when an attorney-client relationship is not at issue. See Oaks Management
21 Corp. v. Superior Court, 145 Cal.App.4th 453, 464 (2006); Morrison Knudsen Corp. v.
22 Hancock, Rothert & Bunshoft, 69 Cal.App.4th 223, 232-33 (1999) ("an attorney's receipt of
23 confidential information from a non-client may lead to the attorney's disqualification"); see
24 also United States v. Henke, 222 F.3d 633, 637 (9th Cir. 2000) (a joint defense agreement
25 can create a disqualifying conflict where information gained in confidence by an attorney
26 becomes an issue.). A conflict of interest may arise from an attorney's relationship with a
27 non-client in two circumstances: (1) where an attorney's relationship with a person or entity
28 creates an expectation that the attorney owes a duty of fidelity; and (2) where the attorney
has acquired confidential information in the course of such a relationship which will be, or

1 may appear to the person or entity to be, useful in the attorney's representation in an action
2 on behalf of a client. Morrison Knudsen, 69 Cal.App.4th at 232 (citing William H. Raley
3 Co. v. Superior Court, 149 Cal.App.3d 1042, 1047 (1983) ("Raley")).⁴

4 In applying Rule 3-310, California courts distinguish between successive
5 representations and simultaneous representations. See Flatt v. Superior Court, 9 Cal.4th
6 275, 283-84 (1994). Where the potential conflict is one that arises out of successive
7 representation of clients with adverse interests, the chief fiduciary value jeopardized is that
8 of client confidentiality. Id. at 283. The test used for disqualification in those instances is
9 whether there is a "substantial relationship" between the subjects of the former and current
10 representations. Id. at 283-84. Where the requisite substantial relationship between the
11 subjects of the prior and the current representations can be demonstrated, access to
12 confidential information by the attorney in the course of the first representation is presumed
13 and disqualification of the attorney's representation of the second client is mandatory;
14 indeed, the disqualification extends vicariously to the entire firm. Id. at 283; see also
15 SpeeDee Oil, 20 Cal.4th at 1146. "This is the rule by necessity, for it is not within the
16 power of the former client to prove what is in the mind of the attorney. Nor should the
17 attorney have to 'engage in a subtle evaluation of the extent to which he acquired relevant
18 information in the first representation and of the actual use of that knowledge and
19 information in the subsequent representation.' " Global Van Lines, Inc. v. Superior Court,
20 144 Cal.App.3d 483, 489 (1983).

21 In determining whether a "substantial relationship" exists a court should consider the
22 similarities between the two factual situations, similarities in legal questions posed, and the
23 nature and extent of the attorney's involvement with the case and whether he was in a
24 position to learn of the client's policy or strategy. Adams v. Aerojet-General Corp., 86

26 ⁴ In Morrison Knudsen, the court observed that while the Raley court relied upon former
27 rule 5-102(B) of the State Bar Rules of Professional Conduct, which has been amended and
28 replaced by current rule 3-310, Raley's reasoning remains good law. Morrison Knudsen, 69
Cal.App.4th at 232.

1 Cal.App.4th 1324, 1332 (2001). In addition, it must be shown that the information from the
2 prior representation is material to the current representation. Morrison Knudsen, 69
3 Cal.App.4th at 234. As part of its review, the court should examine the time spent by the
4 attorney on the earlier case, the type of work performed, and the attorney's possible
5 exposure to formulation of policy or strategy. Id. Successive representations are
6 substantially related where the facts support a "rational conclusion that information material
7 to the evaluation, prosecution, settlement or accomplishment of the former representation
8 given its factual and legal issues is also material to the evaluation, prosecution, settlement
9 or accomplishment of the current representation given its factual and legal issues." Jessen
10 v. Hartford Casualty Ins. Co., 111 Cal.App.4th 698, 713 (2003) (citations omitted).

11 B. Legal Analysis

12 The court begins its substantive analysis by observing that the parties, during the
13 hearing on this matter, agreed that the following facts are undisputed: (1) Vandeveld's
14 representation of Hefner and participation in the JDA involved matters substantially related
15 to the current litigation; (2) Infineon paid Vandeveld's fees in those matters and
16 collaborated with Vandeveld on defense strategy, as well as prepared Hefner for meetings
17 with the DOJ and for his deposition in Petro; (3) Vandeveld received confidential
18 information from Infineon during his representation of Hefner; (4) Vandeveld and Crowell
19 never had an attorney-client relationship with Infineon and neither had a duty of loyalty - at
20 least not based on an attorney-client relationship; and (6) the JDA contained a
21 confidentiality provision.

22 1. Vandeveld Has A Conflict of Interest Under The Substantial Relationship
23 Test

24 Plaintiffs argue that Crowell should not be disqualified from representing them
25 against Infineon in the current litigation because there is no conflict of interest between
26 Infineon and Crowell since neither Lightfoot Vandeveld nor Crowell ever had an attorney-
27 client relationship with Infineon, and hence neither firm has ever owed Infineon a duty of
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loyalty.⁵ The court disagrees. This is because a conflict of interest may be created when, as here, an attorney (Vandeveld) has acquired confidential information about a non-client (Infineon) in connection with his representation of a client (Hefner), such as when an attorney obtains confidential information about a co-defendant of a client during a joint defense of an action. Indeed, contrary to plaintiffs' contention, the fact that Vandeveld and Infineon never had an attorney-client relationship is not determinative of whether disqualification of Crowell is appropriate because "an attorney's receipt of confidential information from a non-client may lead to the attorney's disqualification." Morrison Knudsen, 69 Cal.App.4th at 232-33.

In Morrison Knudsen, the court made it clear that there are situations where confidential information obtained through the representation of a third-party could lead to attorney disqualification. There, a law firm was retained by a corporation's insurance underwriters to act as "monitoring counsel" over the defense attorneys Morrison retained to litigate errors and omissions claims. In that capacity, it had received confidential communications from Morrison's defense counsel concerning the progress of cases and Morrison's potential liability. As monitoring counsel, the law firm oversaw various negligence claims against the corporation; was substantially and personally involved in the corporation's cases; had considerable exposure to the corporation's litigation policies and strategies; had close familiarity with the corporation's key decision makers; and maintained an ongoing relationship as monitoring counsel. See Morrison Knudsen, 69 Cal.App.4th at 235-37. Although the firm had never directly represented Morrison, the court found that the law firm received confidential information about the corporation which was material to the current client's claims for negligence against a subsidiary of the corporation. Id. at 233-34. The court concluded the situation was "analogous to one of successive representation" and the proper standard for assessing whether the information the firm received as the

⁵ In support of this argument, plaintiffs rely on Oaks Management, 145 Cal.App.4th 453. However, because Oaks Management is factually distinguishable from the present circumstances, it does not control.

1 underwriters' counsel disqualified it from representing a client in a negligence action against
2 a subsidiary of the company was the "substantial relationship" test ordinarily applied in
3 successive representation cases. Id.

4 Furthermore, a joint defense agreement can create a disqualifying conflict where
5 information gained in confidence by an attorney becomes an issue. See United States v.
6 Henke, 222 F.3d 633, 637 (9th Cir. 2000). In Henke, the court, cited with approval, Wilson
7 P. Abraham Constr. Corp. v. Armco Steel Corp., 559 F.2d 250, 253 (5th Cir. 1977), which
8 stated:

9 Just as an attorney would not be allowed to proceed against his former
10 client in a cause of action substantially related to the matters in which he
11 previously represented that client, an attorney should also not be allowed
12 to proceed against a co-defendant of a former client wherein the subject
13 matter of the present controversy is substantially related to the matters in
14 which the attorney was previously involved, and wherein confidential
15 exchanges of information took place between the various co-defendants in
16 preparation of a joint defense.

17 Id.

18 Because it is undisputed that Vandavelde received confidential information from
19 Infineon in the course of his representation of Hefner that is material to plaintiffs' claims in
20 this litigation, and because Vandavelde recently joined Crowell, the firm representing
21 plaintiffs, the circumstances here are analogous to one of successive representation.
22 Vandavelde's participation in the JDA and receipt of confidential information from Infineon
23 during the joint defense created an expectation on the part of Infineon that this information
24 would be kept confidential. This was a reasonable expectation, particularly given that the
25 JDA contained a confidentiality provision. Moreover, Crowell's reaction to discovering that
26 Vandavelde had previously represented Hefner in prior litigation relating to DRAM price-
27 fixing - immediately erecting an ethical wall - suggests that Crowell recognized that
28 Vandavelde had a duty to protect the confidential information he received from Infineon in
the course of that litigation. Indeed, because Vandavelde was privy to Infineon's
confidential information as a participant in the JDA, Infineon had a reasonable expectation
that it would not see Vandavelde subsequently appear on behalf of Infineon's adversary

1 armed with this highly pertinent, indeed potentially devastating, information. Accordingly,
2 the proper standard for assessing whether the information Vandeveld received as
3 Hefner's counsel disqualifies him from representing plaintiffs is the "substantial relationship"
4 test ordinarily applied in successive representation cases.

5 Applying this test to the present circumstances, the court finds that a conflict of
6 interest exists. It is undisputed that the current litigation is substantially related to the
7 litigation in which Vandeveld represented Hefner and engaged in an active joint defense
8 with Infineon, and that in the course of that representation, Vandeveld received Infineon's
9 confidential information. As such, it is clear that Vandeveld has a conflict of interest
10 insofar as he possesses confidential information that is material to the evaluation,
11 prosecution, settlement or accomplishment of the current representation given its factual
12 and legal issues. Vandeveld is therefore disqualified from representing plaintiffs against
13 Infineon in this litigation.

14 To the extent that plaintiffs argued in their opposition that Infineon has failed to show
15 that it communicated actual confidential information to Vandeveld, the court finds this
16 argument without merit given the declarations submitted with Infineon's reply brief and in
17 light of the concession made by Crowell at the hearing. To the extent plaintiffs argue that
18 Infineon has failed to show that Vandeveld has actually communicated confidential
19 information to Crowell, the court finds this argument to similarly lack merit. Because
20 Infineon has demonstrated the requisite substantial relationship between Vandeveld's
21 former representation and the current litigation disqualification is mandatory. Flatt, 9
22 Cal.4th at 283; see also Trone v. Smith, 621 F.2d 994, 1001 (9th Cir. 1980)
23 ("Disqualification does not depend upon proof of the abuse of confidential information.
24 Because of the sensitivity of client confidence and the profession's institutional need to
25 avoid even the appearance of a breach of confidence, disqualification is required when
26 lawyers change sides in factually related cases."). In light of this finding, the court also
27 concludes that the conflict must be imputed to the entire Crowell firm. Flatt, 9 Cal.4th at
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283. Thus, the remaining questions are whether: (1) the ethical wall erected by Crowell obviates the need for disqualification of the entire Crowell law firm; and (2) the waiver provision in the JDA operates as a prospective waiver of Vandeveld's conflict of interest.

2. The Ethical Wall Erected By Crowell Does Not Prevent Crowell's Disqualification

Plaintiffs argue that disqualification of the entire Crowell firm is not warranted because Crowell erected a broad "ethical wall" between former Lightfoot Vandeveld employees and Crowell attorneys involved in this litigation. Plaintiffs assert that Vandeveld has not worked on the instant matter on behalf of them, and that he is located in a satellite office in Los Angeles, far removed from the attorneys and files in Washington D.C. principally associated with this litigation. They further assert that all Crowell attorneys involved in this litigation have confirmed that they have not had any communications with any of the Lightfoot Vandeveld attorneys concerning the litigation or Vandeveld's prior representation of Hefner, and the ethical wall prohibits these attorneys from having any such communications in the future. The question, then, is whether Crowell is nonetheless vicariously disqualified.

"The established rule in California is that where an attorney is disqualified from representing a client because that attorney had previously represented a party with adverse interests in a substantially related matter that attorney's entire firm must be disqualified as well, regardless of efforts to erect an ethical wall." Hitachi, Ltd. v. Tatung Co., 419 F.Supp.2d 1158, 1161 (N.D. Cal. 2006) (footnote omitted) (citing Klein v. Superior Court, 198 Cal.App.3d 894, 912-14 (1988); Henriksen v. Great American Savings & Loan, 11 Cal.App.4th 109, 117 (1992); Flatt, 9 Cal.4th at 283). In Hitachi, the court, after discussing the relevant case law, concluded that established law in California rejects ethical walls. Hitachi, 419 F.Supp.2d at 1164. Plaintiffs have neither offered persuasive argument nor cited to controlling authority casting doubt on this holding. In support of their position, plaintiffs rely on the Ninth Circuit's decision In re County of Los Angeles, 223 F.3d 990, which observed that the California Supreme Court may have signaled a more flexible

1 approach to vicarious disqualification, such as using an ethical screen. Id. at 995-96.
2 Plaintiffs' reliance on the Ninth Circuit's approval of an ethical wall in lieu of disqualification
3 in In re County of Los Angeles, 223 F.3d at 997, is misplaced, as that case involved a
4 United States Magistrate Judge's return to private practice, not the situation presented
5 here, in which non-government counsel moves from firm to firm. See id. at 992, 997. The
6 scope of the Ninth Circuit's decision in In re County of Los Angeles is limited and not
7 directly applicable to the instant circumstances. Additionally, subsequent to In re County of
8 Los Angeles, the California Supreme Court has again addressed the issue of vicarious
9 disqualification and again chosen not to allow an ethical wall to rebut the presumption. City
10 and County of San Francisco v. Cobra Solutions, Inc., 38 Cal.4th 839 (2006) (entire city
11 attorney's office automatically disqualified based on head attorney's prior representation of
12 an adverse client while in private practice).

13 Plaintiffs have not cited, and this court could not find, California case law approving
14 use of an ethical wall in lieu of disqualification in the circumstances presented here. Even
15 though as plaintiffs, and some of the cases upon which they rely, have noted, the law in
16 California might well be headed in that direction. It is however, not there yet. And while the
17 court agrees to some extent that given the realities of today's legal climate, with increased
18 mobility of lawyers and frequent mergers of law firms, that mandatory vicarious
19 disqualification may be both unfair and unnecessary in some cases, the court is not
20 persuaded this is such a case. It is undisputed that Vandeveld previously worked
21 extensively for Hefner in proceedings involving the same alleged DRAM price-fixing at
22 issue in this litigation, and that in those proceedings Vandeveld was privy to Infineon's
23 confidential information as a participant in the JDA. It is also undisputed that subsequent
24 to Vandeveld's representation of Hefner, his entire law firm merged with Crowell. Thus,
25 even assuming Crowell erected a broad ethical wall immediately after discovering
26 Vandeveld's participation in the prior litigation, the court nonetheless finds that
27 disqualification is proper because the current litigation and the prior litigation in which
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1 Vandeveld represented Hefner are so substantially similar. Further, plaintiffs have not
2 cited a single case in which a court has held that an ethical wall prevented the vicarious
3 disqualification of an entire firm where the matters were as closely related as the matters at
4 issue here, and where the disqualified attorney had spent so much time on the earlier
5 matter and was directly privy to confidential information as a participant in a joint defense
6 agreement.

7 To the extent plaintiffs rely on this court's decision in Visa and the unpublished
8 decision of Friskit, Inc., v. RealNetworks, Inc., 2007 WL 1994203 (N.D. Cal. 2007) in
9 support of their argument that the use of ethical walls can serve to avoid vicarious
10 disqualification, the court finds such reliance misplaced. Both of those cases are readily
11 distinguishable and are therefore unavailing. Visa is factually distinguishable in several
12 critical respects. First, that case involved a valid prospective waiver. See Visa, 241
13 F.Supp.2d at 1105-1108. There, the court allowed the use of an ethical wall where the
14 adverse client prospectively waived the type of conflict that subsequently arose. See id. at
15 1110. Second, the subject matter of the representations at issue were not found to be
16 substantially (or at all) similar. See id. at 1104-05. Third, the case involved concurrent, not
17 successive representations. See id. As for Friskit, that case is also distinguishable. There,
18 the court concluded that a law firm was not vicariously disqualified from representing
19 RealNetworks, Inc. ("Real") because it found that an ethical wall was sufficient to protect
20 Friskit, Inc.'s ("Friskit") interest in confidentiality where the law firm subsequently
21 represented Real after receiving Friskit's confidential information during a brief two-hour,
22 exploratory discussion with Friskit's CEO about a possible engagement of the firm. Friskit,
23 2007 WL 1994203 at *1-2. Because the Friskit case is clearly distinguishable from the
24 present circumstances, it is not persuasive authority supporting plaintiffs' position. This is
25 particularly so given the extent to which Vandeveld was privy to Infineon's confidential
26 information as a participant in the JDA.

27 3. The Waiver Provision in the JDA Does Not Operate as A Valid Prospective
28 Waiver of Vandeveld's Conflict of Interest

1 Plaintiffs argue that even if there was a conflict of interest arising out of
2 Vandeveld's prior representation of Hefner, Infineon has waived this conflict by agreeing
3 in writing, in Paragraph 13 of the JDA, that no member of the joint defense group later
4 could assert a conflict of interest based upon participation in the JDA. That is, the JDA
5 serves as a prospective waiver of Vandeveld's conflict of interest.

6 An advance waiver of potential future conflicts is permitted under California law,
7 even if the waiver does not specifically state the exact nature of the future conflict. Visa,
8 241 F.Supp.2d at 1105 (citing Maxwell v. Superior Court, 30 Cal.3d 606, 622 (1982)). In a
9 situation involving a prospective waiver, California law does not require that every possible
10 consequence of a conflict be disclosed for a consent to be valid; rather, the only inquiry that
11 need be made is whether the waiver was fully informed. Visa, 241 F.Supp.2d at 1105. An
12 evaluation of whether full disclosure was made and whether the client made an informed
13 waiver is a fact-specific inquiry. Id. at 1106. Since the waiver must be informed, a second
14 waiver may be required if the original waiver insufficiently disclosed the nature of a
15 subsequent conflict. Id. Factors that may be considered include: (1) the waiver's breadth;
16 (2) its temporal scope, i.e., whether it waived only current conflicts or applied to all conflicts
17 in the future; (3) the quality of the conflict discussion between attorney and client; (4) the
18 specificity of the waiver; (5) the nature of the actual conflict, i.e., whether the attorney
19 sought to represent both clients in the same dispute or in unrelated matters; (6) the
20 sophistication of the client; and (7) the interests of justice. Id. (citing, e.g., SpeedDee Oil, 20
21 Cal.4th at 1145; Zador Corp., N.V. v. Kwan, 31 Cal.App.4th 1285 (1995)).

22 Applying these factors to Paragraph 13 of the JDA, the court finds that Infineon did
23 not waive the conflict at issue in this litigation. The court is not convinced that Infineon
24 gave its informed consent to waive its right to seek disqualification of Vandeveld under the
25 circumstances. Plaintiffs did not offer persuasive evidence or argument indicating that the
26 prospective waiver provision sufficiently disclosed the nature of the conflict that has
27 subsequently arisen between the parties, and that Infineon knowingly and specifically
28

1 waived its right to object to this conflict. Neither the language of the JDA nor the argument
2 advanced by plaintiffs compels the conclusion that Infineon consented to Vandeveld
3 prospectively undertaking adverse representation on behalf of plaintiffs against Infineon in
4 substantially related litigation. Indeed, the only specific conflict waived by the parties in the
5 JDA was the conflict that could arise if an attorney member of the joint defense (e.g.,
6 Vandeveld) cross-examined a defendant that the attorney member did not represent (i.e.,
7 Infineon) at trial or in any other proceeding arising from or relating to the joint defense. In
8 other words, the parties to the JDA waived any duty of confidentiality for purposes of
9 cross-examining testifying defendants. To the extent that plaintiffs urge the court to adopt a
10 broader reading of the Paragraph 13, the court declines to do so.

11 4. Vicarious Disqualification of Crowell is Warranted

12 Plaintiffs argue that vicarious disqualification is not warranted because
13 disqualification would impose immense prejudice upon them and cause undue delay.
14 Specifically, they argue that they will be prejudiced because Crowell has particular
15 expertise in complex antitrust matters and, given the volume and complexity of discovery in
16 this litigation, they will incur enormous cost for a new firm to get up to speed on that
17 discovery, especially since trial is approximately six months away. Plaintiffs maintain that it
18 would be impossible for a new firm to come into this litigation now, establish the confidence
19 and trust with them needed to try cases of this complexity and magnitude, fully learn and
20 understand the discovery record and prepare for a lengthy trial in only six months.

21 “Trial courts in civil cases have the power to order disqualification of counsel when
22 necessary for the furtherance of justice. Exercise of that power requires a cautious
23 balancing of competing interests.” Raley, 149 Cal.App.3d at 1048 (citations omitted). In
24 Raley, the court set forth a balancing test for the disqualification of attorneys based on a
25 conflict of interest, which provides as follows:

26 [T]he court must weigh the combined effect of a party’s right to counsel of
27 choice, an attorney’s interest in representing a client, the financial burden
28 on a client of replacing disqualified counsel and any tactical abuse underlying
a disqualification proceeding against the fundamental principle that the fair resolution

1 of disputes within our adversary system requires vigorous
2 representation of parties by independent counsel unencumbered by
3 conflicts of interest.

4 Raley, 149 Cal.App.3d at 1048; Concat, 350 F.Supp.2d at 814. “A motion to disqualify
5 counsel brings the client’s right to the attorney of his or her choice into conflict with the
6 need to maintain ethical standards of professional responsibility.” Knight v. Ferguson, 149
7 Cal.App.4th 1207, 1212 (2007) (quotation marks omitted). “The paramount concern is the
8 preservation of public trust in the scrupulous administration of justice and the integrity of the
9 bar.” Id. (quotation marks omitted). Generally, “[i]f a lawyer is required to decline
10 employment or to withdraw from employment under a Disciplinary Rule, no partner, or
11 associate, or any other lawyer affiliated with him or his firm, may accept or continue such
12 employment.” Raley, 149 Cal.App.3d at 1048 (quotation marks omitted). However,
13 because automatic or mechanical application of the vicarious disqualification rule can be
14 harsh and unfair to both a law firm and its client, the better approach is to examine the
15 circumstances of each case in light of the competing interests noted above. Id. at 1049.

16 Applying the balancing test set forth in Raley to the present circumstances, the court
17 finds that disqualification of the entire Crowell firm is warranted. First, plaintiffs have not
18 shown that Infineon’s motion to disqualify was tactically motivated or otherwise brought for
19 an improper purpose, such as to delay the proceedings. Second, while the court is mindful
20 of the financial ramifications that disqualification of plaintiffs’ counsel may subject plaintiffs
21 to at this stage of the litigation, plaintiffs will not, as they suggest, be required to hire new
22 counsel and prepare for a trial that is only six months away. Plaintiffs are simply mistaken
23 in this regard. Only the dispositive motions involving Sun are being heard in December
24 2008 and only the trial of Sun will go forward in June 2009. The dispositive motions and
25 trial for the four plaintiffs involved in this motion have yet to be scheduled. Thus, there is
26 plenty of time for new counsel to get up to speed. Moreover, the court would not create a
27 schedule that denied new counsel such an opportunity. The court is responsible for
28 preserving the balance between plaintiffs’ right to their own freely chosen counsel and the

1 profession's need to preserve the highest ethical standards. Under the circumstances, the
2 recognized and important right to counsel of one's choosing must yield to considerations of
3 ethics that run to the very integrity of our judicial process. It is undisputed that plaintiffs'
4 right to counsel of their choice is important. However, the fairness and integrity of the
5 judicial process and Infineon's legitimate interest in litigating this action free from the risk
6 that confidential information may be unfairly used against it outweighs plaintiffs' interest in
7 being represented by Crowell. Moreover, disqualifying Crowell comports with the
8 fundamental principle that the fair resolution of disputes within our adversary system
9 requires vigorous representation of parties by independent counsel unencumbered by
10 conflicts of interest.

11 **CONCLUSION**

12 For the reasons stated above, the court hereby GRANTS Infineon's motion to
13 disqualify counsel. Vandeveld and the entire Crowell firm are disqualified from
14 representing plaintiffs All American Semiconductor, Inc., Edge Electronics, Inc., Jaco
15 Electronics, Inc. and Unisys Corporation against Infineon in this litigation. Plaintiffs shall file
16 substitutions of counsel within thirty days.

17 **IT IS SO ORDERED**

18 Date: December 18, 2008



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20 PHYLLIS J. HAMILTON
21 United States District Judge
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