United States District Court
Middle District of Florida
Jacksonville Division

LANARD TOYS LIMITED,

Plaintiff/Counter-Defendant,

v. **NO. 3:15-cv-849-J-34PDB**

DOLGENCORP LLC ETC.,

Defendants/Counterclaimants.

Order

Four months after lawyers with Gordon & Rees Scully Mansukhani LLP ("Gordon & Rees") began representation of Lanard Toys Limited ("Lanard") *against* Toys "R" Us-Delaware, Inc. ("TRU"), in this Florida federal case, other lawyers with Gordon & Rees began representation *of* TRU in a California state case. Upon discovering the conflict of interest and failing to get the lawyers to withdraw in this case, TRU filed a motion seeking disqualification. Docs. 176, 176-1, 176-2, 187, S190, S190-1, S191. Lanard opposes the motion and requests oral argument and an evidentiary hearing to present testimony of an ethics expert. Docs. 178, 181, 181-1, 181-2, 181-3, 192, 192-1. TRU contends neither is necessary. Docs. 186, 186-1, 186-2. At the Court's request, Lanard supplemented its response to clarify factual matters. Docs. 193, 194, 194-1, 194-2, 194-3, 194-4, 195, S196, S196-1, S196-2, S196-3, S196-4. Upon receipt of supplemental declarations, TRU filed a motion to compel discovery of related documents. Docs. 197, 197-1. Lanard opposes the motion. Docs. 200, 200-1.

Facts

Lanard is suing TRU and others for alleged copyright infringement, patent infringement, trade-dress infringement, and unfair competition based on the

development, marketing, and sale of an allegedly infringing children's chalk holder that looks like a giant pencil. Doc. 103.

Lanard filed the initial pleading in the United States District Court for the District of New Jersey in March 2014. Doc. 1. Then, it was represented by Lerner, David, Littenberg, Krumholz & Mentlik, LLP. Doc. 1 at 17. That court transferred the case here in June 2015. Docs. 92, 93. Gordon & Rees replaced the Lerner firm as Lanard's counsel in August 2015. Docs. 100, 101. Due to "human error," an unnamed Gordon & Rees staffer input into its conflict-tracking system only one of the three defendants in this case—not TRU.[1] Doc. 168 at 29; Doc. 181-1 at 4; Doc. 181-2 at 4.

Eric Thompson and Robin Symons with Gordon & Rees's Miami office and Holly Heffner and Richard Sybert with Gordon & Rees's San Diego office appeared to represent Lanard in this case. Docs. 100, 106, 108, 109, 130, 131. Mr. Thompson and Ms. Symons are members of the bar of this Court; Ms. Heffner and Mr. Sybert were specially admitted to represent Lanard in this case. Docs. 109, 131.

Mr. Sybert is the co-chair of Gordon & Rees's intellectual property group. Doc. 176-1 at 6. He has represented Lanard for more than three decades and once served as general counsel and vice president of its United States subsidiary. Doc. 194-4 ¶ 4. Ms. Heffner is also in Gordon & Rees's intellectual property group. Doc. 187 at 4 n.4.

In November 2015, a few months after the Gordon & Rees lawyers appeared in this case, the State of California named as defendants TRU and other retailers in *People of the State of Cal. v. Intelligender LLC etc.*, No. 37-2012-00085040-CU-BT-CTL, a case pending in the Superior Court of the State of California, County of San

[1]One Gordon & Rees lawyer explained the conflict-input mistake differently, pointing to a failure to input TRU into Gordon & Rees's conflict-tracking system in the other case: "And it was simply a clerical error why that [TRU] didn't come up in that conflict search. You know, a dozen defendants, apparently they just weren't entered. So it was a clerical error." Doc. 168 at 14–15. He appears to have been mistaken about the mistake.

Diego, since November 2012. Doc. 176-2 ¶ 1. There, the State of California alleges violations of California's Business and Professions Code through unfair competition and false advertising concerning urine-based gender-prediction tests. Doc. 181-1 ¶ 2; Doc. 181-2 ¶ 2. The Texas firm Palter Stokley Sims PLLC and Gordon & Rees had been representing the main defendant and its representatives in the California case when the retailer defendants were named. Doc. 176-2 ¶ 3; Doc. 194-2 ¶ 4.

[redacted] Doc. S196-1 ¶ 3; Doc. S196-2 ¶ 3. On December 8, 2015, Kimberly Sims, a lawyer with the Palter firm, [redacted] Tom Watson, the managing partner of Gordon & Rees's San Diego office, [redacted] Doc. 187 at 4 n.4; Doc. S191 at 3; Doc. S196-1 ¶ 3; Doc. S196-2 ¶ 3. The next day, [redacted] Doc. S196-1 ¶ 3; Doc. S196-2 ¶ 3. On December 14, Timothy Branson, a lawyer in Gordon & Rees's commercial litigation group, [redacted] Doc. S191 at 5. The next day, [redacted] Doc. 187 at 4 n.4; Doc. S196-1 ¶ 3; S196-2 ¶ 3; Doc. S191 at 4.

On December 16, an unnamed Gordon & Rees associate prepared an undisclosed [redacted] memorandum [redacted] Doc. S196-1 ¶ 4; Doc. S196-2 ¶ 5; Doc. 197 at 2.

On December 28, [redacted] Elizabeth Irwin, in-house counsel for TRU, [redacted] Doc. S191 at 39, 41–56. On December 29, [redacted] Doc. S191 at 13. [redacted] Doc. S191 at 16; Doc. S196-1 ¶ 4; Doc. S196-2 ¶ 5. The next day, [redacted]

[redacted] Doc. S191 at 33; Doc. S196-1 ¶ 4; Doc. S196-2 ¶ 5. That same day, Ms. Sims informed Ms. Irwin that the Palter firm had selected Gordon & Rees as local counsel and Gordon & Rees lawyers had begun work on the answer.[2] Doc. 176-2 ¶ 3. On December 31, [redacted] Gordon & Rees filed it.[3] Doc. S191 at 57, 94.

The first firm on the signature block of the answer is Gordon & Rees, and, under that, the names of three of its lawyers (Kevin Alexander, Mr. Branson, and Mr. Watson) and the signature of one of them. Doc. S191 at 92.

Gordon & Rees sent no engagement letter to TRU.[4] Doc. 168 at 27–28; Doc. 176-2 ¶ 6. Gordon & Rees performed no work for TRU after December 31. Doc. 194-1 ¶ 5; Doc. 194-2 ¶ 6. No one from Gordon & Rees had any direct contact with TRU concerning the answer or any other aspect of the California case (until events underlying the current disqualification motion). Doc. 194-1 ¶ 3; Doc. 194-2 ¶ 3. For December 29 to 31, Gordon & Rees billed [redacted] Doc. S190-1. Because Gordon & Rees represents others in the California case, it redacted most December 2015 entries in

[2]To appear as counsel pro hac vice, Rule 9.40 of the California Rules of Court requires association with an active member of the State Bar of California.

[3] [redacted] the docket sheet in the California case indicate Gordon & Rees filed the answer for TRU on December 31; declarations by Gordon & Rees lawyers state December 30. Doc. 194-1 ¶ 4; Doc. 194-2 ¶ 5. The exact date is immaterial.

[4]The reason Gordon & Rees never sent an engagement letter to TRU has not been explained; Mr. Sybert said only, "I imagine there's no retainer letter because this has been the most minor of representations which has now ceased and was technical, if anything." Doc. 168 at 28.

the billing records provided to TRU and the Court, including any entry for the [redacted] memorandum prepared by an associate on December 16. *See* Doc. S190-1.

TRU disclosed confidential information to lawyers with the Palter firm with the expectation it would be discussed by the entire defense team for the California case, including lawyers with Gordon & Rees. Doc. 176-2 ¶ 12.

Almost two months later, on February 22, 2016, Ms. Irwin realized the conflict when reviewing draft interrogatory responses for the California case that included "Gordon & Rees" on each page.[5] Doc. 168 at 27; Doc. 176-2 ¶ 9. She left a message with Mr. Alexander. Doc. 194-1 ¶ 2; Doc. 194-2 ¶ 2. Mr. Branson returned the call. Doc. 194-1 ¶ 2. [redacted] Doc. S196-1 ¶ 2. [redacted] Doc. S196-1 ¶ 2; Doc. S196-2 ¶ 2. Before then, no Gordon & Rees lawyer working on the California case had known about this case.[6] Doc. 194 at 1; Doc. S196-1 ¶ 2; Doc. S196-2 ¶ 2.

Ms. Irwin also contacted Lewis Anten, lead outside counsel for TRU in this case. Doc. 176-1 ¶ 3; Doc. 176-2 ¶ 10. By letter dated and emailed February 22, 2016,

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[5]Mr. Branson explains that because Gordon & Rees was local counsel of record for TRU in the California case on February 22, 2016, the Palter firm would have had its permission to include its name on any draft discovery requests even if Gordon & Rees had not prepared them. Doc. 194-1 ¶ 5.

[6]In one discovery request in this case, Lanard asked TRU to produce all documents and communications "sufficient to identify" all cases in the last decade in which it has been accused of infringement or has accused someone else of infringement of intellectual property rights connected to toys. Doc. 148-5 at 21. At the January 2016 oral argument on discovery motions in this case, Ms. Symons indicated, "just in what we have been able to learn through PACER, we have over 61 litigations and so forth." Doc. 157 at 17–18. In its supplement, Lanard explains it did not discover the California case during its PACER search because PACER covers only federal cases. Doc. 194 at 2–3. The Court assumes from that response that Gordon & Rees did no equivalent "unfair competition" research on state cases against TRU in California courts that would have alerted its lawyers working on this case to the California case.

Mr. Anten informed Mr. Sybert of the conflict and demanded Gordon & Rees cease all actions against TRU in this case. Doc. 176-1 at 8–9.

Before receiving Mr. Anten's letter, Mr. Sybert had not known about the California case. Doc. 194-4 ¶ 2. Because Mr. Anten has represented toy companies in Southern California for years, Mr. Sybert believes Mr. Anten is "well aware" of Mr. Sybert's "deep knowledge and relationship" with Lanard. Doc. 194-4 ¶ 4.

Mr. Sybert emailed, "I find no merit or basis to your letter or its demands, which accordingly are rejected." Doc. 176-1 at 20. He stated that Gordon & Rees had served only as local counsel in the California case, had had no direct contact with TRU, and had only finalized and filed the answer for TRU at the direction of the Palter firm. Doc. 176-1 at 20. He indicated that, for the California case, Gordon & Rees would seek a waiver from TRU or withdraw from representing TRU and would continue to press discovery and motions against TRU in this case. Doc. 176-1 at 20.

Mr. Anten left Mr. Branson a voice message to discuss the conflict. Doc. 176-1 ¶ 9. Mr. Sybert emailed, "I understand you placed a call and left a message for my partner … seeking to discuss this matter. As advised …, we are attending to it and your involvement is not required. Your call will not be returned. … You failed to pick up the Lanard document production which was timely made yesterday …. I anticipate that you will claim production was not made. Any such claim would be intentionally false. The production remains available at your disposal." Doc. 176-1 at 22–23.

By email, Mr. Anten replied, "Are you the responsible partner of your Firm handling the conflict matter? … I don't understand how you can say I don't need to be involved when I am the lawyer for TRU. Are you intending to communicate directly with my client?" Doc. 176-1 at 22. Mr. Anten added that he was withdrawing notices of depositions of the inventors of Lanard's chalk holder until the conflict could be resolved. Doc. 176-1 at 22.

By email, Mr. Sybert responded, "I have made explicitly clear to you that we are substituting out of the [California case], in which for a single ministerial pleading matter we acted as local counsel and have had no direct contact whatsoever with TRU. This is simply a mechanical process, as you are well aware." Doc. 176-1 at 22. He contended, "There is no conflict, certainly none that has any bearing on either case nor one that calls for 'disqualification.' Again, you are transparently trying to use this improperly for litigation advantage." Doc. 176-1 at 22. He threatened that if Mr. Anten cancelled the depositions, Lanard would not voluntarily produce the inventors again. Doc. 176-1 at 22, 29, 36. He added, "We didn't 'sue one of our current clients.' A party we've sued asked us, through their lead counsel, to act as a local mail drop for a single pleading. We have no 'ethical dilemma' but are withdrawing anyway. … It would be so refreshing if you guys would just play it straight for once, but I see no prospect of that happening." Doc. 176-1 at 25.

Within days of Mr. Anten's letter demanding cessation of acts against TRU in this case and with no consent from TRU, Gordon & Rees filed a motion in the California case asking to be relieved as TRU's counsel. Doc. 181-1 ¶ 4. To support the motion, Mr. Branson represented that Gordon & Rees "was recently retained as local counsel for TRU at TRU's request" and Gordon & Rees "merely filed an answer provided by lead defense counsel." Doc. 176-2 at 7.

Meanwhile, TRU asked this Court to stay this case pending resolution of whether Gordon & Rees and its lawyers should be disqualified from representing Lanard. Doc. 166. At oral argument on whether a stay was warranted, Mr. Sybert contended the withdrawal motion in the California case was the type of motion "granted as a matter of course, because the only thing we've done is basically act as a mail drop for an answer that was drafted by the lead counsel." Doc. 168 at 24. He added, "It's the most minor sort of representation one can imagine. … We were provided with an answer for the defendants from the lead law firm in Dallas. We red-lined it to conform to local practice and we filed it. That's it." Doc. 168 at 28, 36. To a

remark by TRU's counsel in this case that discovery on the disqualification motion may be needed, the Court responded that it would expect Lanard's counsel to provide all facts to decide the motion, making formal discovery unnecessary. Doc. 168 at 37.

This Court stayed this case. Doc. 167. The California court granted Gordon & Rees's motion to withdraw. Doc. 172 at 2; Docs. 172-1, 172-2; Doc. 181-1 at 3, 7–8; Doc. 181-2 at 3, 7–8; Doc. 181-3 at 2. TRU filed a motion in the California case asking that court to disqualify Gordon & Rees from representing Lanard in this case. Doc. 172-4; Doc. 176-1 ¶ 13. In June 2016, the California court denied the motion, reasoning it lacked jurisdiction to disqualify Gordon & Rees in a case in a different court in a different state. Doc. 188 at 3; Doc. 192-1 at 2. It emphasized its ruling should not be construed "as an indication of the propriety" of Gordon & Rees's continued representation of Lanard in this case. Doc. 188 at 3; Doc. 192-1 at 2.

In a declaration to support the disqualification motion, Ms. Irwin states, "It is believed that confidential information from or related to TRU was learned by [Gordon & Rees] during the course of [Gordon & Rees's] representation of TRU in the California Case, for example, but without limitation, confidential information relating to TRU's strategic approach for defending against unfair competition cases." Doc. 176-2 ¶ 13.

In declarations in opposition to the disqualification motion, Messrs. Branson and Watson each state:

> As local counsel, the only activity in which [Gordon & Rees] participated on behalf of TRU in the California Case was the finalization and filing of TRU's answer to the complaint at the direction of the Palter Firm. Moreover, based on my knowledge and understanding, [Gordon & Rees] and TRU never spoke with each other prior to TRU raising the conflict issue; there was no retention agreement entered into between the parties and no confidential information relevant to this Case was exchanged, nor was any confidential information relating to TRU's strategic approach for defending against unfair competition cases, in general, exchanged. [Gordon & Rees's] sole tasks with respect to TRU in the California Case during the time of the representation w[ere] to

> propose edits to a draft Answer for TRU that was prepared by lead counsel, the Palter Firm, and to inform the Palter Firm that a TRU officer had to verify it.

Doc. 181-1 ¶ 3; Doc. 181-2 ¶ 3.

In response to Lanard's motion for an evidentiary hearing to present testimony of an ethics expert, Mr. Anten asked Mr. Thompson for the name and anticipated testimony of the expert, whether he had shown the expert any of TRU's privileged communications, and whether he sought to present the live testimony of anyone else. Doc. 186 at 5; Doc. 186-2 at 2–7. Mr. Thompson refused to provide the information. Doc. 186 at 5; Doc. 186-2 at 2–7.

After Lanard's filing of the supplemental declarations, Mr. Anten emailed Mr. Sybert asking Gordon & Rees to provide TRU with unredacted bills for any work its lawyers had performed in the California case from December 2015 to February 2016, the [redacted] memorandum [redacted] the Gordon & Rees associate had prepared for the retailers, and "all other materials [that had been] generated, received or reviewed by [Gordon & Rees] during the period [Gordon & Rees] represented TRU." Doc. 197 at 1–2. Mr. Sybert emailed back, "You will receive appropriate service copies of filings. To the extent your email seeks anything else, it is rejected." Doc. 197-1 at 2.

Arguments

TRU argues this Court should disqualify Gordon & Rees and its lawyers from continuing to represent Lanard against TRU in this case (and revoke the pro hac vice admissions of Ms. Heffner and Mr. Sybert) based their violation of Rule 4-1.7 of the Rules Regulating The Florida Bar. Doc. 176 at 1. TRU contends they breached their duty of undivided loyalty to their client and compounded the problem by responding cavalierly to the conflict, treating their client antagonistically when its counsel in this case asked them to cease prosecuting this case against it, accusing their client and its counsel in this case of engineering the conflict while admitting that their own mistake caused it, accusing their client and its counsel in this case of harassing them

in response to emails regarding the conflict, blurring lines by having Mr. Sybert—involved in this case—respond regarding the California case, dropping their client like a "hot potato" in the California case, continuing to vigorously pursue this case against their own client (including by insisting on moving forward with depositions of the inventors and refusing to join the request to stay this case pending a resolution of the conflict), misrepresenting the extent of their representation of their client in the California case, and refusing to provide their client information about the work they had performed on its behalf in the California case. Doc. 176 at 2–3, 6–9, 18–19; Doc. 197 at 2–3.

TRU contends that withdrawing from representing TRU in the California case did not cure the conflict and that disqualification is mandated based on a mere finding that Gordon & Rees and its lawyers violated Rule 4-1.7 or based on a balancing of interests. Doc. 176 at 3–4, 13–20. TRU asserts Ms. Irwin's belief that they learned confidential information based on TRU's disclosure of confidential information to the Palter firm with the expectation the Palter firm would share it with the entire defense team, explains it "does not want confidential information it shared with the Palter firm used against it by its former attorneys in this case," and contends it "should not be in a position where this is a concern." Doc. 176 at 7, 17–18.

Lanard does not dispute that Gordon & Rees and its lawyers violated Rule 4-1.7 or that the conflict is imputed to all Gordon & Rees lawyers.[7] *See generally* Doc. 181. Instead, it argues this Court should allow them to continue representing Lanard in this case under the "federal approach," which requires not mandatory disqualification but a balancing of interests that considers the purpose of the violated rule. Doc. 181 at 5, 8–11. It argues the balancing favors allowing Gordon & Rees and

[7]If one lawyer in a firm has a conflict of interest, the conflict is imputed to all lawyers in the firm, subjecting the entire firm to disqualification. *United States v. Campbell*, 491 F.3d 1306, 1311 (11th Cir. 2007); *Am. Can Co. v. Citrus Feed Co.*, 436 F.2d 1125, 1128–29 (5th Cir. 1971).

its lawyers to stay in this case because it did nothing wrong, the violation was caused by an inadvertent "human" error, Gordon & Rees's lawyers acted fast to fix the conflict by quickly filing the withdrawal motion in the California case, the Palter firm—not TRU—had not selected Gordon & Rees to represent it in the California case, the two cases are "entirely unrelated," Gordon & Rees's lawyers obtained no confidential information pertinent to this case or TRU's strategic approach to defending against unfair-competition claims, Gordon & Rees's lawyers have already expended "hundreds of hours of document review" in this case, Mr. Sybert has represented it in many other cases, the already two-and-a-half-year-old case will be delayed more, it has no intent to introduce evidence of the California case in this case, TRU's counsel is using the disqualification motion as a tactical device, and public respect for the profession will be lessened if the device succeeds. Doc. 181 at 11–19.

In the motion for oral argument and an evidentiary hearing, Lanard contends both "will be useful in addressing for the Court the issues raised in TRU's Motion, including inaccuracies asserted in that Motion (as discussed in Plaintiff's Response to TRU's Motion), and so that Plaintiff can present … the testimony of an expert witness regarding the pertinent Rules Regulating [T]he Florida Bar." Doc. 178 at 1.

TRU responds the material facts are undisputed and the Court should not permit Lanard to transform the matter into a "secondary case within a case," observing an evidentiary hearing would require depositions, with TRU's confidential information and strategies the primary subjects. Doc. 186 at 1–3. TRU observes, "Lanard has not explained why an expert is needed when this Court is capable of determining and interpreting the law and facts, including the Rules Regulating [T]he Florida Bar." Doc. 186 at 4–5.

In the motion to compel discovery, TRU contends it is entitled to the requested documents because it had been Gordon & Rees's client when they were generated. Doc. 197 at 2–3. It observes Gordon & Rees has provided only "heavily redacted bills in which over 90% of the work on the bills was concealed, including the identit[ies] of

the lawyers who worked on the file, the amount of time they spent, the topics on which they worked, and the nature of the work performed." Doc. 197 at 2. It argues the discovery "may shed more light on the various inconsistent positions taken by [Gordon & Rees] on the scope of the work performed by [Gordon & Rees] for TRU and may provide additional support for why disqualification is necessary to protect" confidences presumably passed from TRU to Gordon & Rees. Doc. 197 at 3.

Lanard responds TRU's counsel failed to properly confer with its counsel before filing the motion, TRU has failed to show how the documents "relate to any particular issue" in the current motion, and the catchall request is "harassing, vague and ambiguous, unjustifiably broad," and seeking documents that could contain confidential information. Doc. 201 at 1–3. Lanard contends it has no document containing confidential TRU information. Doc. 201 at 6–7. Lanard summarily requests expenses under Federal Rule of Civil Procedure 37(a)(5)(B) that it incurred in having to respond to the discovery motion. Doc. 201 at 3, 7.

Law & Analysis

"[L]awyers are essential to the primary governmental function of administering justice, and have historically been officers of the courts." *Goldfarb v. Va. State Bar*, 421 U.S. 773, 792 (1975) (internal quotation marks omitted). A court thus has the "power and responsibility to regulate the conduct of attorneys who practice before it." *United States v. Kitchin*, 592 F.2d 900, 903 (5th Cir. 1979).

"A motion to disqualify counsel is the proper method for a party-litigant to bring the issues of conflict or breach of ethical duties to the attention of the court." *Musicus v. Westinghouse Elec. Corp.*, 621 F.2d 742, 744 (5th Cir. 1980). A party may also or instead pursue bar disciplinary proceedings or sue for malpractice. *Prudential Ins. Co. of Am. v. Anodyne, Inc.*, 365 F. Supp. 2d 1232, 1237 (S.D. Fla. 2005). A court generally will not disqualify counsel because of a conflict unless a party moves for disqualification. *In re Yarn Proc. Patent Validity Litig.*, 530 F.2d 83, 88 (5th Cir. 1976).

A disqualification motion is governed by local rules and federal common law. *Herrmann v. GutterGuard, Inc.*, 199 F. App'x 745, 752 (11th Cir. 2006). The movant must prove the grounds for disqualification. *In re BellSouth Corp.*, 334 F.3d 941, 961 (11th Cir. 2003). If a court bases disqualification on an ethical violation, "the court may not simply rely on a general inherent power to admit and suspend lawyers, without any limit on such power." *Schlumberger Techs., Inc. v. Wiley*, 113 F.3d 1553, 1561 (11th Cir. 1997). Instead, the court must identify a rule and find the lawyer violated it. *Id.*

Because a litigant is presumptively entitled to counsel of its choosing, only a compelling reason will justify disqualification. *BellSouth*, 334 F.3d at 961. Because disqualification is a "harsh sanction, often working substantial hardship on the client," it "should be resorted to sparingly." *Norton v. Tallahassee Mem'l Hosp.*, 689 F.2d 938, 941 n.4 (11th Cir. 1982). And because a disqualification motion may be used to harass or for tactical advantage, it should be viewed with caution. *Herrmann*, 199 F. App'x at 752.

Disqualification is not mandatory, even if a court finds a lawyer is violating a conflict-of-interest rule. *Prudential*, 365 F. Supp. 2d at 1236. Instead, a "court should be conscious of its responsibility to preserve a reasonable balance between the need to ensure ethical conduct on the part of lawyers appearing before it and other social interests, which include the litigant's right to freely chosen counsel." *Woods v. Covington Cnty. Bank*, 537 F.2d 804, 810 (5th Cir. 1976).

In undertaking the balancing, pertinent factors may include the nature of the ethical violation, the age of the case, the prejudice to the parties, the effectiveness of counsel in light of the violation, the public's perception of the profession, whether the attempt to disqualify is a tactical device or a means of harassment, and whether any screening measures have been implemented. *See Cox v. Am. Cast Iron Pipe Co.*, 847 F.2d 725, 731–32 (11th Cir. 1988) (considering some of those factors);

v. Sea Star Line, LLC, No. 3:12-CV-1180-J-32JBT, 2013 WL 5460027, at *12 (M.D. Fla. Apr. 30, 2013) (unpublished) (same); *Prudential* 365 F. Supp. 2d at 1237 (same).

This Court's Local Rules provide that the Rules Regulating The Florida Bar govern members of this Court and lawyers specially admitted to appear before this Court. Local Rule 2.04(d).

Rule 4-1.7 of the Rules Regulating The Florida Bar "concerns conflicts of interests with current clients." *Young v. Achenbauch*, 136 So. 3d 575, 581 (Fla. 2014). It prohibits a lawyer from representing a client if the representation of one client will be directly adverse to another client unless the lawyer obtains informed consent. Rule 4-1.7. "Thus, a lawyer ordinarily may not act as advocate against a person the lawyer represents in some other matter, even if it is wholly unrelated." Rule 4-1.7, Comment ("Loyalty to a Client"). The rule contemplates no "mechanical" representation of a client, *see* Doc. 176-1 at 22 (quoted), or "technical" representation of a client, *see* Doc. 168 at 28 (quoted), and does not except a lawyer serving only as local counsel.

Under Rule 4-1.7, a lawyer is ethically obligated to avoid any conflict, such as undertaking a representation when the lawyer either knows or should know of a conflict prohibiting the representation. *Young*, 136 So. 3d at 582; *Public Def., Eleventh Jud. Cir. of Fla. v. State*, 115 So. 3d 261, 267 (Fla. 2013). A lawyer may withdraw from representation when a conflict arises *after* representation begins but must decline representation if the conflict exists *before* representation begins. *Young*, 136 So. 3d at 581. The lawyer "may not avoid this rule by taking on representation in which a conflict already exists and then convert a current client into a former client by withdrawing from the client's case" (the "hot potato" rule). *Id.*

Rule 4-1.7 is based on two principles. *Hilton v. Barnett Banks, Inc.*, No. 94-1036-CIV-T24(A), 1994 WL 776971, at *3 (M.D. Fla. Dec. 30, 1994) (unpublished). "First, a client is entitled to his lawyer's undivided loyalty as his advocate and champion." *Id.* (internal quotation marks omitted); *accord* Rule 4-1.7, Comment.

("Loyalty to a Client") ("Loyalty and independent judgment are essential elements in the lawyer's relationship to a client."); *Chapman v. Klemick*, 3 F.3d 1508, 1512 (11th Cir. 1993) (a lawyer's duty of loyalty to his client is "very nearly sacred"); *Gerlach v. Donnelly*, 98 So. 2d 493, 498 (Fla. 1957) (a lawyer must represent a client and handle the client's affairs with the "utmost degree of honesty, forthrightness, loyalty and fidelity"). "Second, a lawyer should never place himself in a position where a conflicting interest may, even inadvertently, affect the obligations of an ongoing professional relationship." *Hilton*, 1994 WL 776971, at *3.

Here, balancing the interests and mindful that Lanard is presumptively entitled to counsel of its choosing and disqualification is a harsh sanction to be resorted to sparingly, disqualification is unwarranted.

By undertaking representation *of* TRU in the California case while undertaking representation *against* TRU in this case, Gordon & Rees plainly violated Rule 4-1.7. But an inadvertent input error—not a deliberate disregard of the duty of loyalty—caused that violation. The case has been pending for more than two-and-a-half years—much longer than the 12- to 18-month goal set by the Court for this type of case, *see* Doc. 98 at 1—and disqualification would further delay a merits decision. Lanard chose Gordon & Rees to represent it once the case was transferred here presumably because of its longstanding relationship with Mr. Sybert, his expertise, and that Gordon & Rees has an office in Florida. Lanard played no part in causing the violation. Insofar as Gordon & Rees had undertaken "hundreds of hours of document review" and "numerous depositions (in Florida and Tennessee)," Doc. 181 at 12, Lanard would suffer a substantial hardship by having to retain new counsel to repeat or review that work. The Gordon & Rees lawyers did not directly communicate with TRU or, as stated in the declarations, receive any TRU confidences. With no sharing of TRU confidences and able counsel on both sides, the violation will not

diminish counsel's effectiveness. And Gordon & Rees's active representation of TRU lasted less than a month, during which it was not TRU's primary counsel.[8]

Public perception of the legal profession cuts both ways. On one hand, the public perception of the legal profession will not be negatively affected by allowing Gordon & Rees to continue to represent Lanard in this case to the extent Lanard lacks culpability, the mistake that caused the violation was inadvertent, Gordon & Rees lawyers were unaware of the conflict until informed of it by Mr. Anten, and no TRU confidences were shared with Gordon & Rees lawyers.[9] On the other hand, public perception of the legal profession could be negatively affected by allowing Gordon & Rees to continue to represent Lanard in this case to the extent Gordon & Rees responded to the report of the conflict and the withdrawal request by its own client aggressively and unapologetically in disregard of the duty of loyalty owed to TRU as its counsel,[10] did not fully disclose to TRU, the California court, and this

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[8]For the argument that TRU is using the disqualification motion as a tactical device, Lanard points to *Optyl Eyewear Fashion Int'l Corp. v. Style Cos., Ltd.*, 760 F.2d 1045, 1048 (9th Cir. 1985), in which the Ninth Circuit upheld the imposition of sanctions against Mr. Anten for moving to disqualify opposing counsel, finding the motion without merit, brought solely for tactical reasons, and brought in bad faith. Doc. 168 at 15; Doc. 181 at 13. The case is unpersuasive; it is more than 30 years old and involves very different facts. There is no good reason to believe TRU pursued disqualification for tactical advantage or to harass; its lawyers acted quickly and proceeded reasonably upon confronting a clear ethical violation by opposing counsel.

[9]Ms. Irwin, TRU's in-house counsel, appears to have been the only lawyer who had known at the outset that Gordon & Rees was representing TRU in the California case and Lanard in this case simultaneously, though she did not realize the conflict of interest until later. *See* Doc. 176-2 ¶¶ 3, 9. Gordon & Rees rightly does not make too much of this fact; it is not the responsibility of the client to raise a conflict of interest, *The Florida Bar v. Dunagan*, 731 So. 2d 1237, 1241 (Fla. 1999).

[10]For Gordon & Rees's reaction to the report of the conflict of interest and withdrawal request, see the February 2016 email exchanges, Doc. 176-1 at 20, 22–23, 25, 29, 36.

Court the extent of its representation of TRU in the California case,[11] and refused to voluntarily provide TRU with information in its possession arguably relevant to the disqualification motion. The conflict itself was not too dismaying given the regrettable but understandable human error that caused it to be missed at the outset. But the

[11] [redacted] Doc. S191 at 33. In Mr. Sybert's email to Mr. Anten concerning the conflict of interest, Mr. Sybert disclaimed any conflict, stating that Gordon & Rees had acted as a "local mail drop for a single pleading" as part of a "mechanical process." Doc. 176-1 at 22, 25. At the oral argument in this case, Mr. Sybert stated, "[T]he only thing we've done is basically act as a mail drop for an answer that was drafted by the lead counsel," and later, "It's the most minor sort of representation one can imagine. … We were provided with an answer for the defendants from the lead law firm in Dallas. We red-lined it to conform to local practice and we filed it. That's it." Doc. 168 at 24, 28, 36. In Mr. Branson's and Mr. Watson's declarations in response to the disqualification motion, each state Gordon & Rees's "sole tasks" were to "propose edits" to the draft answer and inform the Palter firm a TRU officer had to verify it. Doc. 181-1 ¶ 3; Doc. 181-2 ¶ 3. The response itself represented that Gordon & Rees's "only tasks with respect to TRU in the California Action during the time of the contested representation were to propose edits to a draft answer for TRU that was prepared by the Palter Firm and to inform the Palter Firm that a TRU officer had to verify it." Doc. 181 at 3. In a declaration filed in the California case to support the withdrawal motion, Mr. Branson stated Gordon & Rees "merely filed an answer provided by lead defense counsel." Doc. 176-2 at 7.

In response to the Court's request to clarify what work Gordon & Rees had performed for TRU in light of a billing entry by Gordon & Rees for drafting and reviewing a memorandum concerning "strategies for handling" the answer, Doc. S190-1, Messrs. Branson and Watson each state in supplemental declarations that, on December 16, 2015, a Gordon & Rees associate also prepared a memorandum [redacted] Doc. S196-1 ¶ 4; Doc. S196-2 ¶ 5. Work on that memorandum is not reflected in the redacted billing records Gordon & Rees provided to TRU and the Court, which reflect entries on December 29, 30, and 31 only. *See* Doc. S190-1 at 9–10.

Editing a draft answer is more than just serving as a "mail drop," participating in a "mechanical process," or filing an answer provided by lead counsel, even if the editing was done to conform the pleading to local practice. Drafting a [redacted] memorandum [redacted] is more still.

From the representations to Lanard, the California court, and this Court, the public could perceive the legal profession as inattentive at best, intentionally misleading at worst.

handling of it was, making an otherwise easy decision on the disqualification motion harder and leaving one to wonder who TRU's local "advocate and champion" was in the California case after the conflict alert but before court-approved withdrawal. *See Hilton*, 1994 WL 776971, at *3 (quoted). Ultimately though, the factors favoring Lanard's position are strong enough, particularly Lanard's lack of culpability and its right to be represented by counsel of its choice.

Each party cites cases to support its position. Doc. 176 at 2–4, 10–16; Doc. 181 at 6–13; Doc. 187 at 8. Each party contends the other side's cases are factually distinguishable. Doc. 176 at 16–17, 21; Doc. 181 at 14–19; Doc. 187 at 2–8. Both parties are correct. Given the fact-specific nature of the balancing, discussion of all of the cases is unwarranted.

The Court is unpersuaded by TRU's argument that a violation of Rule 4-1.7 creates an irrefutable presumption that confidences had been shared and mandates disqualification absent a rare happenstance exception inapplicable here. *See* Doc. 176 at 15–16 & 15 n.5. As the Florida Supreme Court has recognized, federal courts undertake the balancing approach when deciding whether to disqualify lawyers appearing before them. *See Young*, 136 So. 3d at 581. Eleventh Circuit cases reflect approval of that approach and the need for a decision tailored to the circumstances. *See Bayshore Ford Truck Sales, Inc. v. Ford Motor Co.*, 380 F.3d 1331, 1338 (11th Cir. 2004) (district court did not abuse its discretion in denying a motion to disqualify counsel upon finding violation of Georgia conflict-of-interest rule; counsel testified he did not obtain or share confidential information); *Tipton v. Canadian Imperial Bank of Commerce*, 872 F.2d 1491, 1499 (11th Cir. 1989) (same). Whether the Supreme Court of Florida would use a different approach to addressing a conflict is not dispositive; "[a]lthough highly persuasive, the decisions of the Supreme Court of Florida are not binding upon the United States District Court for the Middle District of Florida in interpreting the Rules Regulating [T]he Florida Bar because this court must retain the right to interpret and apply the rules in a federal setting."

Town of Ponce Inlet, 267 F. Supp. 2d 1240, 1243 (M.D. Fla. 2003) (internal quotation marks omitted).

TRU relies heavily on the "hot potato rule." Doc. 176 at 13–14; Doc. 187 at 1 & n.1. Had Gordon & Rees sought to withdraw from representing Lanard in this case to represent TRU in the California case, the rule would be more apt. The rule does not appear to require withdrawal from representation of both the original client (Lanard) and subsequent client (TRU) upon discovery of a conflict caused by an inadvertent error. Even if it did, disqualification would not be mandatory, at least in federal court.[12] *See Prudential*, 365 F. Supp. 2d at 1236.

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[12]TRU contends dropping it as a client did not "convert the analysis for disqualification into one under the former representation rule" in Rule 4-1.9 of the Rules Regulating The Florida Bar but adds in a footnote, without analysis, "disqualification would also be mandated" under Rule 4-1.9. Doc. 176 at 10 n.4; Doc. 187 at 7–8.

Rule 4-1.9 provides that a lawyer who previously represented a client in a matter may not represent another person "in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent." Matters are "substantially related" if they involve the same transaction or legal dispute or if the current matter would involve the lawyer attacking the work that the lawyer had performed for the former client. *Young v. Achenbauch*, 136 So. 3d 575, 583 (Fla. 2014). A party seeking disqualification under Rule 4-1.9 does not have to demonstrate actual prejudice to the former client from the later representation because the existence of the lawyer-client relationship creates an irrebuttable presumption that confidences were shared. *Id.*

Rule 4-1.9 does not apply in this case because this case is not substantially related to the California case. Although both allege unfair competition, this case involves an intellectual property dispute, while the California case involves a consumer protection dispute. The pleadings in the cases reflect how different the cases are from one another. *Compare* Doc. 103 (second amended complaint in this case) *with* Doc. 348 in *People of the State of Cal. v. Intelligender LLC etc.*, No. 37-2012-00085040-CU-BT-CTL (amended complaint in the California case).

TRU argues it will suffer prejudice by being forced to litigate against counsel presumed to have learned confidences and contends uncomfortable issues "could continue to ensnare this litigation," like "whether Lanard would be able to introduce evidence at trial of the California Case to show other unfair competition claims against TRU, and whether [Gordon & Rees] could seek to elicit deposition or trial testimony from TRU relating to other unfair competition cases." Doc. 176 at 19. Messrs. Branson's and Watson's declarations establish no TRU confidences were obtained or shared. *See* Doc. 181-1 ¶ 3; Doc. 181-2 ¶ 3. The email exchanges and the nature of Lanard's representation of TRU in the California case corroborate those declarations. *See* Doc. S191 at 13, 16, 33, 57, 94. Lanard represents it has no intent to introduce the California case in this case, Doc. 181 at 13 n.6, and the Court will hold it to that representation.

TRU contends Gordon & Rees's San Diego office lacks boundaries, pointing to Mr. Sybert's email responding to Mr. Anten's message to Mr. Branson concerning the conflict, which indicates the Gordon & Rees lawyers for this case talked to the Gordon & Rees lawyers for the California case. Doc. 176 at 8. Given that no TRU confidences were obtained or shared, *see* Doc. 181-1 ¶ 3; Doc. 181-2 ¶ 3, Mr. Sybert's interaction with the Gordon & Rees lawyers working on the California case to address the conflict is of no consequence.

Because the parties have provided adequate briefing on the issues presented by the disqualification motion, denial of Lanard's request for oral argument, Doc. 178, is warranted. Because disqualification is unwarranted and for the reasons in TRU's response to Lanard's motion for an evidentiary hearing, Doc. 186, including the failure of Lanard's counsel to properly confer by providing no information on what would be presented at the requested evidentiary hearing, denial of Lanard's request for an evidentiary hearing, Doc. 178, is warranted.

Based on the facts in footnote 11 of this order and for the reasons in TRU's discovery motion, *see* Docs. 197, 197-1, granting TRU's request for discovery of the

unredacted billing records for December 2015 to February 2016 and the [redacted] memorandum prepared by the Gordon & Rees associate on December 16, 2015, *see* Doc. S196-1 ¶ 4; Doc. S196-2 ¶ 5, is warranted. Failure to confer is not a basis for denying the discovery motion; the statement, "You will receive appropriate service copies of filings. To the extent your email seeks anything else, it is rejected," Doc. 197-1 at 2, placed in context of previous interactions, does not lend itself to continued resolution efforts without court intervention. Although Gordon & Rees has specified no information in the documents that should not be seen by TRU (its client when they were created) due to privilege or protection, production is limited to viewing by TRU's outside counsel only under the terms of the stipulated protective order, *see* Doc. 152.

Mindful of Federal Rule of Civil Procedure 1 (rules "should be construed, administered, and employed by the court and the parties to secure the just, speedy, and inexpensive determination of every case and proceeding") and TRU's own position that the matter should not be transformed into a secondary case within a case, *see* Doc. 186 at 1, discovery of "all other materials generated, received or reviewed by [Gordon & Rees] during the period of time that [Gordon & Rees] represented TRU," *see* Doc. 197 at 2 (quoted), is unwarranted. If the produced documents contain information material to the disqualification motion, TRU may request reconsideration of the disqualification decision. Because the Court is granting the discovery motion in large part, denial of Lanard's request for expenses, *see* Doc. 201 at 3, 7, is warranted.

The Court has redacted the sentences in this order that cite the documents filed under seal (and contain information not already on the public docket) and will direct the clerk to file a redacted version on the public docket sheet and an unredacted version under seal, for viewing by the parties and the Court only. However, no sealing of this order appears necessary given the general phrasing used. Any party may file a motion to maintain the seal by **January 27, 2017**. If no motion is filed by then, the Court will order the seal lifted and the unredacted version filed on the public docket.

Conclusion

The Court:

(1) **denies** TRU's disqualification motion, Doc. 176;

(2) **denies** Lanard's motion for oral argument and an evidentiary hearing, Doc. 178;

(3) **grants in part** TRU's discovery motion, Doc. 197, and **directs** Gordon & Rees to provide TRU the [redacted] memorandum and unredacted billing records by **December 30, 2016**;

(4) **denies** Lanard's request for expenses incurred in responding to the discovery motion, Doc. 201 at 3, 7;

(5) **directs** the parties to file an amended joint case management report and any motion to maintain the unredacted version of this order under seal by **January 27, 2017**,

(6) **directs** the clerk to file the redacted version of this order on the public docket sheet and the unredacted version of this order under seal, for viewing by the parties and the Court only, until further order, and

(7) **directs** the clerk to reopen the case.

Ordered in Jacksonville, Florida, on December 16, 2016.

PATRICIA D. BARKSDALE
United States Magistrate Judge

c: Counsel of Record