

**NOT FOR PUBLICATION**

**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

ZIV HARISH,

Plaintiff,

v.

EHUD ARBIT, ISAAC RUBINSTEIN, and  
RUSSEL WEINZIMMER,

Defendants.

No. 21cv11088 (EP) (AME)

**MEMORANDUM ORDER**

**TO BE FILED UNDER SEAL**

**PADIN, District Judge.**

This matter comes before the Court on Isaac Rubinstein’s and Ehud Arbit’s (“Appealing Defendants”) appeal of the Honorable André M. Espinosa’s, U.S.M.J., decision to disqualify Appealing Defendants’ counsel, D.E. 179 (“Disqualification Order”), and decision to deny Defendants’ motion for reconsideration of the Disqualification Order, D.E. 205 (“Reconsideration Order”). D.E. 209.<sup>1</sup> Plaintiff opposes the Appeal. D.E. 213 (“Opp’n”). Appealing Defendants reply. D.E. 214 (“Reply”).

The Court has reviewed the parties’ submissions and decides the Appeal without oral argument. *See* Fed. R. Civ. P. 78(b); L. Civ. R. 78.1(b). For the reasons set forth below, the Court will **DENY** Defendants’ Appeal and **AFFIRM** the Disqualification Order and the Reconsideration Order.

---

<sup>1</sup> Appealing Defendants filed their Notice of Appeal at D.E. 209. For ease of reference, this Court refers to Appealing Defendants’ brief, filed at D.E. 209-1, as their “Appeal.”

## **I. BACKGROUND**

### **A. Factual Background**

Ziv Harish, Isaac Rubinstein, Ehud Arbit, and Russell Weinzimmer are the four identified inventors of the '823 Patent, a patent for an allergy testing device. Am. Compl. ¶¶ 38, 64-65. All four inventors, including Appealing Defendants, participated in negotiating an agreement to license the '823 Patent to Lincoln Diagnostics, Inc. ("Lincoln"), but after negotiations initially failed, Lincoln sued the four inventors. *See Lincoln Diagnostics, Inc. v. Rubinstein*, No. 12-2006 (C.D. Ill.) (the "California Action"). Attorneys from the law firm Banner & Witcoff, Ltd. ("Banner Witcoff") represented Lincoln in its suit against the four inventors. *See id.*

In 2020, however, Appealing Defendants entered an agreement with Lincoln and executed an agreement wherein Appealing Defendants sold and assigned their rights in the '823 Patent to Lincoln in exchange for \$300,000. Am. Compl. ¶ 75; D.E. 92-2 ("Assignment Agreement") §§ B, C. As part of the Assignment Agreement, Appealing Defendants described the details of their inventive contributions to the '823 Patent and promised to "do all things necessary to aid Lincoln to obtain and enforce for its own benefit, ownership of and patent protection for" the '823 Patent. *Id.* § 5. Pursuant to the same, Lincoln agreed to indemnify Appealing Defendants up to \$250,000 for challenges to Appealing Defendants' inventorship of the '823 Patent. *Id.* § E. However, if Appealing Defendants breach their warranties to Lincoln—for example by losing in an action where their inventorship is challenged—Appealing Defendants must immediately refund the full purchase price paid by Lincoln to Appealing Defendants for their interests in the '823 Patent. *Id.* § B.

**B. Procedural History**

Plaintiff filed an action challenging Appealing Defendants' inventorship in this Court on May 11, 2021. D.E. 1. Between August 2021 and September 2021, attorneys from Banner Witcoff and the law firm Saiber LLC ("Saiber") (together, "Defense Counsel") entered appearances for Appealing Defendants. *See, e.g.*, D.Es 5, 9. Some of the attorneys who appeared for Appealing Defendants included Banner Witcoff attorneys who appeared on behalf of Lincoln in its previous suit against the inventors in the California Action. *See* D.E. 123; D.E. 124-1 ("Arbit Dep.") at 256:1-258:1. Lincoln is not currently a party to this litigation.<sup>2</sup>

On October 4, 2021, Plaintiff filed a third-party litigation funding disclosure statement pursuant to Local Civil Rule 7.1.1 indicating that no person or entity not party to the litigation was funding his expenses. D.E. 16. Appealing Defendants did not file a Rule 7.1.1 statement. *See* Dkt. Plaintiff, suspecting that Lincoln was funding Appealing Defendants' litigation fees, made repeated inquiries to Plaintiff regarding Lincoln's role. *See* D.E. 102-8 ("Oct. 31, 2023 Hearing Tr.") at 61:19-62:8 (inquiring on the record whether Appealing Defendants had complied with Rule 7.1.1); D.E. 58 ("June 30, 2023 Hearing Tr.") at 62:2-63:15 (inquiring on the record whether Appealing Defendants needed to file a Rule 7.1.1 statement); D.E. 91 ("April 11, 2024 Hearing Tr.") at 61:2-20 (inquiring again on the record whether Lincoln was paying Defense Counsel's fees). Instead, Appealing Defendants repeatedly represented that no Rule 7.1.1 statement was necessary. *See, e.g.*, Oct. 31, 2023 Hearing Tr. at 62:5-8 (Appealing Defendants "sat down quite a while ago, considered the rule, and have not filed any disclosure. We think that's consistent with the rule."); June 30, 2023 Hearing Tr. at 62:2-63:15 ("[Defense Counsel] have looked at [Rule

---

<sup>2</sup> Lincoln filed a motion to intervene, D.E. 204, and Judge Espinosa's Report and Recommendation, D.E. 215, is pending before this Court.

7.1.1], and we have made a determination that it does not apply to [Appealing Defendants] in this matter.”).

Nevertheless, despite Lincoln’s non-party status and despite Appealing Defendants’ representations that Lincoln was not a third-party payer, Lincoln has participated in Appealing Defendants’ settlement negotiations with Plaintiff and has even rejected settlement offers that Plaintiff has extended to Appealing Defendants. *See, e.g.*, D.E. 92-6 at 2 (“Lincoln, Dr. Arbit and Mr. Rubinstein are willing to participate in this settlement discussion solely in an effort to compromise.”); *id.* (“Dr. Arbit, Mr. Rubinstein and Lincoln are not willing to settle anywhere in the vicinity of the range [Plaintiff has] proposed.”). It was not until late 2023, more than two years after litigation began, that Appealing Defendants confirmed that Lincoln had been paying Defense Counsel’s fees the whole time. *See* Oct. 31, 2023 Hearing Tr. at 63:-64:2. In February 2024, Plaintiff thereafter sought leave to move to disqualify Defense Counsel. D.E. 80. After considering Appealing Defendants’ response, D.E. 82, the Court permitted Plaintiff’s motion to go forward in April 2024. D.E. 89. Plaintiff then filed his motion on April 12, 2024. D.E. 92. Appealing Defendants opposed. D.E. 102. Plaintiff replied. D.E. 106.

### **C. The Magistrate Judge’s Order**

Judge Espinosa disqualified Defense Counsel after determining that Defense Counsel’s fees were being paid for by Lincoln in violation of New Jersey Rule of Professional Conduct (“RPC”) 1.8(f). Disqualification Order at 10. RPC 1.8(f) governs third-party payer arrangements that involve conflicts of interest and provides:

A lawyer shall not accept compensation for representing a client from one other than the client unless:

- (1) the client gives informed consent;
- (2) there is no interference with the lawyer’s independence of professional judgment or with the lawyer-client relationship; and

(3) information relating to representation of a client is protected as required by RPC 1.6.

Judge Espinosa found that because Lincoln had actively exerted control over Defense Counsel's decisions and strategy despite there being material conflicts of interest between Appealing Defendants and Lincoln, disqualification may have been warranted. Disqualification Order at 28.

Judge Espinosa thereafter consulted the other RPCs to determine the scope of the applicable rules. Judge Espinosa looked to RPC 1.7, which explains that a concurrent conflict of interests exists whenever "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." *Id.* at 11 (quoting RPC 1.7(a)(2)). Judge Espinosa also consulted RPC 5.4 which prohibits lawyers from "permit[ting] a person who recommends, employs, or pays the lawyer to render legal services for another to direct or regulate the lawyer's professional judgment in rendering such legal services." *Id.* at 12 (quoting RPC 5.4(c)).

Because of the ethical issues raised by Plaintiff, Judge Espinosa consulted *In re Grand Jury Investigation*, a New Jersey Supreme Court case that evaluated when counsel may be compensated by anyone other than the client under RPCs 1.7(a), 18.8(f), and 5.4(c). *Id.* at 18-26 (citing 200 N.J. 481 (N.J. 2009) (hereinafter "*Grand Jury*"). Judge Espinosa found *Grand Jury* appropriate to consult in resolving the disqualification of Defense Counsel because: (1) Local Civil Rule 103.1 requires courts in this District to look to the American Bar Association's Rules of Professional Conduct as they are revised by the New Jersey Supreme Court; (2) courts in this District understand Local Civil Rule 103.1 to encourage relying on New Jersey state courts for guidance in applying the RPCs, *see, e.g., Carlyle Towers Condominium Ass'n, Inc. v. Crossland Saving, FSB*, 944 F. Supp. 341, 344-45 (D.N.J. 1996) ("It is clear that the intention is for practitioners in both the state

and federal courts in New Jersey to be governed by a single ethical code.”); and (3) the Third Circuit has indicated reliance on *Grand Jury* is appropriate for evaluation of third-party payment arrangements, *MaxLite, Inc. v. ATG Electronics, Inc.*, No. 23-1719, 2024 WL 1526749, at \*4 (3d Cir. 2024). Disqualification Order at 10-15.

After explaining why *Grand Jury* was appropriate to consult, Judge Espinosa found that Appealing Defendants’ circumstances fell within the scope of third-party payment arrangements contemplated by *Grand Jury*. *Id.* Lincoln was paying for Appealing Defendants’ legal representation and *Grand Jury* applied to those circumstances in which a person, other than the client, pays for the client’s legal representation. *Id.* Further bolstering Judge Espinosa’s conclusion was his determination that despite sharing some interests, there was nevertheless a conflict of interest between Appealing Defendants and Lincoln. *Id.* Because Appealing Defendants made certain warranties regarding the ’823 Patent’s inventorship and because Appealing Defendants were liable to Lincoln if those warranties were breached or if they did not do all they could to obtain and enforce protection of the ’823 for Lincoln, Judge Espinosa found that Appealing Defendants’ interests were necessarily subordinate to Lincoln’s. *Id.* at 17.

Accordingly, Judge Espinosa applied the conditions enumerated in *Grand Jury* to determine whether disqualification of Defense Counsel was appropriate under RPCs 1.7(a), 1.8(f), and 5.4(c). *Id.* at 18-21. The conditions to accept payment from a third party are:

- (1) An attorney must obtain the client’s informed consent;
- (2) A third-party payer may not direct, regulate, or interfere with counsel’s professional judgment;
- (3) There may not be a current attorney-client relationship between counsel and the third-party payer;

- (4) Counsel may not communicate with the third-party payer about the substance of the representation;
- (5) The third-party payer must treat all invoices within the same manner, speed, and frequency with which it pays its own counsel; and
- (6) “Once a third-party payer commits to pay for the representation of another, the third-party payer shall not be relieved of its continuing obligations to pay without leave of court . . . .”

*Id.* (citing *Grand Jury*, 200 N.J. at 496). Judge Espinosa found that Defense Counsel partially satisfied *Grand Jury* condition (1) and failed to satisfy at least factors (2), (3), (4), and (6).

*First*, Banner Witcoff had obtained informed consent from Appealing Defendants regarding potential conflicts of interest, but Saiber had not, thereby resulting in a partial violation of the first condition. *Id.* at 18-20. *Second*, Lincoln had actively been participating in Appealing Defendants’ litigation strategy and in denying settlement offers made to Appealing Defendants. *Id.* at 21. *Third*, both Banner Witcoff and Saiber had ongoing client relationships with Lincoln while representing Appealing Defendants. *Id.* at 21-22. *Fourth*, Defense Counsel had kept Lincoln informed about the substance of Appealing Defendants’ representation, including the details of settlement negotiations. *Id.* at 22. *Fifth*, Judge Espinosa could not determine whether Lincoln paid Defense Counsel in the regular course of business because neither party submitted evidence. *Id.* at 23. Finally, Lincoln’s indemnification obligations to Appealing Defendants permitted Lincoln to cease covering litigation costs after \$250,000. *Id.* at 23.

Despite failing to meet all *Grand Jury* conditions, Judge Espinosa considered the hardships Appealing Defendants would face before ultimately deciding that disqualification was the appropriate remedy. *See id.* at 26 (“[D]isqualification is never automatic.” (quoting *High 5 Games*

*LLC v. Marks*, No. 13-7161, 2018 WL 2278103, at \*5 (D.N.J. May 18, 2018))). *First*, Judge Espinosa found that the timing of Plaintiff’s disqualification motion did not bar relief because Appealing Defendants had themselves obfuscated the nature of their relationship with Lincoln. Disqualification Order at 26-27. *Second*, Judge Espinosa found that neither the age nor the complexity of this action weighed against disqualification for at least two reasons. *Id.* at 28. Judge Espinosa first explained that much of this case’s history had been spent on insignificant motion practice and then explained that because this action was limited to determining inventorship, getting new counsel familiarized with the case would not be onerous. *Id.* at 28. Finally, Judge Espinosa found that Appealing Defendants and Lincoln, rather than Plaintiff, were responsible for the conflict, which weighed in favor of disqualification. *Id.* Accordingly, after considering the totality of the circumstances, Judge Espinosa found that “the severity of the conflict of interest here [was] greater than the potential for hardship or prejudice to [Appealing] Defendants and warrant[ed] disqualification of [Defense] Counsel.” *Id.*

**D. Motion Practice Following the Disqualification Order**

After Judge Espinosa issued the Disqualification Order, Appealing Defendants sought reconsideration, D.E. 192, which was denied, D.E. 205. In his Reconsideration Order, Judge Espinosa reiterated the reasoning he had set forth in his Disqualification Order and, in addition, addressed new arguments raised by Appealing Defendants. For example, Appealing Defendants complained on reconsideration that Judge Espinosa should have considered other remedies, such as conflict counsel, before ordering disqualification. Reconsideration Order at 6. Judge Espinosa, however, explained that such a remedy would not be appropriate because even with conflict counsel, Lincoln would continue to maintain de facto control over Appealing Defendants’ litigation strategy. *Id.*

Appealing Defendants also asked Judge Espinosa to reconsider given changes to their agreement with Lincoln, which erased the indemnification cap that Appealing Defendants were subject to. D.E. 192 at 14. Judge Espinosa considered this fact in his Reconsideration Order and found that although it may have changed his analysis of the sixth *Grand Jury* condition, it would not materially change the outcome of his analysis because the updated agreement could not cure prior violations.<sup>3</sup> Reconsideration Order at 8.

Because Appealing Defendants identified no new material facts or evidence, failed to show that Judge Espinosa overlooked facts or controlling law, and failed to show a need to correct some manifest injustice, Judge Espinosa denied Appealing Defendants' motion for reconsideration. *Id.* at 9. Appealing Defendants' Appeal then followed.

## II. LEGAL STANDARD

A United States Magistrate Judge may hear and determine any non-dispositive pretrial matter. 28 U.S.C. § 636(b)(1)(A). “Appeals from the orders of magistrate judges are governed by Local Civil Rule 72.1(c).” *McDonough v. Horizon Blue Cross Blue Shield of N.J., Inc.*, No. 09-571, 2013 WL 322595, at \*2 (D.N.J. Jan. 22, 2013). On appeal of a magistrate judge's order on a non-dispositive issue, the district court may modify or vacate the magistrate judge's order only if it is “clearly erroneous or is contrary to law.” Fed. R. Civ. P. 72(a); L. Civ. R. 72(c)(1)(A).

“A magistrate judge's finding is clearly erroneous when, although there may be some evidence to support it, the reviewing court, after considering the entirety of the evidence, is left with the definite and firm conviction that a mistake has been committed.” *Coyle v. Hornell Brewing Co.*, No. 08-2797, 2009 WL 1652399, at \*3 (D.N.J. June 9, 2009); *Dome Petroleum Ltd.*

---

<sup>3</sup> *Grand Jury* required satisfaction of all six factors and Judge Espinosa found that Appealing Defendants' third-party payer arrangement with Lincoln violated at least four. *See supra* Section I.C.

*v. Employers Mut. Liability Ins. Co.*, 131 F.R.D. 63, 65 (D.N.J. 1990) (quoting *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948)). “Where there are two permissible views of the evidence, the factfinder’s choice between them cannot be clearly erroneous.” *United States v. Waterman*, 755 F.3d 171, 174 (3d Cir. 2014) (quoting *Anderson v. Bessemer City*, 470 U.S. 564, 574 (1985)). “A [ruling] is contrary to law if the magistrate judge has misinterpreted or misapplied applicable law.” *Gunter v. Ridgewood Energy Corp.*, 32 F. Supp. 2d 162, 164 (D.N.J. 1998). The appealing party bears the burden of establishing that the magistrate judge’s decision was clearly erroneous or contrary to law. *Marks v. Struble*, 347 F. Supp. 2d 136, 149 (D.N.J. 2004).

### III. DISCUSSION

Appealing Defendants do not dispute that Lincoln has exerted control over Appealing Defendants’ legal representation in this case nor that Lincoln has been privy to privileged information regarding Appealing Defendants’ legal representation in this case. Appeal at 4. Appealing Defendants instead argue that disqualification was inappropriate because (1) there are no conflicts of interest between Appealing Defendants and Lincoln; (2) even if there are conflicts of interest between Appealing Defendants and Lincoln, Appealing Defendants provided informed consent to waive those conflicts; (3) the application of *Grand Jury* was inappropriate because Lincoln is not a third party; and (4) even if the RPCs were violated, the disqualification of Defense Counsel was not the proper remedy.

The Court disagrees with each argument raised. Because Appealing Defendants do not demonstrate that the Disqualification Order or the Reconsideration Order were clearly erroneous or contrary to law, the Court will **DENY** the Appeal and **AFFIRM** the Disqualification Order and the Reconsideration Order. The Court addresses each of Appealing Defendants’ arguments below.

**A. Finding a Conflict of Interest Between Defendants and Lincoln Was Not Clearly Erroneous or Contrary to Law**

Appealing Defendants argue that disqualification was error because they and Lincoln share common interests and are therefore in lockstep. Appeal at 2, 12-13. Whether a conflict of interest exists, however, does not turn on whether Appealing Defendants and Lincoln have interests that overlap, but whether Appealing Defendants and Lincoln have interests that diverge and how likely those divergent interests are to materially interfere with counsel’s judgment.<sup>4</sup> Indeed, RPC 1.7(a) provides:

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 . . . 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  
. . . .

Contrary to Appealing Defendants’ arguments, and as Judge Espinosa carefully explained, Appealing Defendants’ interests and Lincoln’s interests are not in lockstep. As part of the Assignment Agreement, Appealing Defendants provided warranties that they were the inventors of the ’823 Patent. Assignment Agreement § C. If Appealing Defendants lose this inventorship challenge, Appealing Defendants may be subject to liability against Lincoln. *Id.* § B (“The entire Patent Purchase Payment paid by Lincoln to [Appealing Defendants] shall be immediately and fully refunded . . . if any of [Appealing Defendants’] undertakings, obligations, representations, and warranties . . . are breached.”). The Assignment Agreement also obliges Appealing Defendants “to do all things necessary to aid Lincoln to obtain and enforce for its own benefit,

---

<sup>4</sup> Appealing Defendants’ objections that their interests are aligned with Lincoln’s because Appealing Defendants are contractually obligated to support them are therefore inapposite. *See, e.g.,* Appeal at 17. It is, instead, the potential divergences that may arise between Appealing Defendants and Lincoln that are most relevant to the Court in its evaluation of the Disqualification Order and Reconsideration Order.

ownership of and patent protection for . . . the patent filings, all at the expense of Lincoln.” *Id.* § D. Again, if Appealing Defendants do not perform “all things necessary to aid Lincoln,” Appealing Defendants’ interests will be directly averse to Lincoln’s interests and Defense Counsel’s continued representation of both groups would be definitively untenable. Consequently, a settlement offer that mitigates or helps Appealing Defendants avoid liability to Lincoln could be in Appealing Defendants’ best interests but would not be in Lincoln’s.<sup>5</sup>

In addition to subordinating Appealing Defendants’ interests to Lincoln’s, Defense Counsel has been and continues to be Lincoln’s long-time counsel. For example, Defense Counsel previously represented Lincoln in a suit *against* Appealing Defendants nine years ago relating to the patent at issue. *See* Arbit Dep. at 256:6-258:1. Against this backdrop, the Court agrees that Defense Counsel’s representation of Appealing Defendants is materially limited by Defense Counsel’s loyalty to Lincoln and by their responsibility to advance Lincoln’s interests.

Appealing Defendants argue that *Wilkes v. Passaic County*,<sup>5</sup> a case upon which Judge Espinosa relied, is distinguishable because counsel’s clients there had different recollections of whether one of the clients committed the accused-of conduct. Appeal at 13 (describing No. 12-6498, 2016 WL 852602 (D.N.J. Mar. 4, 2016)). The Court is not convinced, however, that *Wilkes* is as distinguishable as Appealing Defendants contend. Under the circumstances in *Wilkes*, counsel would potentially have had to attack the credibility of one of the three clients he attempted to simultaneously represent. *Id.* Here too, counsel may have to defend Appealing Defendants

---

<sup>5</sup> Appealing Defendants argue that Plaintiff is unlikely to make a settlement offer that could cause a rift between Appealing Defendants’ interests and Lincoln’s. Appeal at 18-19. The Court cannot determine what kinds of settlement offers are likely to be made, but it is at least clear that Lincoln, despite not being a party to this action, has been involved in Appealing Defendants’ denial of settlement offers. *See, e.g.*, D.E. 92-6 at 3 (“[Appealing Defendants’] and Lincoln’s settlement offer will not change.”).

against Lincoln if litigation does not pan out in the manner Lincoln hopes it will. Faced with that possibility, it was reasonable to conclude that the potentially conflicting interests here do outweigh any current overlap in interests. *In re Op. 552 of Advisory Comm. On Pro. Ethics*, 102 N.J. 194, 205 (1986).

The Court therefore finds no error in Judge Espinosa’s conclusion that a conflict of interest exists between Appealing Defendants and Lincoln or that it is “sever[e].” Disqualification Order at 17-18, 28.

**B. RPC 1.7(b) Does Not Render Disqualification Improper**

Appealing Defendants further argue that even if there are conflicts of interest, Judge Espinosa failed to consider whether concurrent representation was nevertheless permissible under RPC 1.7(b). Appeal at 19. Appealing Defendants argue that they and Lincoln waived the conflicts by providing informed consent under RPC 1.7(b). *Id.* Appealing Defendants’ arguments are misplaced for three reasons.

*First*, RPC 1.7(b) does not dispose of the disqualification question here. Notwithstanding RPC 1.7(b), RPC 1.8(f)(2) provides that attorneys may not “accept compensation for representing a client from one other than the client” if there is interference with the lawyer’s independence of professional judgment or interference with the lawyer-client relationship. As discussed above, this Court agrees with Judge Espinosa that Defense Counsel has permitted Lincoln to improperly participate in this litigation and has subordinated Appealing Defendants’ interests to Lincoln’s. *See supra* Section III.A. Waivers are therefore insufficient to justify Defense Counsel’s representation of Appealing Defendants because RPC 1.7 is not the only applicable rule. Indeed, *Grand Jury* sought to harmonize the overlapping mandates of RPCs 1.7, 1.8, and 5.4 in the context of third-party payer arrangements like the one at issue here. 200 N.J. at 494-95.

*Second*, in addition to informed consent, the RPCs also require maintaining “the lawyer-client relationship . . . sacrosanct.” *Grand Jury*, 200 N.J. at 495. The rules prohibit disclosing details to the third party regarding the client’s representation and they prohibit the third party from exerting influence over the lawyer’s professional judgment. *Id.* Whether Appealing Defendants waived the conflicts of interest between themselves and Lincoln is therefore not dispositive in light of the shared communications and Lincoln’s control.

Finally, “[a]lthough lawyers must engage in self-regulation as an initial matter, when the issue of conflict of interest arises in a disqualification context, the court has a supervisory role to play.” *New Jersey Div. of Child Prot. And Permanency v. G.S.*, 447 N. J. Super. 539, 580 (App. Div. 2016) (quoting Geoffrey C. Hazard, Jr. & W. William Hodes, *The Law of Lawyering*, vol. 1 at 236.2 (2d ed. 1992)). Because Plaintiff raised an issue of professional conduct, this Court was not free to overlook it. *Id.*

Accordingly, Judge Espinosa did not err by declining to treat waiver under RPC 1.7(b) as determinative of the disqualification issues raised.

### **C. *Grand Jury Applies to Lincoln***

Appealing Defendants next argue that *Grand Jury* applies only “when a client’s legal fees are paid by a third party who is not, and cannot ethically be, a client of that lawyer.” Appeal at 20. According to Appealing Defendants, this distinction must be made under *Grand Jury* because, otherwise, common joint defense arrangements, such as employers paying for their employees’ counsel, would be barred. *Id.* Not so. The distinction drawn by *Grand Jury* is between third-party payer arrangements that satisfy all six conditions and third-party payer arrangements that do not. 200 N.J. at 495. The common joint defense arrangements identified by Appealing Defendants are themselves still subject to the conditions described by *Grand Jury*. See, e.g., *MaxLite, Inc.*,

2024 WL 1526749, at \*4 (affirming the invalidation of a third-party payer arrangement between an employer and its employees because the arrangement did not satisfy all six *Grand Jury* conditions).

As Judge Espinosa explained, Lincoln agreed to indemnify Appealing Defendants “against disputes concerning the ownership [of the ’823 Patent] filed by either Ziv Harish or Russ Weinzimmer.” Disqualification Opinion at 15 (quoting D.E. 92-2 at 5). While Lincoln may have overlapping interests with Appealing Defendants, those interests are not coextensive, Lincoln is not a co-defendant, and as previously outlined, Defense Counsel’s involvement with Lincoln subjects Appealing Defendants to a conflict of interest because of counsel’s primary loyalty to Lincoln. *See supra* Section III.A. And as explained above, *Grand Jury* was appropriate to consult because it harmonizes the relevant RPCs. *See supra* Section III.B; *Grand Jury*, 200 N.J. at 494-95 (“Our task, then, is to harmonize RPC’s 1.7(a)(2), 1.8(f), and 5.4(c) overlapping mandates so as to give proper guidance on whether, and under what circumstances, a lawyer may represent a client when the fees and costs incurred are being paid by another.”).

The Court therefore finds no error in Judge Espinosa’s application of *Grand Jury* to Appealing Defendants and Lincoln.

#### **D. Disqualification of Defense Counsel was the Proper Remedy**

Where there is an actual or potential conflict of interest, disqualification may be imposed. *In re Congoleum Corp.*, 426 F.3d 675, 692 (3d Cir. 2005); *see e.g., Wilkes*, 2016 WL 852602, at \*2. Appealing Defendants correctly note that “disqualification is considered a ‘drastic measure which courts should hesitate to impose except when absolutely necessary.’” *Alexander v. Primerica Holdings, Inc.*, 822 F. Supp. 1099, 1114 (D.N.J. 1993) (quoting *Schiessle v. Stephens*, 717 F.2d 420 (7th Cir. 1983)). A court should disqualify counsel “only when it determines, on the

facts of the particular case, that disqualification is an appropriate means of enforcing the applicable disciplinary rule.” *United States v. Miller*, 624 F.2d 1198, 1201 (3d Cir. 1980); *see also In re Boy Scouts of Am.*, 35 F.4th 149, 160 (3d Cir. 2022). A determination of whether disqualification is the appropriate remedy under the circumstances is reviewed for abuse of discretion. *De La Cruz v. Virgin Islands Water and Power Auth.*, 597 F. App’x 83, 88 (3d Cir. 2014). To determine whether the facts of a case warrant disqualification, courts must balance the following factors:

(1) prejudice to the non-moving party; (2) prejudice to the moving party; (3) the cost—in terms of time and money—to retain new counsel; (4) the complexity of the issues in the case and the time it would take for new counsel to acquaint themselves with the facts and issues; and (5) which party, if either, was responsible for creating the conflict.

*Wyeth v. Abbott Lab’ys*, 692 F. Supp. 2d 453, 459 (D.N.J. 2010).

Appealing Defendants raise several arguments regarding prejudice to Appealing Defendants. For the reasons described below, the Court finds that none warrant vacating Judge Espinosa’s Disqualification Order.

*First*, Appealing Defendants complain that Judge Espinosa did not “expressly” consider their prejudice arguments.<sup>6</sup> Appeal at 27. Appealing Defendants aver that they would suffer prejudice if disqualification were affirmed because Defense Counsel has unique knowledge of this complex inventorship dispute as evidenced by the thousands of hours their counsel has spent on the case. Appeal at 27. For the same reasons, Appealing Defendants aver that replacement counsel will struggle to familiarize itself with the case and that Plaintiff will enjoy a tactical advantage by

---

<sup>6</sup> Appealing Defendants wrote that Judge Espinosa “did not expressly address prejudice to Plaintiff.” Appeal at 26. But Appealing Defendants identify no prejudice to Plaintiff, Plaintiff identifies no prejudice to himself, and the Court is aware of no reason why Plaintiff would be prejudiced. Because Appealing Defendants’ sentence is followed up by arguments regarding prejudice to Appealing Defendants, the Court assumes that Appealing Defendants wrote “Plaintiff” by mistake and instead meant to refer to prejudice to themselves.

having experienced counsel while Appealing Defendants are required to contend with new counsel. *Id.*

Judge Espinosa addressed these concerns and explained (1) new counsel could familiarize themselves with the case because it was limited in scope to inventorship (as opposed to a patent case involving questions of validity and infringement); (2) much of the time spent on the case and on motion practice had been necessitated only because of the parties' apparent inability to compromise on any issue, "regardless of its significance";<sup>7</sup> and (3) disqualification was occurring at this stage, rather than earlier, because Appealing Defendants themselves obfuscated Lincoln's role in the litigation from both Plaintiff and the Court. Disqualification Opinion at 27-28.

Accordingly, while not "explicit" in the Disqualification Opinion, Judge Espinosa's analysis makes clear that any prejudice to Appealing Defendants appears limited and at least partially self-inflicted.<sup>8</sup> The Disqualification Opinion is explicit, however, that Judge Espinosa considered the hardships Appealing Defendants faced and nevertheless concluded that "the severity of the conflict here is greater than the potential for hardship or prejudice to Defendants and warrants disqualification of [Defense] Counsel." Disqualification Opinion at 28. Judge

---

<sup>7</sup> Because of the parties' motion practice, discovery did not begin until more than two years after Plaintiff filed his Complaint. *See* D.E. 1 (Complaint filed May 11, 2021); D.E. 8 (first motion to dismiss); D.E. 18 (granting D.E. 8); D.E. 22 (second motion to dismiss); D.E. 40 (granting in part and denying in part D.E. 22); DE. 47 (motion to strike Plaintiff's answer to Appealing Defendants' counterclaims); D.E. 67 (granting D.E. 47); Oct. 31, 2023 Hearing Tr. at 65:7-66:24.

<sup>8</sup> Appealing Defendants' reliance on other district court cases finding that equity disfavored disqualification does not compel a different conclusion here because the Court may vacate the disqualification order *only* if it finds Judge Espinosa's order was contrary to law or clearly erroneous. *De La Cruz*, 597 F. App'x at 88. Because Appealing Defendants cite no authority *requiring* the Court to conclude that disqualification is improper based upon some number of hours worked or other relevant fact, the magistrate judge's weighing of the facts does not amount to clear error based upon *Tabrizi v. Nitto*, No. 22-1341, 2022 WL 16552859 (D.N.J. Oct. 31, 2022) or *Alexander*, 822 F. Supp. at 1114 (D.N.J. 1993).

Espinosa therefore properly weighed the relevant factors in considering whether disqualification was warranted, and the Court identifies no clear error in his factual findings.

*Second*, Appealing Defendants protest that the late timing of Plaintiff's motion to disqualify so close to trial demonstrates Plaintiff seeks a tactical advantage.<sup>9</sup> Appeal at 28. As previously described, Defense Counsel repeatedly side-stepped Plaintiff's inquiries into whether a Rule 7.1.1 statement was needed. *See supra* Section I.B. Because Appealing Defendants only made Lincoln's third-party payer status apparent more than two years after litigation began, it is of no fault to Plaintiff that the timing of his motion comes years after litigation began. To allow otherwise would permit parties to avoid accountability for a violation of the RPCs by persistently misleading their opponents. The Court therefore agrees that the timing of Plaintiff's motion was not untimely and does not preclude disqualification. Disqualification Order at 27.

Finally, Appealing Defendants contend that because disqualification is never automatic, Judge Espinosa erred by failing to consider whether alternative remedies would have addressed the conflict of interest between Lincoln and Appealing Defendants. Appeal at 29. Appealing Defendants again mischaracterize the Disqualification Order. After explaining that disqualification is "a drastic measure which courts should hesitate to impose except when absolutely necessary," Disqualification Opinion at 26 (quoting *Alexander*, 822 F. Supp. at 1114), Judge Espinosa found disqualification nevertheless warranted under the circumstances. Moreover, Judge Espinosa considered Appealing Defendants' arguments in his Reconsideration Order and

---

<sup>9</sup> Appealing Defendants contend that disqualification "shortly before . . . trial" is inappropriate. Appeal at 27. But disqualification has not come "shortly before . . . trial." The parties have yet to brief claim construction, as Appealing Defendants themselves contend is necessary, and at the time of the Disqualification Order, it appears that the parties had not yet completed discovery. *See* D.E. 178 (informing the Court that Appealing Defendants "plan[ned] to serve one or more expert reports by January 24" and indicating that the parties may engage in "further fact discovery").

reiterated that disqualification was necessary because an alternative remedy, such as conflict counsel, would not cure the extent to which Lincoln has impermissibly controlled Appealing Defendants' representation. Reconsideration Order at 6-7.

Accordingly, the Court finds that Judge Espinosa did not abuse his discretion by ordering disqualification.

#### **IV. CONCLUSION**

Having determined that the Disqualification Order and Reconsideration Order are not "clearly erroneous or . . . contrary to law," the Court **DENIES** the Appeal and **AFFIRMS** D.Es. 179 and 205. Fed. R. Civ. P. 72(a); L. Civ. R. 72.1(c)(1)(A).

Dated: December 27, 2025

/s/ Evelyn Padin  
Evelyn Padin, U.S.D.J.