Nike, Inc. v. Lululemon United States Inc., No. 23-CV-771 (JPO), 2023 BL 323263 (S.D.N.Y. May 01, 2023), Court Opinion

Pagination

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Majority Opinion >

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

NIKE, INC., Plaintiff, -v- LULULEMON USA INC., Defendant.

23-CV-771 (JPO)

May 1, 2023, Filed

May 1, 2023, Decided

For Lululemon USA Inc., Counter Claimant: Inzer C. Ni, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP, New York, NY; Brandon G. Smith, LEAD ATTORNEY, Knobbe Martens, Irvine, CA; Stacy Rush, LEAD ATTORNEY, New York, NY; Joseph F. Jennings, LEAD ATTORNEY, Knobbe Martens, Irvine, CA; Ali S. Razai, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP (Irvine), Irvine, CA; Paul A. Stewart, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP (Irvine), Irvine, CA.

For Lululemon USA Inc., Defendant: Paul A. Stewart, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP (Irvine), Irvine, CA; Ali S. Razai, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP (Irvine), Irvine, CA; Stacy Rush, LEAD ATTORNEY, New York, NY; Brandon G. Smith, LEAD ATTORNEY, Knobbe Martens, Irvine, CA; Inzer C. Ni, LEAD ATTORNEY, Knobbe Martens Olson & Bear LLP, New York, NY; Joseph F. Jennings, LEAD ATTORNEY, Knobbe Martens, Irvine, CA.

For Nike Inc., Counter Defendant: Bridgette Gershoni, Arnold & Porter LLP, Washington D.C., DC; Michael Jonathan Sebba, Arnold & Porter Kaye Scholer LLP, Los Angeles, CA; Aaron Patrick Bowling, Arnold & Porter Kaye Scholer LLP, Chicago, IL; Kathleen Patricia Duffy, Arnold & Porter Kaye Scholer LLP, Washington, DC; Michael J Harris, Arnold & Porter, Chicago, IL; Michael Joshua Gershoni, Arnold & Porter Kaye Scholer LLP, Washington, DC; Christopher J. Renk, LEAD ATTORNEY, Arnold & Porter Kaye Scholer LLP, Chicago, IL; Lindsey Staubach, Arnold & Porter Kaye Scholer LLP, Washington D.C., DC.

For Nike Inc., Plaintiff: Michael J Harris, Arnold & Porter, Chicago, IL; Michael Jonathan Sebba, Arnold & Porter Kaye Scholer LLP, Los Angeles, CA; Bridgette Gershoni, Arnold & Porter LLP, Washington D.C., DC; Christopher J. Renk, LEAD ATTORNEY, Arnold & Porter Kaye Scholer LLP, Chicago, IL; Lindsey Staubach, Arnold & Porter Kaye Scholer LLP, Washington D.C., DC; Aaron Patrick Bowling, Arnold & Porter Kaye Scholer LLP, Chicago, IL; Kathleen Patricia Duffy, Arnold & Porter Kaye Scholer LLP, Washington, DC; Michael Joshua Gershoni, Arnold & Porter Kaye Scholer LLP, Washington, DC.

J. PAUL OETKEN, United States District Judge.

J. PAUL OETKEN

ORDER

J. PAUL OETKEN, District Judge:

Plaintiff Nike, Inc. commenced this action against Defendant Lululemon USA Inc. alleging infringement of three of its patents, each of which relates to Nike's Flyknit running shoe technology. (ECF No. 1 ¶ 10.) Pending before the Court is Nike's motion to disqualify Knobbe, Martens, Olson & Bear, LLP ("Knobbe") as Lululemon's counsel (ECF No. 23), on which the Court heard argument on April 18, 2023. For the reasons that follow, Plaintiff's motion is denied.

I. Legal Standard

"The authority of federal courts to disqualify attorneys derives from their inherent power to preserve the integrity of the adversary process." *First NBC Bank v. Murex, LLC*, **259 F. Supp. 3d 38** , **55** (S.D.N.Y. 2017) (quoting *Hempstead Video, Inc. v. Incorporated Village of Valley Stream*, **409 F.3d 127** , **132** (2d Cir. 2005)). In considering a motion to disqualify counsel, "the Court must attempt[ ] to balance a client's right freely to choose his counsel against the need to maintain the highest standard of **[*2]** the profession." *First NBC Bank*, **259 F. Supp. 3d at 55** (quoting *Hempstead*, **409 F.3d at 132**) (quotation marks omitted).

Second Circuit case law reflects the delicate nature of this balancing act. On one hand, "unless an attorney's conduct tends to taint the underlying trial . . . courts should be quite hesitant to disqualify an attorney." *Bd. of Ed. of City of New York v. Nyquist*, **590 F.2d 1241** , **1246** (2d Cir. 1979) (citation omitted). *See also Ritchie v. Gano*, No. 07 Civ. 7269, [**2008 BL 201526**], 2008 WL 4178152 , at *2 (S.D.N.Y. Sept. 8, 2008) ("District courts have broad discretion to disqualify attorneys, but it is a drastic measure that is viewed with disfavor in this Circuit."). Motions to disqualify are generally disfavored because of their "potential to be used for tactical purposes, and because, even when brought in good faith, such a motion can cause delay, impose expenses, and interfere with the attorney-client relationship." *First NBC Bank*, **259 F. Supp. 3d at 56** . On the other hand, the Second Circuit has noted that "in the disqualification situation, any doubt is to be resolved in favor of disqualification." *Hull v. Celanese Corp.*, **513 F.2d 568** , **571** (2d Cir. 1975). "In the end, after careful analysis, a motion to disqualify is committed to the sound discretion of the district court." *First NBC Bank*, **259 F. Supp. 3d at 56** (quoting *Purgess v. Sharrock*, **33 F.3d 134** , **144** (2d Cir. 1994) (internal quotations omitted)).

Where a movant seeks to disqualify the adverse party's counsel based on successive representation, disqualification is appropriate when: (1) the moving party is a former client of the adverse party's counsel; (2) there is a substantial relationship between the subject matter of the counsel's prior representation of the moving party and the issues in the present lawsuit; and (3) the attorney whose disqualification is sought had access to, or was likely to have had access to, relevant privileged information in the course of his prior representation of the client. *Hempstead Video*, **409 F.3d at 133** .

II. Discussion

Nike asserts that Knobbe should be disqualified because there is a substantial relationship between its prior work for Nike and the issues in this case. Nike emphasizes that Knobbe represented it in numerous patent-related matters between 2014 and 2019 and specifically "advised Nike on [a] wide range of patent procurement and protection strategies, including strategies related to Nike's Flyknit patents and its infringement claims against Lululemon." (ECF No. 23 at 1.) Nike also argues that Craig Summers, a partner in Knobbe's Intellectual Property practice, managed Knobbe's work for Nike during that period and possesses privileged and confidential material relating to Nike's patent strategies. (*Id.*)

In the Second Circuit, a substantial relationship exists where the overlap between issues in the prior and present cases is "patently clear," or else, "the issues involved are identical or essentially the same." *Network Apps, LLC v. AT&T Mobility LLC*, **598 F. Supp. 3d 118** , **129** (S.D.N.Y. 2022) (quoting *Mitchell v. Metro. Life Ins. Co.*, No. 01 Civ. 2112, [**2002 BL 15498**], 2002 WL 441194 , at *4 (S.D.N.Y. Mar. 21, 2002) (internal quotation marks omitted)). In a patent litigation case, "a party who is moving to disqualify counsel must generally demonstrate a fairly close legal and factual nexus between the present and prior representations." **[*3]** *Network Apps*, **598 F. Supp. 3d at 130** (citation omitted). For example, in *Decora Inc. v. DW Wallcovering, Inc.*, **899 F. Supp. 132** , **138** (S.D.N.Y. 1995), the court disqualified the defendant's counsel because one attorney had previously represented the plaintiff in a case concerning the validity of the same patent and had received confidential trade secrets relating to that patent. *Id.* at 134, 139.

Here, Nike has failed to show a close factual nexus between the issues implicated by Knobbe's prior representation of it and the current case. While Nike has shown that Knobbe advised it on strategies to avoid premature public disclosure of its inventions (*e.g.* Exhibit H), that type of generalized risk assessment does not have sufficient factual or legal overlap with the infringement claims raised in the present suit. On this point, Nike argues that there is at least one clear overlapping factual issue: Knobbe advised it on avoiding premature public disclosure of potential utility patents relating to yarn—and yarn is a component of its Flyknit technology. But it would be a stretch to conclude that this creates an 'identical' overlap given the generalized nature of the advice offered by Knobbe. Further, Knobbe began advising Nike on issues of public disclosure in October 2015—after the priority date of the three patents at issue. (ECF No. 28 at 4.) This underscores the lack of factual overlap between Knobbe's previous representation of Nike and the present case. In other patent litigation cases, courts have found that counsel's understanding of the prior client's "general strategy for handling patent litigation" was "not enough to warrant disqualification." *Sonos, Inc. v. D & M Holdings Inc.*, No. CV 14-1330-RGA, [**2015 BL 291446**], 2015 WL 5277194 , at *4 (D. Del. Sept. 9, 2015).

Additionally, Knobbe has successfully rebutted the presumption that the conflict created by Mr. Summers's work for Nike from 2014 to 2019 should be imputed to the firm as a whole. Knobbe asserts, and Nike does not dispute, that Summers is the only Knobbe attorney involved in the firm's earlier work for Nike who has been implicated in its current representation of Lululemon. (ECF No. 28 at 3.) "An attorney's conflicts are ordinarily imputed to his firm based

on the presumption that 'associated' attorneys share client confidences." *Hempstead Video*, **409 F.3d at 133** . That presumption may be rebutted, however, where the facts show that the firm has implemented effective screening measures to avoid the misuse of the prior client's confidences. *See id.* at 133-34. Here, Knobbe represents that it was notified of the alleged conflict on February 16, 2023, and created an ethical wall by February 18. (ECF No. 28 at 5.) This passage of two days does not raise a risk of taint, especially because Summers has attested through a declaration submitted to this Court that he never provided advice to Nike on the patents at issue or any "patents, products, prototypes, or technology referred to as 'Flyknit' or yarn." (ECF No. 28-3). Additionally, Summers has attested that the extent of his participation in the present litigation was (1) making non-substantive changes to a presentation sent to Lululemon and (2) contacting a textile **[*4]** expert to check whether he could clear conflicts and be adverse to Nike. (*Id.*) These facts further indicate that the risk of a 'trial taint' is low. *See Intelli-Check, Inc. v. Tricom Card Techs., Inc.*, No. 03 CV 3706 (DLI)(ETB), [**2008 BL 237350**], 2008 WL 4682433 , at *5 (E.D.N.Y. Oct. 21, 2008) (citing declarations submitted by counsel and firm's implementation of ethical wall "just days" after receiving actual notice of potential conflict as weighing against disqualification of counsel).

For the foregoing reasons, Plaintiff's motion to disqualify counsel is DENIED.

The Clerk of Court is directed to close the motion at ECF No. 23.

SO ORDERED.

Dated: May 1, 2023

New York, New York

/s/ J. Paul Oetken

J. PAUL OETKEN

United States District Judge

General Information

Case Name	Nike, Inc. v. Lululemon United States Inc.
Court	U.S. District Court for the Southern District of New York
Date Filed	Mon May 01 00:00:00 EDT 2023
Judge(s)	J. PAUL OETKEN
Parties	NIKE, INC., Plaintiff, -v- LULULEMON USA INC., Defendant.
Topic(s)	Civil Procedure; Patent Law; Professional Responsibility