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BARCO N.V.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

BARCO N.V., a Belgian corporation

Plaintiff,

v.

TECHNOLOGY PROPERTIES LTD.,

PATRIOT SCIENTIFIC CORP., and

ALLIACENSE LTD.,

Defendants.

Case No. C 08 05398 JF

BAKER & McKENZIE'S RESPONSE TO CHARLES H. MOORE'S MOTION TO DISQUALIFY; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF

Date: February 25, 2011
Time: 09:00 am
Courtroom: 3
Judge: Hon. Jeremy Fogel

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I. INTRODUCTION.

The motion to disqualify filed by Charles H. Moore ("Moore") is without merit. It is based on a limited and short-lived long ago relationship between Moore and a Baker & McKenzie lawyer who retired ten years ago, Susan Nycum. That limited relationship, and Ms. Nycum's retirement, was brought to the attention of Moore's attorney well before this motion was filed. The legal work, whatever it was, occurred on or before July, 1993, and the total fees received from Moore amounted to $2,776.46. The Baker & McKenzie lawyers handling this case, Messrs. O'Connor and Runyan, never met Ms. Nycum and had no contact with Moore.

Baker & McKenzie has not contacted Ms. Nycum and does not know whether the subject matter of Ms. Nycum's work for Mr. Moore was related to the subject matter of this case. She did not do patent work, so it appears doubtful that whatever she did for Moore was related to the subject matter of this case. Nonetheless, assuming *arguendo* that the 1991 work done by Ms. Nycum was related to the subject matter of this case, there is no possibility that there was any sharing of confidences between Ms. Nycum and the Baker & McKenzie lawyers handling this case. Accordingly, under the applicable authorities, the motion to disqualify should be denied.

Moore's motion is also untimely. Baker & McKenzie has been representing Barco since 2007 without objection. The representation has always been adverse to the defendants in this case, who are the parties Moore vested with the right to enforce his patent rights. Even now, those parties do not object. Rather, it is only Moore, who is not a party, who objects. Applying the drastic remedy of disqualification to Baker & McKenzie after this long passage of time would deeply prejudice Barco by denying them their counsel of choice, and would be disruptive to this litigation.

II. FACTUAL BACKGROUND

Baker & McKenzie has been representing Barco, N.V. ("Barco") adverse to the Moore patents, asserted by three entities, Technology Properties, Ltd.("TPL"), Patriot Scientific Corp., and Alliacense Ltd., since 2007. In 2007, Baker & McKenzie represented Barco when Alliacense initiated a letter writing campaign accusing Barco of infringing some of Moore's patents. Since that time, continuing to the filing of this case in December 2008 and through the pendency of this case to today, Baker & McKenzie has been openly representing Barco adverse to the three entities, all of which claim rights in one form or another to enforce certain Moore patents. According to TPL's website, TPL's relationship with Moore goes back to 1988, and there has been "nearly two decades of close cooperation between the TPL Group and Moore." (Exh. B[1]). At no time have any of the three entities claiming rights to enforce Moore's patents raised any objection to Baker & McKenzie representing Barco. Likewise, Moore, who has been closely associated with PTL for many years, has never raised an issue with Baker & McKenzie's representing Barco.

This issue was first raised at Moore's deposition on November 3, 2010. At the beginning of the deposition, Moore's lawyer, Mr. Prochnow, made the following statement:

> MR. PROCHNOW: One additional housekeeping matter. Mr. Moore, in searching his records, discovered that in or about 1990, he retained the Baker and McKenzie firm, Susan Nickim (sic) of that firm, in conjunction with the development and commercialization of certain intellectual property. It appears that that property may relate to the patents that are at issue here. We have just discovered that fact. I don't want that to keep us from going forward today. I would like to take that up with counsel at the conclusion of this matter.
>
> It appears to me that as long as Mr. Moore is not a party to this proceeding, that whatever conflict is raised by that retention is not a problem here. But again, I reserve

[1] Exhibit A is a declaration regarding the authenticity of Exhibits B and C.

> the right to bring that up should Mr. Moore become a party to any of these cases.

(Exh. C, extract of Moore Deposition Transcript, p. 10:17-25; 11:1-7). At the next break in the deposition, Moore's lawyer handed Mr. Runyan a copy of an August 24, 1990 letter from Susan Nycum to Moore at a company named "Computer Cowboys." (Letter, Nycum to Computer Cowboys, D.I. 125-1).

On November 23, 2010, Moore's lawyer wrote to Baker & McKenzie. (Letter, Prochnow to Runyan, D.I. 126-1). That letter again refers to the somewhat haphazard manner in which Moore realized that he had had long-ago dealings with Baker & McKenzie ("In the course of preparing Mr. Moore for his deposition, Mr. Moore came upon an August 24, 1990 retainer letter from your firm."). The letter demanded that Baker & McKenzie withdraw from the case. The November 23, 2010 letter from Moore's lawyer does not include the qualification that he had stated at the deposition that he reserved the right to bring up this issue "should Mr. Moore become a party to any of these cases." Moore had not become a party to any of these cases as of the date of that letter nor has he become a party since.

On November 29, 2010, one of the Baker & McKenzie lawyers representing Barco, Mr. O'Connor, wrote to Moore's lawyer, telling him that Ms. Nycum had retired in 2001. (Letter, O'Connor to Prochnow, D.I. 126-2). The letter pointed out that the lawyers handling this case for Barco, Messrs. Runyan and O'Connor, had no contact with Nycum or Moore, and there was no possibility of even inadvertent sharing of confidences by Ms. Nycum and the Baker & McKenzie lawyers representing Barco. The letter pointed out that in the voluminous file histories of the Moore patents and in all the litigation brought to enforce his patents there is no mention of Baker & McKenzie ever representing Moore or any entity in connection with Moore's patents. The letter cited *Goldberg v. Warner/Chappell Music, Inc.*, 125 Cal. App. 4th 752, 765, 23 Cal. Rptr. 3d 116

(2005) and quoted from that case as follows: "When, however, the relationship between the tainted attorneys and nontainted attorneys is in the past, there is no need to 'rely on the fiction of imputed knowledge to safeguard client confidentiality' and opportunity exists for a 'dispassionate assessment' of whether confidential information was actually exchanged."

The November 29, 2010 letter asked Moore's lawyer to advise of any additional facts or documents that he thought merited consideration on this issue. Baker & McKenzie heard nothing from Moore's lawyer until this motion was filed on January 12, 2011. Having been told that Ms. Nycum had retired from Baker & McKenzie ten years previously, and that there was no possibility that any even hypothetically relevant confidential information she had from her twenty year-old dealings with Moore was shared with lawyers representing Barco, Moore's lawyer nonetheless filed this motion.

Ms. Nycum was a lawyer in Baker & McKenzie's Palo Alto Office who specialized in counseling technology companies. (Decl. of Gamlen, Exh. D, ¶ 2). She did not do patent work, either prosecution or litigation. (Exh. D ¶ 2). She retired in 2001 and left the firm altogether in 2002.[2] (Decl. of Zulkey, Exh. E, ¶ 2). The firm records of Baker & McKenzie show that Ms. Nycum opened a new client registration for "Computer Cowboys" in 1990, and the client contact was listed as Chuck Moore. (Exh. E, ¶ 3). The only activity for this client ended in 1993, and the total fees were $2,776.46. (Exh. E, ¶ 3). There is no record of any client registration at any time for Charles H. Moore or for TPL, Patriot Scientific, or Alliacense. (Exh. E, ¶ 4).

Mr. O'Connor was with Baker & McKenzie in 1991. (Decl. of O'Connor, Exh. F, ¶ 2). However, he has spent his entire career there in the firm's Chicago office, and he never met or had any contact or dealings with Ms. Nycum, and never had any contact with Mr. Moore[3] or Computer

[2] Ms. Nycum retired from Baker & McKenzie in June 2001. Thereafter, she was employed as "Senior Counsel" until August 31, 2002. (Exh. D, ¶ 2).

[3] Other than attending Mr. Moore's deposition in late 2010.

Cowboys. (Exh. F, ¶¶ 2-4). Mr. O'Connor does not know the subject matter of Ms. Nycum's representation of Computer Cowboys or Mr. Moore. (Exh. F, ¶ 5)

The other lawyer representing Barco in this case is Edward Runyan. He has been with Baker & McKenzie since 2006. (Decl. of Runyan, Exh. G, ¶). He has never met Ms. Nycum, has had no contact or dealings with her, and has had no contact with Moore[3] or Computer Cowboys. (Exh. G, ¶¶ 2, 3). Mr. Runyan does not know the subject matter of Ms. Nycum's representation of Computer Cowboys or Mr. Moore. (Exh. G, ¶ 4).

Mr. Tod Gamlen of Baker & McKenzie's Palo Alto Office also appears on the pleadings in this case, although he is playing no active role in the handling of the case. Mr. Gamlen worked in the same office as Ms. Nycum and he knew her, but he has never heard of, done any work for, or had any contact with Mr. Moore or Computer Cowboys.. (Exh. D, ¶¶ 2, 3). Mr. Gamlen does not know the subject matter of Ms. Nycum's representation of Computer Cowboys or Mr. Moore. (Exh. D, ¶ 4).

III. APPLICABLE LAW

This court applies California law and California standards of professional responsibility in considering motions to disqualify counsel. *In re County of Los Angeles*, 223 F. 990, 995 (9th Cir. 2000). See also N.C. Cal. Civ. L.R. 11-4(a)(1)(attorneys are required to "comply with the standards of professional conduct required of the members of the State Bar of California").

The purpose of disqualification is not to punish attorneys or law firms, but rather it is appropriate only to the extent it is necessary because of a representation that has some "continuing effect" on a judicial proceeding. *Krzyzanowski v Orkin Exterminating Company, Inc.*, 2009 U.S. Dist. LEXIS 113200 (NDCA, Nov. 19, 2009), *citing Baugh v.Garl*, 137 Cal. App. 4th 737, 744, 40 Cal. Rptr. 3d 539 (2006) ("The purpose of disqualification is not to punish a transgression of professional ethics. … *Disqualification is only justified where the misconduct will have a*

'continuing effect' on judicial proceedings.") (emphasis supplied); *Hetos Inv., Ltd. v. Kurtin*, 110 Cal App. 4th 36, 48, 1 Cal. Rptr. 3d 472 (2003) ("the purpose of disqualification is prophylactic, not punitive, the signification question is whether there exists a genuine likelihood that the status or misconduct of the attorney in question will affect the outcome of the proceeding before the court") (internal quotations omitted).

Motions to disqualify are often tactically motivated and disruptive to the litigation. *Krzyzanowski*, 2009 U.S. Dist. LEXIS 113200, *10. "[D]disqualification is a drastic course of action that should not be taken simply out of hypersensitivity to ethical nuances or the appearance of impropriety." *Sheller v. Superior Court*, 158 Cal. App. 4th 1697, 1711, 71 Cal. Rptr. 3d 207 (2008) (citations and quotations omitted); Concat LP v. Unilever. PLC, 350 F. Supp. 2d 796, 814-15 (N.D. Cal. 2004). Motions to disqualify counsel "should be subjected to particularly strict judicial scrutiny." *Optyl Eyewear Fashion Int'l Corp. v. Style Co.*, 760 F. 2d 1045, 1050 (9th Cir. 1985) (quotations omitted). The party seeking disqualification bears a "heavy burden." *City and County of San Francisco v. Cobra Solutions, Inc.*, 38 Cal. 4th 839, 851, 43 Cal. Rptr 3d 771, 135 P. 3d 20 (2006); *Eaton v. Siemens*, 2007 U.S. Dist. LEXIS 58621, *17 (EDCA, Aug. 10, 2007)(disqualification is "a drastic measure that is disfavored."), *citing Crenshaw v. MONY Life Ins. Co.*, 318 F. Supp. 2d 1015, 1020 (SDCA, 2004). The "prophylactic not punitive" approach to motions to disqualify applicable in California has been termed a "no harm no foul" rule. *EXDS, Inc. v. Devcon Construction, Inc.*, 2005 U.S. Dist. LEXIS 47032, *12-13 (NDCA, Aug. 24, 2005).

When a lawyer attempts to represent a party adverse to a client he or she had formerly represented, that attorney is subject to disqualification if the subject matter of the second representation has a "substantial relationship" to the former representation. *Flatt v. Superior Court* (1994) 9 Cal 4th 275, 36 Cal Rptr. 2d 537, 885 P. 2d 950. However, the disqualification does not apply automatically to the entire firm, and courts have relied on ethical screening walls to segregate

the lawyer with the confidential knowledge from the rest of the firm. *Kirk v. First Amer. Title Ins. Company*, 183 Cal App. 4th 776, 797, 108 Cal. Rptr. (2010).

However, when the lawyer who had previously represented the client and was or may have been privy to the confidential information is no longer with the firm, there is no need to rely on "the fiction of imputed knowledge" and the issue comes down to whether confidential information was "actually exchanged" between the lawyer who left the firm and lawyers now with the firm who are adverse to the former client:

> When, however, the relationship between the tainted attorneys and nontainted attorneys is in the past, there is no need to "rely on the fiction of imputed knowledge to safeguard client confidentiality" and opportunity exists for a "dispassionate assessment" of whether confidential information was actually exchanged. (*Adams v. Aerojet-General Corp., supra, 86 Cal. App.4th at p. 1335*.) This is precisely what the trial court did here.
>
> Model Rule 1.10(b) provides: "When a lawyer has terminated an association with a firm, the firm is not prohibited from thereafter representing a person with interests materially adverse to those of a client represented by the formerly associated lawyer and not currently represented by the firm, unless (1) the matter is the same or substantially related to that in which the formerly associated lawyer represented the client; and (2) any lawyer remaining in the firm has [protected] information ... that is material to the matter." Courts from other jurisdictions have followed the ABA Model Rule in situations analogous to the present one: where an attorney who presumptively acquired confidential information from a former client leaves the firm, the firm is not automatically disqualified if it chooses to represent a party adverse to the former client.

Goldberg v. Ct. of Appeal of California, 125 Cal. App. 4th 752, 765, 23 Cal. Rptr. 3d 116 (2005).

If the lawyer who had the relationship with the client is no longer with the firm, then the risk is no longer prospective but only retrospective, and the question is whether confidential information was actually conveyed to lawyers now adverse to the former client:

> "However, once the tainted attorney has left the firm, vicarious disqualification is not necessary "where the evidence establishes that no one other than the departed attorney had any dealings with the client or obtained confidential information." (*Goldberg v. Warner/Chappell Music, Inc., supra, 125 Cal.App.4th at p. 755*.). Thus, the inquiry is no longer a prospective one, but a retrospective one. The trial court should not consider the ***risk*** of transmitting information from the tainted attorney to those involved in the challenged representation, but, instead, whether the tainted attorney ***actually conveyed*** confidential information. (*Goldberg, at p. 762*; *cf. Adams v. Aerojet-General Corp., supra, 86 Cal. App.4th at p. 1335*.)"

Kirk v. First American Title Ins. Co., 183 Cal. App. 4th 776, 815-16, 108 Cal. Rptr. 3d 629 (2010) (emphasis in original).

IV. ARGUMENT

This motion is without merit, is untimely and is based on the thinnest of pretense. Moore himself had obviously forgotten any dealings he had with Baker & McKenzie, they were so far in the past and so limited. His lawyer stated on the record at his deposition that Moore had just "discovered" the 1991 letter from Baker & McKenzie, apparently in reviewing old files with his current lawyer in preparation for the deposition. In his letter of Nov. 23, 2010, Moore's lawyer says that Moore "came upon" a 1990 letter from Baker & McKenzie. This motion is not based on any real current risk of unauthorized shared confidences, but rather on a risk conjured up by Moore and his lawyer based solely on a 20 year old letter. Notably, the motion *only* describes the

allegedly confidential information by quoting general language from the 20-year-old letter[4], rather than describing any *actual* documents or information. The general language from the letter is repeatedin the motion, however, for emphasis.

Moreover, the motion does not even attempt to address the substance of the issue it raises. Having been told that the lawyer who wrote the letter to Moore has long-since left the firm and that the lawyers handling this case for Barco had no contact with Moore or Ms. Nycum, this motion was filed anyway. It ignores the case law dealing with situations involving lawyers who may have *had* client-confidential information but are no longer with the firm that is sought to be disqualified. Those cases are notably *Goldberg* and *Kirk*, quoted above. They make clear that, when the lawyer who was potentially "tainted" by a previous relationship with the client is no longer with the firm, then the issue becomes what is the risk that confidential information held by the departed lawyer was actually conveyed to the lawyers now handling the case. In this instance, that risk is zero. Ms. Nycum's representation with Moore / Computer Cowboys, whatever its scope, took place entirely in or before 1993 and resulted in $2,776.46 in fees. Baker & McKenzie's relationship with the former client therefore ended long ago. The lawyer who had that relationship, Ms. Nycum, worked in the firm's Palo Alto office and she retired from the firm in 2001. The lawyers currently handling the case for Barco have only worked in the firm's Chicago office, they never met or had any dealings with Ms. Nycum, and they had no contact with or knowledge of Moore or Computer Cowboys or any of the entities that are defendants in this case. Accordingly, even assuming *arguendo* that there is a substantial relationship (which is not conceded by Baker & McKenzie) between the work done by Susan Nycum for Moore (or Computer Cowboys) in 1991-93 and the subject matter of this case, there is no basis for disqualifying Baker & McKenzie from continuing to represent Barco in this case, and the motion should be denied.

[4] "Our services will include representation and advice with respect to your development and commercialization of your technology." D.I. 124 (quoting the 20-year-old letter).

The motion should also be denied as untimely. Baker & McKenzie has been representing Barco adverse to the parties Moore contracted with to represent his interests since 2007, and there has never been any objection raised by those parties. The lawyers for the defendants have had ample time to familiarize themselves with the facts of their case and that should include knowledge of any law firms that previously represented Moore on any subject matter related to the subject matter of this case.

This motion should never have been brought. If Moore's relationship with Baker & McKenzie was so old and fleeting that Moore himself had forgotten about it, that alone should have raised a red flag as to whether there are grounds for the drastic step of moving to disqualify Baker & McKenzie. Further, adding the facts that Ms. Nycum has been retired for nearly 10 years and that the current lawyers representing Barco had no contact with her, and taking into account that this case has been pending for over two years, all those factors should have raised additional red flags that should have reasonably warned away from the filing of this motion.

V. CONCLUSION

This motion should be denied.

Dated: February 4, 2011

BAKER & McKENZIE LLP

By: s/ Edward K. Runyan
Edward K. Runyan
Daniel J. O'Connor
Attorneys for Plaintiff Barco N.V.

PROOF OF SERVICE

I, Edward K. Runyan, declare I reside in the State of Illinois, over the age of eighteen years, and not a party to the within action; my business address is Baker & McKenzie LLP, 130 East Randolph Drive, Chicago, IL 60601. On February 4, 2011, the following documents were served:

1. **BAKER & McKENZIE'S RESPONSE TO CHARLES H. MOORE'S MOTION TO DISQUALIFY AND TO INTERVENE**

by transmittal via email to the persons listed below:

Kenneth H. Prochnow
kprochnow@chilesprolaw.com
Counsel for Charles H. Moore.
Charles T. Hoge
choge@knlh.com
Counsel for Patriot Scientific Corp.

I declare under penalty of perjury under the laws of the State of Illinois that the above is true and correct.

Executed on February 4, 2011, at Chicago, Illinois.

s/ Edward K. Runyan