



Ethical Issues in IP Investigations

Join us for a real-life tale of attorneys crossing the ethical line with real-life consequences of removal from the litigation and public shaming

Markey IP Inn of Court

October 24, 2023

6 PM - Networking

6:40 PM - Start

7:40 PM - Questions

Pupilage Group 3

- John Sganga
- Christy Lea
- Taylor King
- Hans Smith
- Steven Marshak

Why a legal ethics review?

Investigation and evidence gathering can bring up subtle ethical distinctions

ALL violations of the Rules of Professional Conduct are serious

Consequences are embarrassing for you, your client, and the firm

Choose your own ethical adventure: Part 1



Your client sued a competitor for infringing its software patent, but you don't know what algorithms the competitor uses, making it hard to prove infringement.



The competitor advertises a webinar about how its software works. You think it might include information that would help show infringement. The webinar is advertised on LinkedIn and requires pre-registration. Should you sign up?

YES

NO

MAYBE

Did you make the right decision?

- There's not really a clear ethical dilemma at this point, nor a clearly correct answer.
- When you see situations like this, know to slow down and think.



What are some ways to proceed?



RESEARCH MORE TO
DETERMINE IF THE WEBINAR IS
INTENDED TO BE PUBLIC



SERVE RFP FOR RECORDING &
POWERPOINTS



DISCUSS WITH TEAM (INCLUDING LEAD
COUNSEL) AND POSSIBLY GENERAL
COUNSEL OR ETHICS COUNSEL

Choose your own ethical adventure: Part II

You decide that since the webinar appears open to the public as far as you can tell, you will try to sign up. You click the registration link. What now?

Register using your full name and law firm email address

Register using your full name and a personal email address

Register using your first name and last initial and an email address that doesn't use your name

Register using a fake name and burner email

Did you make the right decision?

- There is a correct answer here
- Rule 8.4(c) (California)
 - “It is professional misconduct for a lawyer to:
 - . . . (c) engage in conduct involving **dishonesty, fraud, deceit, or reckless or intentional misrepresentation**”



Case Example 1: N.D. California

- The case: Breach of contract for custom cabinetry
- The facts:
 - Lawyer misrepresents his client's interest in purchasing a home to a real estate broker
 - The lawyer asked for info related to the suit under guise of needing info to evaluate purchase
- The court's reaction:
 - “troubling”
 - “questionable”
 - “misguided”

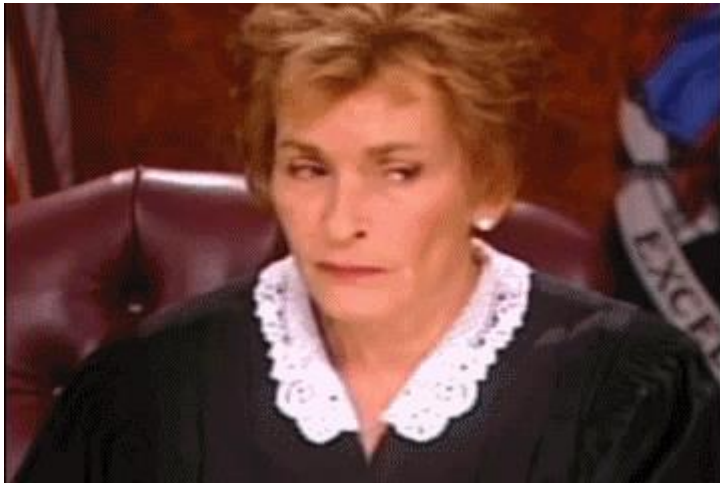
Cakebread v. Berkeley Millwork & Furniture Co., 218 F. Supp. 3d 1040 (N.D. Cal. 2016)

Choose your own ethical adventure: Part III

You want your expert to attend, in case anything said in the webinar will be useful for her to cite in her opinions. You send her the link. What else do you say?

- That she should register using her full name and professional email address.
- That she should register using her full name and a personal email address.
- That she should register using a pseudonym and email address resembling her full name.
- That she should register using a fake name and burner email.
- Nothing. If she gets the idea to register using a fake name herself, it's a win-win.

Did you make the right decision?



- Again, there's a straightforward best answer here
 - Treat your experts like they are subject to your ethical obligations
 - Instruct them accordingly
- Rule 8.4 (California) again:
 - “It is professional misconduct for a lawyer to:
 - (a) violate these rules or the State Bar Act, **knowingly assist, solicit, or induce another to do so**, or do so through the acts of another”

Case Example 2: S.D.N.Y. 2019



The case:

Patent infringement suit—these issues are real for us



The facts:

Plaintiff' counsel and an investigator attended defendant's promotional event

- Investigator did not register using real name
- Neither person disclosed affiliation with plaintiff in pending litigation
- Questioned managerial employees and surreptitiously recorded answers



Any guesses as to the consequences?

Case Example 2 Outcome

- Consequences:
 - Preclusion of evidence
 - Court order barring further *ex parte* contact
- The court did not disqualify counsel or award fees
 - Consider a DC-based variation in Rule 8.4: Don't cynically wield the Rules of Professional Conduct for litigation advantage

Dareltech, LLC v. Xiaomi Inc., No. 18 CIV. 8729 (AKH), 2019 WL 10966202 (S.D.N.Y. Apr. 11, 2019)

Choose your own ethical adventure: Part IV

Although some of the members of your team were not provided the link to the webinar after registering, you were.

- It's time for the webinar—what's your plan?
 - I'll send the link to my teammates that didn't receive it and log on.
 - I'll start my recording device and log on.
 - I'll make sure our expert is able to access the link and log on, and then log on myself.
 - I'll log on, duh. They sent me the link, and I'm just going to listen and take notes. What could be the harm?
 - Hmm . . . because other people on my team had their registration denied, perhaps this webinar is not intended for the public. I shouldn't risk attending.

Did you make
the right
decision?

ALL PAIN
NO GAIN

- If you know others who got denied attendance, you can reasonably infer that the webinar was not public.
- Just being a silent participant on a confidential phone call may violate Rule 8.4.
 - Example: *Scranton Prod. v. Bobrick Washroom Equip.*, 190 F. Supp. 3d 419 (M.D. Pa. 2016)
 - Lanham Act case: false advertising
 - The President of Plaintiff called the President of Defendant to discuss the litigation
 - In-house counsel for Plaintiff was listening to the call and taking notes
 - Consequences: preclusion of evidence, disciplinary referral

Choose your own ethical adventure: Part V

You logged on, but now you're wondering why you even bothered to attend—this was all about how to use the software, not how it works!

- Luckily, the presenter has now asked if anyone has questions. Now's your chance to get an admission that the accused product would infringe. Your hands hover over the keyboard. What now?
 - I'll ask a relevant question, identifying my real name, my law firm, and that I represent the opposing party in the litigation
 - I'll use a fake name to ask a relevant question
 - I'll make my username "Anonymous," and ask a relevant question
 - I'll call our expert and tell them questions to ask anonymously
 - I'll put my hands back in my lap, and attentively wait to see if any other webinar attendees will ask relevant questions

Did you make
the right
decision?



- **NEVER ask questions of a represented party.** Save it for the depo.
 - Rule 4.2(California):
“In representing a client, a **lawyer shall not communicate** directly or indirectly **about the subject of the representation with a person the lawyer knows to be represented by another lawyer** in the matter, unless the lawyer has the consent of the other lawyer.”

When is a person affiliated with a corporate party a “represented party”?

- California:
 - They are current officer, director, partner, or managing agent.
 - They are “[a] current employee, member, agent, or other constituent of the organization, **if the subject of the communication** is any act or omission of such person in connection with the matter which **may be binding upon or imputed to the organization for purposes of civil or criminal liability.**”
 - Rule 4.3 (California).

When is a person affiliated with a corporate party a “represented party”?

- Washington: a constituent of the organization who **“supervises, directs or regularly consults with the organization's lawyer concerning the matter or has authority to obligate the organization** with respect to the matter.”
- New York: Washington, plus persons **“whose act or omission in connection with the matter may be imputed to the organization** for purposes of civil or criminal liability.”
- DC: any person who **“has the authority to bind an organization as to the representation** to which the communication relates.”

Can I have my client ask the questions directly?

- “In representing a client, a lawyer shall not communicate **directly or indirectly** about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer.”
 - Rule 4.2 (California)
 - A represented person may communicate directly with other represented parties, and lawyers may advise their client on these communications.
 - BUT—note the fine line between advising the client about the communication and using your client as a means for indirectly communicating with the represented party.

Other local variations on Rule 4.2

- New York:
 - Under Rule 4.2(b), “unless otherwise prohibited by law, a lawyer **may cause a client to communicate with a represented person** unless the represented person is not legally competent, **and may counsel the client** with respect to those communications, **provided the lawyer gives reasonable advance notice** to the represented person’s counsel that such communications will be taking place.”
- DC:
 - The prohibition applies “during the course of representing a client,” not just “in representing a client.”
 - A lawyer may communicate with a non-party employee of an adverse party, but only if the lawyer discloses “both the lawyer’s identity and the fact that the lawyer represents a party that is adverse to the employee’s employer.”



Practice Tip Based on Rule 4.2

Sign up key third party witnesses to represent them in
the case.

What about unrepresented parties?

- You can communicate with an unrepresented party about a matter, but do **not state or imply that you are disinterested**. (i.e., best to be forthcoming about who you represent, and perhaps even the subject of the representation).
 - Rule 4.3
 - And, if you “know[] or reasonably should know that the unrepresented person incorrectly believes [you are] disinterested in the matter, [you] shall **make reasonable efforts to correct the misunderstanding.**” (California)
- If you find out that a putatively unrepresented party is represented, terminate communications immediately.

Case Example 3: E.D. Cal. 2010

- The facts:
 - An attorney for a company in a dispute with the US Forest Service attended a public Forest Service-sponsored trip to a site in a national forest
 - He then “badgered” Forest Service employees about questions relevant to the litigation
- The consequences:
 - Evidence collected had to be destroyed
 - Embarrassing court orders

United States v. Sierra Pac. Indus., 759 F. Supp. 2d 1206 (E.D. Cal. 2010)

Is it ever okay to conceal my identity (or instruct someone to do so?) for investigation?

- Never without talking to your partners and General Counsel first.
- BUT, according to one NY Ethics opinion, pretext investigations are permissible when:
 - (i) either (a) the investigation is of a violation of civil rights or *intellectual property rights* and the lawyer believes in good faith that such violation is taking place or will take place imminently or (b) the dissemblance is expressly authorized bylaw; and
 - (ii) the evidence sought is **not reasonably available through other lawful means**; and
 - (iii) the lawyer's conduct and the investigators' conduct that the lawyer is supervising **do not otherwise violate the** [NY Ethical Rules, such as Rules 4.2 and 4.3] or applicable law; and
 - (iv) the dissemblance does not unlawfully or unethically violate the rights of third parties.
- Moreover, the investigator must be instructed not to elicit information protected by the attorney-client privilege.

New York County Lawyers Ass'n Comm. on Prof'l Ethics, Formal Op. No. 737, 6 (2007), available at http://www.nycla.org/site-Files/Publications/Publications519_0.pdf.

Is it ever okay to conceal my identity (or instruct someone to do so?) for investigation?

- *Apple Corps. v. Int'l Collectors Society*, 15 F. Supp. 2d 456 (D.N.J. 1998)
 - “RPC 4.2 cannot apply where lawyers and/or their investigators, seeking to learn about current corporate misconduct, **act as members of the general public to engage in ordinary business transactions with low-level employees** of a represented corporation.”
- *Gidatex v. Campaniello Imports*, 82 F. Supp. 2d 119 (S.D.N.Y. 1999).
 - “These ethical rules should not govern situations where a party is legitimately investigating potential unfair business practices by use of an **undercover posing as a member of the general public engaging in ordinary business transactions** with the target.”
- **BUT THIS IS NOT A MAJORITY RULE, WILL NOT APPLY EVERYWHERE, AND IS MAINLY FOR TRADEMARK/UNFAIR COMPETITION!**

Better safe than sorry!

- “[W]e stand resolute against any suggestion that licensed attorneys in our state may deceive or lie or misrepresent, regardless of their reasons for doing so.”

In re Pautler, 47 P.3d 1175, 1182 (Colo. 2002).

Choose your own ethical adventure: Part VI

Opposing counsel did it! What is the best option to protect your clients' interests?

- File a motion to have the case dismissed with fees
- Move to disqualify opposing counsel's firm
- Contact opposing counsel, ask them to have the offending attorneys withdraw, and make sure the protective order will ensure that the offending attorneys cannot view confidential information disclosed by your client
- Move to have the evidence excluded
- Write an article for Above the Law mocking the firm and the specific attorneys

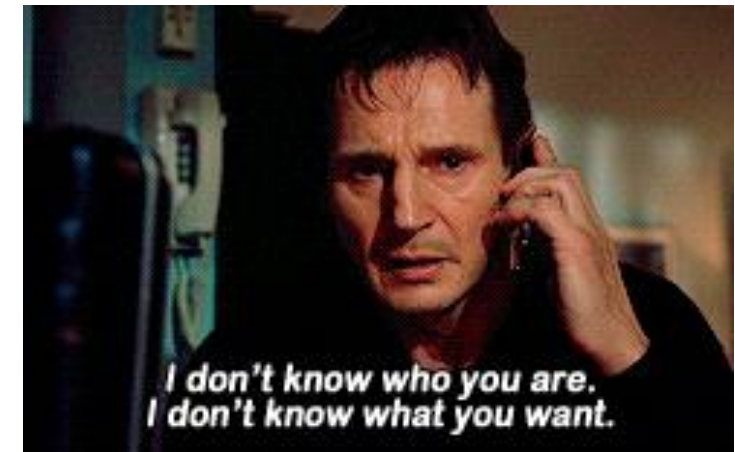
Did you
choose
correctly?



- As long as you didn't choose the last answer, you're on the right track
- Courts typically do not impose punitive sanctions, and narrowly tailor their remedies to cure any prejudice from the misconduct
 - “[D]isqualification is a drastic measure that is generally disfavored and imposed only when absolutely necessary.”
 - “Nevertheless, ‘the paramount concern must be the preservation of public trust both in the scrupulous administration of justice and in the integrity of the bar.’”
 - *Beltran v. Avon Prod.*, 867 F. Supp. 2d 1068, 1077 (C.D. Cal. 2012)
 - “[E]thical breaches will result in disqualification where it is **necessary ‘to mitigate the unfair advantage a party might otherwise obtain if the lawyer were allowed to continue representing the client.’**”
 - *Est. of Elkins v. Pelayo*, 2020 WL 977931, at *10 (E.D. Cal. Feb. 28, 2020)

Examples of Fact Patterns and Consequences

- *Moore v. Club Exploria*, 2021 WL 260227 (N.D. Ill. Jan. 26, 2021)
- The facts:
 - Plaintiff sued Defendant for violations of the Telephone Consumer Protection Act.
 - Defendant's attorney got an interesting expert report and decided to investigate further
 - He made a fateful phone call.
- The consequences:
 - The court was "troubled" by the attorney's "misleading responses"
 - The court did not disqualify the attorney
 - But, the court did award fees and costs to Plaintiff for the motion for sanctions



Examples of Fact Patterns and Consequences

- *Kinchen v. Brennan*, 2020 WL 2374947 (C.D. Cal. Mar. 17, 2020)
- The facts:
 - Plaintiff sued the USPS for wrongful termination
 - Plaintiff's attorney contacted a USPS plant manager who had previously managed the Plaintiff by phone and obtained a declaration from the plant manager
- The consequences:
 - Order precluding use of the declaration
 - Order precluding more ex parte communications
 - Warning from the court that future violations would warrant substantial sanctions, including disqualification

Examples of Fact Patterns and Consequences

- *Meyer v. Kalanick*, 212 F. Supp. 3d 437 (S.D.N.Y. 2016)
- The facts:
 - Defendant Uber hired unlicensed private investigators to secretly investigate the background of the plaintiff and his counsel.
- The consequences:
 - The court precluded the information from being used
 - The court retained jurisdiction to enforce Uber's offer to pay a portion of attorneys' fees.



Choose your own ethical adventure: Bonus Question

You know that opposing counsel's actions breached several ethical rules in your jurisdiction. Do you need to file a complaint with the bar?

- No, but my client can if they want to.
- Yes, I am obliged to report any ethical breaches by any attorney of which I am aware.
- I'm not sure, but I'll talk to my supervising partner(s) or the general counsel to find out.
- I'm not sure: I remember that I am obliged to report any violations that raise a substantial question as to that lawyer's honesty, trustworthiness or fitness to practice law, but what does that mean?
- I'm over it. I want to take the *Summer Breeze* for a sail down to the Balboa Pier, and I'm supposed to go to a party with my friends in a couple of hours. Filing a bar complaint is something my dad would do.

Rule 8.3 (NEW to California!!!)

- Effective August 1, 2023: California has adopted Model Rule 8.3.
- Reporting mandatory if:
 - Lawyers knows of credible evidence that another lawyer has (1) committed a criminal act or (2) has engaged in acts of dishonesty, fraud, deceit, or reckless or intentional misrepresentation or misappropriation of funds or property **that raises a substantial question as to that lawyer's honesty, trustworthiness or fitness as a lawyer**
 - But: remember Rule 1.6 (other laws imposing confidentiality obligations)
 - Reporting must not compromise a client's confidential information
 - Information gained while participating in a lawyer assistance program need not be disclosed
 - A lawyer may be disciplined for participating in agreement that precludes the reporting of a violation of the rules



A reminder: choice of law & Rule 8.5

- You're always going to be subject to the disciplinary authority of **your home bar**, no matter where the conduct occurs, as well as any jurisdiction where you offer or provide legal services
 - In applying disciplinary authority, the choice of law is either:
 - Cal./Wash:
 - For matters before a tribunal, the rules of the jurisdiction where the tribunal is sitting, unless the tribunal's rules say otherwise
 - For any other conduct, the rules of the jurisdiction where the conduct occurred, or where the predominant effect of the conduct occurred (Cal./Wash.)
 - NY/DC:
 - Rules of NY/DC bar if only admitted to that bar
 - If admitted to practice in NY or DC plus another jurisdiction, then:
 - **rules of the admitting jurisdiction** in which the lawyer **principally practices**;
 - **if particular conduct clearly has its predominant effect in another jurisdiction in which the lawyer is licensed to practice**, the rules of that jurisdiction shall be applied



One New Partner

Second Year Associate #1

Second Year Associate #2

One Technical Expert

Will this topic really affect me?

“[Large IP Firm] recognizes that if you or your client want to make a complaint to the State Bar, that is your right. I can, however, assure you that **the young lawyers involved have already been deeply impacted** by these events.”

- Large IP Firm General Counsel

Protective Order (public)

- CONFIDENTIAL documents may be disclosed only to....
- 4a. outside counsel of record in this Action for the Parties . . . , except that:
 - as separately agreed to by the Parties, [Associate 1], [Associate 2], [Partner] are prohibited from accessing any CONFIDENTIAL documents or any other Protected Material or DESIGNATED MATERIAL, and
 - (ii) any [Large IP Firm] attorneys who directly or indirectly communicated with Defendant during the question and answer portion at Defendants' webinar on April 21, 2021, or participated in such communications or approved the decision to do so, are prohibited from accessing any CONFIDENTIAL documents or any other Protected Material or DESIGNATED MATERIAL;

Protective Order (public)

- 33. Counsel of record, in-house counsel, and experts for any Party shall not directly or indirectly communicate with any employee, consultant, or representative of an opposing Party about technical subject matter of any kind or any subject matter related to this litigation, except through formal discovery served on outside counsel for the opposing Party.
- 34. [Patentee] is precluded from using or relying upon Defendant's April 21, 2021, webinar titled "**** Software Demo," including the question and answer portion, in any way in this litigation or any other proceeding.

Will this topic really affect me?

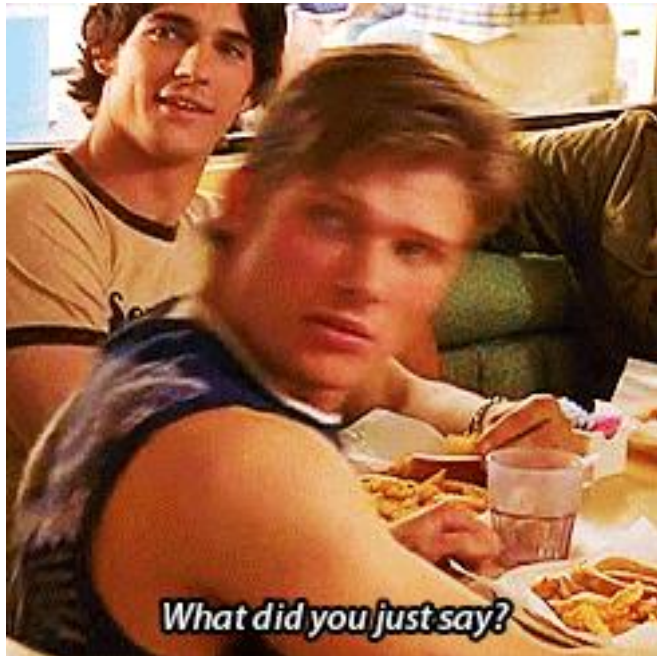
Other possible encounters with these issues:

- Walking a trade show floor and opposing counsel has a booth
- Logging on to an earnings call of a public company
- Prepping your client for a meeting with the opposing party
- Avoid being alone with the opposing party
- If the opposing party contacts you or in-house counsel, do not respond until you get their counsel's consent
 - Be careful with cc fields and reply all, if a party is copied

Will this topic really affect me?

- Social media:
 - You can view public posts
 - You can add **unrepresented** parties and request to see their non-public profile, but you must use your full name and an accurate profile, accurately reply to any questions from the person, and cease communications if requested.
 - You cannot friend/follow/etc. a represented party without consent of their counsel
- See NYSBA Social Media Ethics Guidelines, <https://nysba.org/app/uploads/2020/02/NYSBA-Social-Media-Ethics-Guidelines-Final-6-20-19.pdf>.

Don't let your ethical obligations slip from your mind; ask if you have questions



- Don't conceal or misrepresent your identity.
- Don't contact represented parties.
- Don't use your expert or investigator to circumvent these rules.
- Take time to review the ethical rules that apply to you, and don't rely on others to know them.
- If you have worries, ask your partners or General Counsel **BEFORE** you do anything.
 - Don't be afraid to speak up if you're worried about something.
- Do your own due diligence
 - The partners and General Counsel can't know everything—take the lead!
 - If you're someplace different than your supervising partners, you might have different obligations.
- Even if you need evidence for your client's case, you might just need to wait.
- You'll provide much worse representation if you have to withdraw.



Final Words

Call General Counsel, Ethics Counsel,
and/or Partner

Rule 8.4 Misconduct (California)

- It is professional misconduct for a lawyer to:
 - (a) violate these rules or the State Bar Act, **knowingly assist, solicit, or induce another to do so**, or do so through the acts of another;
 - (b) commit a criminal act that reflects adversely on the lawyer’s honesty, trustworthiness, or fitness as a lawyer in other respects;
 - (c) engage in conduct involving **dishonesty**, fraud, **deceit**, or **reckless or intentional misrepresentation**;
 - (d) engage in conduct that is prejudicial to the administration of justice
 - (e) state or imply an ability to influence improperly a government agency or official, or to achieve results by means that violate these rules, the State Bar Act, or other law;
 - or (f) knowingly* assist, solicit, or induce a judge or judicial officer in conduct that is a violation of an applicable code of judicial ethics or code of judicial conduct, or other law. For purposes of this rule, “judge” and “judicial officer” have the same meaning as in rule 3.5(c).

Rule 4.3 Communicating with an Unrepresented Person (California)

- In communicating on behalf of a client with a person who is not represented by counsel, **a lawyer shall not state or imply that the lawyer is disinterested.**
- When the lawyer knows or reasonably should know that the unrepresented person incorrectly believes the lawyer is disinterested in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding.
- If the lawyer knows or reasonably should know that the interests of the unrepresented person are in conflict with the interests of the client, the lawyer shall not give legal advice to that person, except that the lawyer may, but is not required to, advise the person to secure counsel.