

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF TEXAS  
MARSHALL DIVISION**

HONEYWELL INTERNATIONAL INC.

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vs.

CASE NO. 2:07-CV-463-CE

PHILIPS LUMILEDS

LIGHTING CO. AND CREE, INC.

**ORDER**

**I. Introduction**

Before the Court is Philips Lumileds Lighting Co.'s (Philips Lumileds) Motion to Disqualify the Paul Hastings Firm (Dkt. No. 55). Philips Lumileds claims that the firm representing Honeywell International, Inc. (Honeywell) in the present action, Paul, Hastings, Janofsky & Walker (PHJW), brought this suit against Philips Lumileds while concurrently representing affiliated entities in other matters. For the reasons discussed below, the Court grants the motion to disqualify PHJW from this matter.

**II. Factual and Procedural Background**

Honeywell filed its complaint on October, 19, 2007, alleging patent infringement. Honeywell asserts that Defendants, Philips Lumileds and Cree, Inc., infringe U.S. Patent No 6,373,188. Philips Lumileds filed the present motion on June 4, 2008.

Philips Lumileds asserts that its affiliate, Philips Electronics North American Corporation (PENAC), is an active client of PHJW on a range of legal issues. Philips Lumileds alleges that PHJW is PENAC's principal outside counsel for government relations work, and that PHJW's representation has spanned numerous entities of the Philips Corporation, to include Philips Electronics, Philips Consumer Electronics, Philips Healthcare, and Philips Intellectual Property

& Standards (Philips IP&S).<sup>1</sup> Philips Lumileds claims that, based on the above representation, PHJW has had access to confidential information, including its business plans, legal strategies, and intellectual property protection objectives. Philips Lumileds also maintains that through such representation, PHJW has had contact with at least seventeen of Philips' business managers and executives.<sup>2</sup>

Philips is a well-known, worldwide electronics company headed by Koninklijke Philips Electronics N.V. in the Netherlands. Honeywell is represented by the international law firm of PHJW. While PHJW has locations around the globe, its attorneys in this matter acting on behalf of Honeywell primarily work out of the Washington D.C. office, the same office involved in the other alleged representative matters on behalf of Philips. Philips Lumileds claims that much of the work conducted by PHJW on behalf of Philips is funneled through a wholly-owned Philips Division, Philips IP&S. Philips IP&S directs intellectual property legal strategy in the United States and abroad for Philips divisions and subsidiaries, including Philips Consumer Electronics, Philips Healthcare, and Philips Lumileds. Similar to other Philips subsidiaries, Philips Lumileds, the defendant in this case, receives legal direction from Philips IP&S. Neither Philips, nor any of its subsidiaries has consented to PHJW's handling this infringement case against Philips Lumileds.

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<sup>1</sup> In its brief, Philips Lumileds asserts that PHJW has represented Philips entities in a wide variety of matters, including (1) copy protection and content management issues, including a proposal to protect free over-the-air television broadcasts from internet redistribution called "broadcast flag," (2) enforcement matters before the Federal Communications Commission (FCC), such as the inclusion of V-chip parental controls in digital television tuners, (3) FCC proceedings to determine how "white spaces" within the television broadcast spectrum should be used, (4) the compatibility of cable television with digital broadcasting, (5) FCC proceedings affecting the Wireless Medical Telemetry Service, and (6) a proceeding in the FCC related to Zenith's conduct in initiating a patent infringement case against Philips in this Court, *Zenith Electronics Corp. v. Thomas, Inc.*, No. 5:06-cv-17-DF.

<sup>2</sup> Philips personnel include Reinier Jens, the Executive Vice President & Cluster Leader for Western Europe and North America; Todd Richardson, the Vice President of Marketing for Philips Consumer Lifestyle; Ray Krasinski, the Senior Manager of Standardization for Philips IP&S; and Martin Samuels, the Logistics Operations Manager for Philips Healthcare.

Honeywell, to the contrary, contends that Philips Lumileds is not a client of PHJW. Honeywell concedes that PHJW represents PENCA in a number of governmental matters. Honeywell, however, asserts that Philips Lumileds and PENAC do not share a parent-subsiidiary relationship, but are attenuated affiliates of one another. Honeywell also denies the fact that PHJW has represented any of the above asserted Philips entities, including Philips IP&S.

### **III. Discussion**

The Court will apply ABA Model Rule 1.7 in determining whether PHJW should be disqualified. *See Rembrandt Techs., LP v. Comcast Corp.*, 2007 WL 470631 (E.D. Tex. 2007).

Model Rule 1.7 provides, in part the following:

(a) Except as provided in paragraph (b), a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if:

(1) the representation of one client will be directly adverse to another client; or

(2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client, a former client or a third person or by a personal interest of the lawyer.

MODEL RULES OF PROF'L CONDUCT R. 1.7(a) (2004).

Under Model Rule 1.7, Philips Lumileds must establish two things: (1) that it is a current client of PHJW; and (2) that PHJW's representation of Honeywell is directly adverse to it. Philips Lumileds has demonstrated both.

The first issue is whether Philips Lumileds is a current client of PHJW. Here, the issue centers on whether a corporate affiliation creates a concurrent client-lawyer relationship. The issue of whether a corporate affiliation "ipso facto creates a client-lawyer relationship with every member of a corporate family when one of its members is formally represented by the lawyer" is not addressed in the ABA Model Rules themselves. ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 95-390, at 3 (1995). While the fact of corporate affiliation, without

more, does not make all of the corporate affiliates a client of a specific lawyer or firm, Model Rule 1.7, however, generally bars a lawyer from accepting representation adverse to an affiliate of a corporate client when “circumstances are such that the affiliate should also be considered a client.” MODEL RULES OF PROF’L CONDUCT R. 1.7, at comment 34; see Formal Op. 95-390. Indeed, whether such a relationship exists almost always depends on an analysis of the specific facts involved. Formal Op. 95-390, at 5. In the parent/subsidiary context, some of the key facts applicable to the analysis include (1) whether the corporation and the subsidiary share a common legal department and management duties, (2) whether the lawyer’s work for a parent corporation benefits a subsidiary, or (3) whether the lawyer’s work for the parent involves collecting confidential information. *Id.* at 5-6. Analysis of similar factors in this case indicated that Philips Lumileds should be treated as PHJW’s current client.

Here, it is undisputed that (1) Philips Lumileds and the other Philips affiliates share a common legal department, Philips IP&S; (2) Philips and Philips Lumileds share common management, computer networks, and marketing designs; and (3) PHJW currently represents PENAC. As indicated above, Philips IP&S directs intellectual property litigation and licensing strategy for Philips subsidiaries worldwide, including Philips Lumileds. Additionally, while it is generally disputed, PHJW has had broad access to confidential information of various Philips entities, based on its representations of various Philips entities. In fact, Lawrence R. Sidman, a partner at PHJW, stated in his declaration that he had received confidential information concerning PENAC, Philips Consumer Electronics, Philips Healthcare, and Philips IP&S. *See* Sidman Decl., Ex. 1 to Honeywell’s Resp. Although it is not clear whether PHJW’s representation of PENAC will directly benefit Philips Lumileds, this fact is not dispositive.

In addition, some courts have pointed to manifestations to the public as a factor relevant to disqualification. In *Eastman Kodak Co. v. Sony Corp.*, the Western District of New York disqualified counsel after noting, among other factors, that an affiliate's website "confirms the close family relationship of the two companies, as well as their integrated business operations and interests." *Eastman Kodak Co. v. Sony Corp.*, 2004 WL 2984297 (W.D.N.Y. 2004). Here, both the Philips Lumileds' website and marketing materials feature the Philips logo. The PENAC website also features the Philips logo. Considering all the facts, the Court is persuaded that Philips Lumileds should be considered a current client of PHJW.

The second issue is whether PHJW's representation of Honeywell is directly adverse. Concerning this issue, because the Court applies the national ethical standards, it is unnecessary to consider whether the other matters for which PHJW represents Philips is substantially related to this case. *Rembrandt Techs., LP v. Comcast Corp., et al.*, 2008 WL 470631, \*2 (E.D. Tex. 2007). Because Philips Lumileds is considered a client, PHJW's representation is clearly adverse to it. Here, Honeywell is seeking money damages, treble damages, attorneys fees, and an injunction against Philips Lumileds. Honeywell's Complaint at 5-6.

Furthermore, notwithstanding the ABA Model Rules, precedent dictates that "the national standards of attorney conduct forbid a lawyer from bringing a suit against a current client without the consent of both clients." *In re Dresser Indus., Inc.*, 972 F.2d 540, 545 (5th Cir. 1992). Here, there is no indication that Philips Lumileds gave its consent to PHJW; in fact, Philips Lumileds denies such consent. In situations such as this one, where the "problem has

been ‘created’ by modern corporations, the onus is squarely on the lawyer to anticipate and resolve conflicts of interest involving corporate affiliates.” *Id.* at 1.<sup>3</sup>

Fifth Circuit precedent also requires this Court to “balance the likelihood of public suspicion against a party’s right to counsel of choice.” *Rembrandt Techs., LP*, 2007 WL 470631, \*4 (citing *FDIC v. United States Fire Ins. Co.*, 50 F.3d 1304, 1314 (5th Cir. 1995)). In doing so, the Court considers “whether a conflict has (1) the appearance of impropriety in general, or (2) a possibility that a specific impropriety will occur, and (3) the likelihood of public suspicion from the impropriety outweighs any social interests which will be served by the lawyer’s continued participation in the case.” *In re Dresser*, 972 F.2d at 544. Here, Philips is a multinational corporation, with a unified branding scheme. The subtle legal distinctions between all of its corporate affiliates are transparent to the casual observer. The presence of a centralized legal team, the current representation of PENAC as a client of PHJW, and the high probability of disclosure of confidential information lead the Court to give great weight in favor of disqualifying PHJW from the present suit. Additionally, the PHJW attorneys working on the other Philips matters currently work out of the Washington D.C. office, the same office as the PHJW attorneys working on this case. Finally, the Court finds that Honeywell will not suffer any undue prejudice, as jury selection is not until November 2010.

In sum, notwithstanding the factual discrepancies of the parties, the Court sides with Philips Lumileds. Absent any definitive determinations to the contrary, e.g., a consent

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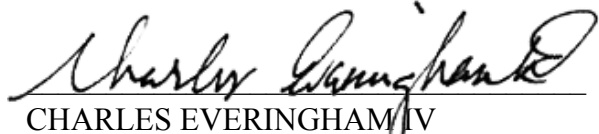
<sup>3</sup> “Even if the circumstances are such that client consent is not ethically required, as a matter of prudence and good practice a lawyer who contemplates undertaking a representation adverse to a corporate affiliate of a client will be well advised to discuss the matter with the client before undertaking the representation.” Formal Op. 95-390 (stating also, “[i]n any event, although the ethical propriety of a given representation will depend on the particular circumstances, the Committee believes that as a general matter, in the absence of a clear understanding otherwise, the better course is for a lawyer to obtain the corporate client’s consent before the lawyer undertakes a representation adverse to its affiliate.”).

agreement, an unambiguous client-lawyer agreement, etc., the Court finds a current conflict-of-interest in this case given the facts presented—PENAC is a current client of PHJW, there is a tangible client-lawyer relationship between PHJW and Philips Lumileds, and by virtue of its present patent infringement suit, PHJW is acting adversely to its client’s interests. Additionally, the likelihood of public suspicion outweighs Honeywell’s right to counsel in this case. As such, the Court grants Philips Lumileds’ motion to disqualify PHJW from its representation of Honeywell.

#### **IV. Conclusion**

For all the foregoing reasons, the Court grants Philips Lumileds’ motion (Dkt. No. 55) to disqualify PHJW from its representation of Honeywell.

SIGNED this 6th day of January, 2009.

  
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CHARLES EVERINGHAM IV  
UNITED STATES MAGISTRATE JUDGE