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Ethical Issues Arising From the Investigation of Activities of Intellectual Property Infringers Represented by Counsel

Phillip Barengolts*

¶1 In disputes involving the violation of intellectual property rights, it is common practice to investigate the alleged infringer's activities either after demanding that the infringer cease and desist or after commencement of a lawsuit.¹ Intellectual property owners want to know whether infringing activities continue after action is initiated, whether court orders are being obeyed and whether infringing activities have changed in quantity or quality. While most attorneys hire private investigators to perform such services without a thought to their propriety, some recent decisions have shed light on this practice with respect to Rule 4.2 of the 2002 ABA Model Rules of Professional Conduct (the "Model Rules") and similar rules promulgated in most jurisdictions.²

¶2 This article will describe how the rules of ethics have been understood by the courts to allow investigative activities (limited to contact that mimics the represented party's transactions with consumers) in the context of intellectual property rights enforcement when this enforcement involves contact with a represented party. Section I describes the applicable Rules, as stated in the Model Rules. Section II discusses decisions that have addressed the issue. Section III addresses the ABA's guidance on the issue. Finally, Section IV attempts to show that the previously discussed authorities are in harmony with the purposes of the anti-contact rule and delineates proper conduct under the Rules.

I. THE RULES

A. RULE 4.2

¶3 Rule 4.2 of the Model Rules states:

In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by

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¹ The ethics of *ex parte* contacts with employees of an organization is a broad subject. This article is limited to an analysis of such contacts in the context of intellectual property litigation.

² For purposes of this article, it will be assumed that all jurisdictions apply the Model Rule, or a rule substantially similar to the Model Rule. Of course, to properly evaluate one's ethical obligations, it is necessary to check the particular rule applicable in the jurisdiction at issue.

another lawyer in the matter, unless the lawyer has the consent of the lawyer or is authorized to do so by law or a court order.³

¶4 Comment 7 to Rule 4.2 states:

In the case of a represented organization, this Rule prohibits communications with 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 or whose act or omission in connection with the matter may be imputed to the organization for purposes of civil or criminal liability.⁴

B. RULE 8.4

¶5 Rule 8.4 of the Model Rules in pertinent part states:

It is professional misconduct for a lawyer to: (a) violate or attempt to violate the Rules of Professional Conduct, knowingly assist or induce another to do so, or do so through the acts of another; . . . [and] (c) engage in conduct involving dishonesty, fraud, deceit or misrepresentation. . .⁵

¶6 The plain language of the Rules suggests that it is professional misconduct for an attorney to elicit an admission from an employee of an organization by sending an investigator posing as a customer to the organization's place of business after the organization is known to be represented by counsel.⁶ Investigations of intellectual property rights violations can potentially involve management employees, especially when the alleged infringer is a mom-and-pop operation or other small business. Nevertheless, if an employee is selling products to the public at a store, warehouse or over the phone, the employee's rank should be of no moment in an analysis of the *ex parte* contact.

¶7 Low-level employees, such as retail staff, are also within the ambit of Rule 4.2 because Comment 7 prohibits contacts with a constituent whose act or omission may be imputed to the organization or whose statement may constitute an admission. Since it is generally the goal of interlocutory investigations to reveal continued violations or to

³ MODEL RULES OF PROF'L CONDUCT R. 4.2 (2002).

⁴ MODEL RULES OF PROF'L CONDUCT R. 4.2 cmt. (2002).

⁵ MODEL RULES OF PROF'L CONDUCT R. 8.4 (2002).

⁶ It should be said that challenges to such investigative evidence can also arise under Rule 4.1, concerning misrepresentations to third parties. Rule 4.1 states: "In the course of representing a client a lawyer shall not knowingly. . . make a false statement of material fact or law to a third person. . ." MODEL RULES OF PROF'L CONDUCT R. 4.1 (2002). Comment 1 to that rule states: "A lawyer is required to be truthful when dealing with others on a client's behalf. . . A misrepresentation can occur if the lawyer incorporates or affirms a statement of another person that the lawyer knows is false. . ." MODEL RULES OF PROF'L CONDUCT R. 4.1 cmt. (2002). The practice of having individuals pose as consumers during intellectual property disputes generally has been accepted as ethical and will not be discussed here. For a discussion of the responsibilities of lawyers for deception by undercover investigators, see generally Darid B. Isbell & Lucantonion N. Falvi, *Ethical Responsibility of Lawyers for Deception by Undercover Investigators and Discrimination Testers: An Analysis of the Provisions Prohibiting Misrepresentation Under the Model Rules of Professional Conduct*, 8 GEO. J. LEGAL ETHICS 791 (1995).

ensure compliance with temporary relief, such investigations are almost exclusively conducted with the purpose of seeking out evidentiary admissions. Violations of the Rules can result in sanctions against the attorney involved and the inadmissibility of evidence obtained through the use of investigators. So what is an ethical lawyer to do?

¶8 Although this conundrum has been addressed only rarely by the federal courts, some insight can be gleaned from the available decisions.

II. THE CASE LAW

A. THE GIDATEX DECISION

¶9 In *Gidatex v. Campaniello Imports, Ltd.*,⁷ the issue of contacting a represented party arose by a motion *in limine* to exclude evidence obtained through conversations between plaintiff's investigators and defendant's sales clerks. The defendants sought to exclude the investigator's testimony, reports and tape-recorded conversations as a sanction for plaintiff's purported violations of the anti-contact rule.⁸

¶10 The facts of this case are representative of typical investigations conducted during trademark infringement litigation. Defendant Campaniello had been a licensed sales agent of "Saporiti Italia" furniture. Plaintiff *Gidatex*, the manufacturer of the furniture, had terminated Campaniello's license, but Campaniello continued to sell the "Saporiti Italia" furniture that it had in stock. *Gidatex* alleged that Campaniello lured customers to its showrooms by displaying the "Saporiti Italia" trademark, then selling customers furniture produced by other manufacturers. To prove this classic case of passing-off, *Gidatex*'s counsel hired private investigators to pose as interior designers and tape record conversations with Campaniello's salespeople.⁹

¶11 The *Gidatex* court provided three reasons why defendants' motion *in limine* to exclude evidence should be denied: (1) the ethics rules were not applicable to the situation; (2) plaintiff's attorneys had not violated the ethics rules even if they were applicable; and (3) exclusion of evidence was not the proper remedy for a violation of the ethics rules.¹⁰

¶12 The court stated that the purpose of the anti-contact rule was to preserve the proper functioning of the attorney-client relationship.¹¹ Noting that the investigators did nothing more than any ordinary consumer of the products would have done, the court found that the sales clerks, as low level employees, would not have disclosed, or even have known,

⁷ 82 F. Supp. 2d 119, 119-20 (S.D.N.Y. 1999).

⁸ *Id.* The court was construing the American Bar Association ("ABA") and the New York State Bar Association ("NYSBA") Disciplinary Rule ("DR") 7-104(A)(1), which states:

During the course of the representation of a client a lawyer shall not . . . communicate or cause another to communicate on the subject of the representation with a party the lawyer knows to be represented by a lawyer in that matter unless the lawyer has the prior consent of the lawyer representing such other party or is authorized by law to do so.

N.Y. COMP. CODES R. & REGS. tit. 22, § 1200.35 (2003). This rule is not significantly different from Rule 4.2 of the Model Rules.

⁹ *Gidatex*, 82 F. Supp. 2d at 120.

¹⁰ *Id.*

¹¹ *Id.* at 122 (citing N.Y. State Bar Ass'n Comm. on Prof'l. Ethics Op. 607 (1990) at 1).

any information protected by the attorney-client privilege.¹² The court also noted that the statements made by the clerks were no different than the statements they would have made to actual, ordinary consumers.¹³

¶13 After examining the purpose of the anti-contact rule, the court explained that the policies underlying trademark and unfair competition law made application of the anti-contact rule in such contexts inappropriate, stating: “These ethical rules should not govern situations where a party is legitimately investigating potential unfair business practices by use of an undercover [agent] posing as a member of the general public engaging in ordinary business transactions with the target.”¹⁴

¶14 The court noted that undercover investigators provide an effective enforcement mechanism for detecting and proving unfair competition and, without them, such activity might otherwise escape detection. The court approvingly cited cases where reliable investigative testimony was found to be probative and admissible evidence in trademark disputes.¹⁵ Thus, as the *Gidatex* court recognized, prohibiting undercover, interlocutory investigations would undermine the policy goals of trademark and unfair competition law while not furthering the goals of the attorney-client privilege, the preservation of which is a purpose of the anti-contact rule.

¶15 The difficulty for attorneys facing a decision on whether to conduct an investigation during the pendency of a lawsuit is underscored by the *Gidatex* court’s decision that, assuming the ethics rules applied in such situations, plaintiff’s attorney “technically” satisfied the three-part test used by the Second Circuit to determine whether the disciplinary rules have been violated.¹⁶ Despite this technical violation, the court nevertheless concluded that the “actions [of plaintiff’s counsel] simply do not represent the type of conduct prohibited by the rules. The use of private investigators, posing as consumers and speaking to nominal parties who are not involved in any aspect of the litigation, does not constitute an end-run around the attorney client privilege.”¹⁷

¶16 Lastly, but not of least importance, was the court’s brief commentary that even if the ethics rules had been violated, exclusion of evidence was not the proper remedy because it would not serve the public interest or promote the goals of the disciplinary rules.¹⁸

¹² *Id.* at 126.

¹³ *Id.*

¹⁴ *Id.* at 122.

¹⁵ *Id.* at 124 (citing *Nikon v. Ikon Corp.*, 803 F. Supp. 910, 921-22 (S.D.N.Y. 1992), *aff’d*, 987 F.2d 91, 95-96 (2d Cir. 1993); *Louis Vuitton S.A. v. Spencer Handbags Corp.*, 597 F. Supp. 1186, 1188 (D.C.N.Y. 1984), *aff’d*, 765 F.2d 966 (2d Cir. 1985); *Union Carbide v. Ever-Ready, Inc.*, 531 F.2d 366, 384 (7th Cir. 1976)).

¹⁶ *Id.* at 125-26. The Second Circuit’s test is as follows: (1) Did counsel communicate with a “party”? (2) If so, did counsel know that the party was represented by a lawyer in this matter? (3) Did counsel “cause” the communication to occur? *See Miano v. AC&R Advert. Inc.*, 148 F.R.D. 68, 75 (S.D.N.Y. 1993).

¹⁷ *Gidatex*, 82 F. Supp. 2d at 126.

¹⁸ *Id.*

B. THE BEATLES STAMPS

¶17 Similar to *Gidatex*, in *Apple Corps Ltd., v. International Collectors Society*,¹⁹ the defendants in a copyright infringement action previously resolved by a consent decree filed a motion for sanctions against the plaintiffs. The plaintiffs brought a contempt proceeding after a compliance investigation revealed that the defendants had not abided by the consent decree.

¶18 The original action was brought by various owners, including Yoko Ono Lennon, of the rights in the names, likenesses and trademarks of The Beatles, Paul McCartney and John Lennon to stop the defendants' sale of postage stamps bearing images of The Beatles and Yoko Ono Lennon ("Beatles/Lennon stamps").²⁰ The parties resolved their dispute by a Consent Order, which was entered by the court.

¶19 After plaintiffs' counsel became aware of defendants' possible violation of the Consent Order, plaintiffs' counsel conducted an investigation to determine whether the defendants were in compliance. The court stated that the communications between plaintiff's investigators and defendants' sales representatives "were limited to listening to recommendations about which stamps to purchase and accepting an order for Sell-Off stamps."²¹ The plaintiffs' investigators did not ask sales representatives any questions about instructions given or received, or about the defendants' practices or policies, with regard to the Beatles/Lennon stamps. The investigation revealed that the defendants were not in compliance with the Consent Order, and the plaintiffs filed a motion for contempt.²² The defendants then moved for dissolution of the Consent Order and for sanctions pursuant to Rule 4.2, among others.²³

¶20 The court found plaintiffs' investigative activities were not prohibited by New Jersey's rules of ethics. New Jersey law only provides protection from contact for "an organization's litigation control group."²⁴ In New Jersey, the litigation control group is defined as those persons in an organization who are "current agents and employees responsible for or significantly involved in the determination of the organization's legal position in the matter. . . ."²⁵ Given the New Jersey rule, the court had no trouble finding that the defendants' sales clerks did not fall within the litigation control group and, therefore, the *ex parte* contacts were permitted.²⁶ The court did note, though, that such *ex parte* contacts would have to be conducted in accordance with Rule 4.3, which deals with contacts on behalf of a client with a person who is not represented by counsel.²⁷

¶21 The court explained the policies underlying the anti-contact rule: "to prevent situations in which a represented party may be taken advantage of by adverse counsel,"²⁸

¹⁹ 15 F. Supp. 2d 456, 458 (D.N.J. 1998).

²⁰ *Id.*

²¹ *Id.* at 474.

²² *Id.* at 462-66.

²³ *Id.* at 472.

²⁴ *Id.* at 473 (citing N.J. RULES OF PROF'L CONDUCT R. 4.2).

²⁵ *Id.* (citing N.J. RULES OF PROF'L CONDUCT R. 1.13). The court expressly noted that New Jersey's version of the anti-contact rule explicitly excluded persons whose actions bind the organization or are imputable to the organization unless they meet the "legal position" test. *Apple Corps*, 15 F. Supp. 2d at 474 (citing Report of the Special Supreme Court Comm. on RPC 4.2, 139 N.J. L.J. 1161, 14 (1995)).

²⁶ *Id.* at 474.

²⁷ MODEL RULES OF PROF'L CONDUCT R. 4.3 (2002).

²⁸ *Id.* (citing *Niesig v. Team I*, 558 N.E.2d 1030 (1990)).

and “to avoid ‘artful’ legal questioning.”²⁹ The court also opined, “it is not the purpose of [the anti-contact rule] to protect a corporate party from the revelation of prejudicial facts.”³⁰

¶22 The court also turned its attention to misrepresentations made during the investigation. Such misrepresentations were only in regard to identity and purpose for calling.³¹ Thus, the court stated:

RPC 4.2 cannot apply where lawyers and/or their investigators, seeking to learn about current corporate misconduct, act as member[s] of the general public to engage in ordinary business transactions with low-level employees of a represented corporation. To apply the rule to the investigation which took place here would serve merely to immunize corporations from liability for unlawful activity, while not effectuating any of the purposes behind the rule.³²

C. EVIDENTIARY SANCTIONS FOR RULES OF ETHICS VIOLATIONS

¶23 In *Midwest Motor Sports, Inc. v. Arctic Cat Sales, Inc.*, the court granted sanctions against the defendant because defendant’s counsel violated South Dakota’s Rules of Professional Conduct by using an investigator to record conversations with the plaintiff’s sales representatives and, thereby, attempted to obtain evidence and elicit admissions.³³ Specifically, the court excluded all evidence obtained from the surreptitious investigation, including recordings of the investigator’s conversations with the plaintiff’s sales clerks, the investigator’s testimony, and any other evidence obtained by the defense as a result of the recorded conversations.³⁴ Although this decision appears to be contrary to both *Gidatex* and *Apple Corps* in substance and outcome, a careful review of the facts reveals that the court was properly concerned about the scope of the investigation. Nevertheless, while *Midwest Motor Sports* is capable of interpretation within the paradigm of *Gidatex* and *Apple Corps*, the decision serves as a warning to counsel not to overreach in conducting investigations of represented parties.

¶24 *Midwest Motor Sports* involved a dispute concerning the discontinuance of the sale of a certain snowmobile line at the plaintiff’s store. Here, the Defendant’s investigator posed as a customer and recorded his conversations with “Bill,” one of plaintiff’s

²⁹ *Id.* (citing *Weider Sports Equip. Co., Ltd. v. Fitness First, Inc.*, 912 F. Supp. 502 (D. Utah 1996)).

³⁰ *Id.* (citing *Weider*, 912 F. Supp. at 510); *see also* *Johnson v. Cadillac Plastic Group, Inc.*, 930 F. Supp. 1437 (D. Colo. 1996) (holding Rule 4.2 is a rule of ethics rather than a rule of corporate immunity and an expansive reading would curtail the truth-seeking function of the courts).

³¹ *Id.*

³² *Id.* at 474-75 (citing *Weider* 912 F. Supp. 502). The court also analyzed the propriety of using misrepresentation under New Jersey Rule of Professional Conduct 8.4(c), which prohibits conduct involving dishonesty, fraud, deceit or misrepresentation. Here, the court, citing Bruce A. Green, the co-chair of the ABA Litigation Section’s Committee on Ethics and Professionalism, stated that: “The prevailing understanding in the legal profession is that a public or private lawyer’s use of an undercover investigator to detect ongoing violations of the law is not ethically proscribed, especially where it would be difficult to discover the violations by other means.” *Apple Corps*, 15 F. Supp. 2d at 475.

³³ It is not illegal in South Dakota for one party to record a conversation without the other party’s knowledge or consent. 144 F. Supp. 2d 1147, 1158 (D.S.D. 2001) (citing *State v. Braddock*, 452 N.W.2d 785, 788 (S.D. 1990)).

³⁴ *Midwest Motor Sports*, 144 F. Supp. 2d at 1160.

salesmen, during two separate visits to plaintiff's store, as well as a conversation with another snowmobile salesman at another party's store.³⁵ Of particular importance to the court's decision here were admissions by the investigator during his deposition that the purpose of his visits to plaintiff's store was to elicit evidence in the case and obtain information that went far beyond anything a typical consumer would be given during an ordinary transaction or inquiry.

¶25 In describing the purpose of his visits, the investigator stated that the defendant's attorneys had hired him, in part, to visit a showroom, to talk to a salesman about products, to find out which snowmobiles were being recommended, and to look at the equipment.³⁶ The investigator further believed that he was visiting the plaintiff's store in order to determine "what was selling best" and "whether [defendants] were hurt because Arctic Cat wasn't being sold there any longer."³⁷ His understanding of why he recorded his conversation with the salesman at the other party's store was, in part, to see if the salesman would say anything about the lawsuit.³⁸ In addition, the investigator stated that he was instructed to "get into financing, promotions, and close-out pricing" with the sales people at plaintiff's store and "have the sales person relate. . . the situation on all the snowmobiles."³⁹ At the end of his deposition, the investigator responded affirmatively to the question of whether the purpose of his visits was to elicit evidence in the case on behalf of defendant's attorneys rather than to reveal evidence regarding sales clerk's representations to typical consumers of snowmobiles.⁴⁰

¶26 The court's analysis of the anti-contact rule began with an explanation of its purposes. The four purposes of Rule 4.2 are: (1) to prevent attorneys from circumventing opposing counsel in order to obtain statements from adverse parties; (2) to protect the integrity of the attorney-client relationship; (3) to prevent the inadvertent disclosure of privileged information; and (4) to facilitate settlement by channeling disputes through attorneys.⁴¹

¶27 The court rejected the notion that all employees of an organization are protected by Rule 4.2, stating that such automatic representation would impede investigation and place too much power in the employer to control *ex parte* contacts.⁴² It then went on to adopt the holding in *Cole v. Appalachian Power Co.*,⁴³ that an attorney may not conduct *ex parte* interviews with five classes of an organization's current employees under Rule 4.2, unless counsel has the consent of the opposing attorney or is otherwise authorized by law. These classes include "current. . . employees whose act or omission in connection with the matter may be imputed to the corporation or organization for purposes of civil or criminal liability," and "agent[s] or servant[s] of the corporation or organization whose statement

³⁵ *Id.* at 1151-52.

³⁶ *Id.* at 1150.

³⁷ *Id.* at 1150-51.

³⁸ *Id.* at 1151. The sales person to whom the investigator spoke at the other store happened to be the owner of the store and was already represented by counsel in the lawsuit because he was a non-party witness. The fact that he was the owner, and thus a management level employee, did not seem to make a difference in the court's decision.

³⁹ *Id.* at 1151.

⁴⁰ *Id.*

⁴¹ *Id.* at 1154 (citing *Guillen v. City of Chicago*, 956 F. Supp. 1416, 1427 (N.D. Ill. 1997)).

⁴² *Id.*

⁴³ 903 F. Supp. 975 (S.D.W.Va. 1995).

concerns a matter within the scope of the agency or employment, which statement was made during the existence of the relationship and which is offered against the corporation or organization as an admission.”⁴⁴ Significantly, the court also pointed out that Rule 4.3 would prevent an investigator from misrepresenting his identity to a person not represented by counsel.⁴⁵ Finally, the court distinguished cases such as *Apple Corps* where the state law in question only prohibited contacts with a “litigation control group.”⁴⁶

¶28 After resolving the issue of what contacts were and were not prohibited by South Dakota’s rules of ethics, the court announced that sanctions were not to be had under this arguably new interpretation of Rule 4.2 from the contacts with Bill the salesman. Instead, the court found that sanctions were proper under Rule 4.3 because the interviews took place under false pretenses.⁴⁷ The court also awarded sanctions, under Rule 4.2, for contact that the investigator had with the president of another corporation, who was represented by counsel in another suit with the defendant. That contact involved the investigator posing as a potential customer of snowmobiles and, by coincidence, he spoke with the president of the corporation at the corporation’s store.⁴⁸

¶29 The court further admonished prospective litigants, “[i]f counsel practicing before this Court commit similar ethical violations in the future, however, the sanctions imposed will not be so lenient.”⁴⁹

D. A CONTINUUM OF CONDUCT

¶30 Although not in the context of intellectual property litigation, in *Hill v. Shell Oil Co.*, the court’s analysis of the three aforementioned decisions suggested that there was a continuum of conduct from permissible to impermissible.⁵⁰ In *Hill*, the plaintiffs conducted undercover investigations of gas station attendants, including videotaping, to document discriminatory practice.⁵¹ The defendants moved for a protective order

⁴⁴ *Midwest Motor Sports*, 144 F. Supp. 2d at 1156-57. The court placed emphasis on the fact that Rule 4.2 must be read in conjunction with Federal Rule of Evidence 801(d)(2)(D), which is an exception to the hearsay rule that provides for the admissibility of statements by an agent or servant of a party offered against that party.

⁴⁵ *Id.* at 1157 (citing *Cole*, 903 F. Supp. at 980) (“The attorney or investigator shall: (1) fully disclose his or her representative capacity to the employee, (2) state the reason for seeking the interview as it concerns the attorney’s client and the employer, and (3) inform the individual of his or her right to refuse to be interviewed”).

⁴⁶ *Id.* at 1157.

⁴⁷ *Id.* at 1158; *see also* *In Re Gatti*, 8 P.3d 966 (Or. 2000) (reviewing disciplinary proceeding and rejecting proposed investigatory exception to the rule against misrepresentation—imposing sanction of public reprimand on attorney who made false statements during investigation prior to commencement of action). In 2002, the Oregon Supreme Court amended its disciplinary rule to allow a lawyer to advise and to supervise otherwise lawful undercover investigations of violations of civil law, criminal law, or constitutional rights if the lawyer “in good faith believes there is a reasonable possibility that unlawful activity has taken place, is taking place or will take place in the foreseeable future.” *See* OR. CODE OF PROF’L RESPONSIBILITY R. 1-102(D) (2003).

⁴⁸ *Midwest Motor Sports*, 144 F. Supp. 2d at 1158.

⁴⁹ *Id.* at 1160.

⁵⁰ 209 F. Supp. 2d 876, 877 (N.D. Ill. 2002).

⁵¹ *Id.*

prohibiting future investigative videotaping because such investigations violated Northern District of Illinois Rules of Professional Conduct 4.2 and/or 4.3.⁵²

¶31 The court first determined that Rule 4.3 did not apply to this case because the employees were represented parties. It reasoned that the employees' allegedly discriminatory conduct could be attributable to the defendant employer and that the employees' statements potentially could be used as admissions against the defendant employer. Specifically, the court in *Hill* stated that the "scope of employee statements that constitute employer admissions is provided in Federal Rule of Evidence 801(d)(2)(D)," which comports with the understanding of the District of South Dakota.⁵³ Thus, the employees were covered by Rule 4.2 as represented parties under the comments to the Rule.⁵⁴

¶32 In attempting to balance the decisions in *Midwest Motor Sports* and *Gidatex*, the court found the following spectrum of conduct:

Lawyers (and investigators) cannot trick protected employees into doing things or saying things they otherwise would not do or say. They probably can employ persons to play the role of customers seeking services on the same basis as the general public. They can videotape protected employees going about their activities in what those employees believe is the normal course.⁵⁵

¶33 Therefore, the court found that videotape recordings of employees reacting to persons posing as consumers were properly obtained under Rule 4.2. Nevertheless, the court reserved until trial the admissibility determination of the substantive conversations, held outside of normal business transactions, between the defendant's employees and the plaintiff's investigative agents.⁵⁶

III. ABA OPINION 396

¶34 In 1995, the American Bar Association ("ABA") issued Formal Opinion 95-396 ("Opinion 396") on the meaning of Rule 4.2.⁵⁷ Opinion 396 reveals two important aspects of interlocutory investigations: first, the timing of Rule 4.2's attachment to

⁵² *Id.* (citing N. DIST. OF ILL. RULES OF PROF'L CONDUCT R. 4.2 and R. 4.3 (2002)).

⁵³ *Hill*, 209 F. Supp. 2d at 879.

⁵⁴ *Id.* at 878-79. The court noted that the comment to Rule 4.2 stated that for purposes of the rule's prohibition employees that are considered represented include: employees who have managerial responsibility on behalf of the organization; employees whose acts or omissions in the matter can be imputed to the organization; and employees whose admissions would be binding on the organization. *Hill*, 209 F. Supp. 2d at 878 (citing *Orlowski v. Dominick's Finer Foods, Inc.*, 937 F. Supp. 723, 728 (N.D. Ill. 1996); *Weibrecht v. Southern Illinois Transfer, Inc.*, 241 F.3d 875 (7th Cir. 2001)). The court distinguished *Apple Corps*, 15 F. Supp. 2d 456 (D.N.J. 1998). New Jersey law only provided protection for members of the litigation group.

⁵⁵ *Hill*, 209 F. Supp. 2d at 880.

⁵⁶ *Id.*

⁵⁷ ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 396 (1995). Opinion 396 was given as a result of the controversy over the Department of Justice's regulations on communications with represented parties. *See id.* at n.1.

communications between an attorney and a represented party, and second, whether all employees of an organization are covered by Rule 4.2's prohibition once it does attach.

Opinion 396 makes clear that the application of the Rule does not depend on a proceeding having actually commenced. . . The interests that the Rule seeks to protect are engaged when litigation is simply under consideration, even though it has not actually been instituted, and the persons who are **potentially** parties to the litigation have retained counsel with respect to the matter in dispute.⁵⁸

¶35 Therefore, the moment an attorney knows the party sought to be contacted is represented in the matter, whether as a potential adversary, witness or simply to protect its interests in the matter, Rule 4.2 attaches. For example, if an attorney is investigating an organization for potential action, it can do so without concern for the strictures of Rule 4.2, even if that organization has general counsel. But after a cease and desist letter is sent or other contact is made, if the organization directs the matter to its general counsel, then Rule 4.2 now applies to subsequent contacts.

¶36 Opinion 396 also makes clear that representation of an organization does not bar communications with all employees of that organization. The ABA first looked to the Model Code to establish the central proposition upon which Rule 4.2 rests: that the legal system functions best when persons in need of legal assistance are represented by their own counsel.⁵⁹ Thus,

the anti-contact rules provide protection of the represented person against overreaching by the adverse counsel, safeguard the client-lawyer relationship from interference by adverse counsel, and reduce the likelihood that clients will disclose privileged or other information that might harm their interests.⁶⁰

¶37 The ABA likewise made clear that “the term *represented party* refers not only to those with managerial responsibilities but to anyone who may legally bind the organization with respect to the matter in question.”⁶¹ Moreover, “[i]f an employee cannot by statement, act or omission bind the organization with respect to the particular matter, then that employee may ethically be contacted by opposing counsel. . .”⁶² The latter interpretation by the ABA was made in the context of an illustration explaining that even if in-house counsel declares that none of the employees of in-house counsel's organization may be contacted without in-house counsel's permission, a lawyer would not be barred from making contact with those employees whose statements, acts or omissions could not bind the organization with respect to the matter at issue.⁶³

⁵⁸ ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 396 (1995) (emphasis in original).

⁵⁹ ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 396 (1995).

⁶⁰ *Id.* (citing Roger C. Cramton & Lisa K. Udell, *State Ethics Rules and Federal Prosecutors: The Controversies Over the Anti-Contact and Subpoena Rules*, 53 U. PITT. L. REV. 291, 325 (1992)).

⁶¹ ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 396 (1995).

⁶² *Id.*

⁶³ Opinion 396 does state that otherwise impermissible contacts made through investigators are misconduct under Model Rule 8.4(a).

¶38 Use of the word “bind” by the ABA in this context is particularly instructive. Bind means “to obligate or to bring under definite duties or legal obligations.”⁶⁴ Opinion 396, though, does not purport to place any import to its use of the term. In fact, Opinion 396 explains that anyone who can legally bind the organization includes those persons who are already covered by the Comments, *i.e.*, those whose statements may be imputed to or used as admissions against the organization.⁶⁵

¶39 Therefore, Opinion 396 puts the question of acceptable contact squarely on the meanings of the terms “imputed” and “admission” as they are used in the Comments to Rule 4.2. An admission, in this context, is a statement offered against a party made by the party’s agent or servant concerning a matter within the scope of the agency or employment.⁶⁶ It is clear under Opinion 396, without even looking at the meaning of the term “imputed,” that contact with low-level employees through investigations of allegedly infringing conduct during the course of litigation is within the prohibition of Rule 4.2.

IV. GUIDANCE FROM THE LAW

¶40 The reasoning embodied in the *Hill*, *Apple Corps* and *Gidatex* decisions is sound as to both the purposes and the application of the ethics rules. The purposes of the anti-contact rule are not in doubt. An attorney must not seek an advantage for his client by circumventing opposing counsel and communicating directly with the adverse party.

¶41 The revelation of an infringer’s customary business practice is not such an advantage. The infringer directs his business to consumers of his products. Therefore, an attorney merely places his client on equal footing with the general public when he conducts an undercover investigation that is strictly directed to the infringer’s conduct in relation to consumers. Thus, the only potential disadvantage an infringer suffers by directing his activities to an investigator rather than a true customer is, at most, the lost time and money if the investigator fails to make a purchase.⁶⁷ There is no sound basis for a rule of law that affords less information to litigants than to the typical consumer.

¶42 An attorney who uses a private investigator posing as a consumer or customer is not attempting to circumvent opposing counsel but rather is trying to unearth illegal activity. The purpose of the rule is not “to protect a corporate party from the revelation of prejudicial facts.”⁶⁸ Evidence of such activity would otherwise be very difficult to obtain. Even advocates of a blanket prohibition on contact with represented parties allow for exceptions when the policies underlying certain laws would be thwarted by the literal

⁶⁴ BLACK’S LAW DICTIONARY 153 (5th ed. 1979).

⁶⁵ ABA Comm. on Ethics and Prof’l Responsibility, Formal Op. 396 (1995).

⁶⁶ FED. R. EVID. 801(d)(2)(D); *see also* BLACK’S LAW DICTIONARY 44 (5th ed. 1979) (defining “admission” as statements by a party, or some one identified with him in legal interest, of the existence of a fact which is relevant to the cause of his adversary).

⁶⁷ Investigators in intellectual property rights infringement actions are generally asked to purchase specimens, so even this argument fails.

⁶⁸ *Bouge v. Smith’s Mgmt. Corp.*, 132 F.R.D. 560, 569 (D. Utah 1990) (quoting *Wright By Wright v. Group Health Hospital*, 691 P.2d 564 (Wash. 1984) (deciding that the Comment to Rule 4.2 of the Rules of Professional Responsibility of the Utah State Bar or DR-7-104(A)(1) did not apply to restrict *ex parte* interviews with low level employees and that “admissions” test under F.R.E. 801(d)(2)(D) should also not apply in such circumstances)); *see also* *Apple Corps*, 15 F. Supp. 2d 456 n.25 (D.N.J. 1998).

interpretation of the anti-contact rule.⁶⁹ The policies underlying intellectual property infringement actions are likewise undermined by literal application of the anti-contact rule.

¶43 The lesson from *Midwest Motor Sports* is that if an investigator is sent to an infringer's place of business, he should understand that his sole purpose is to behave as an ordinary consumer and not actively attempt to seek admissions. In *Midwest Motor Sports*, the investigator was asked in his deposition, ". . .the purpose of these trips wasn't to be a consumer shopping for a snowmobile, it was to attempt to elicit evidence in a pending civil case on behalf of the lawyers that hired you, correct?" The investigator answered "yes."⁷⁰ As stated in *Hill*, the investigator can seek services on the same basis as the general public, but cannot trick protected employees into doing or saying things they otherwise would not do or say.⁷¹ Investigators must know that their goal is to reveal evidence of the *ordinary* consumer's experience and not to gather evidence above and beyond that goal.

¶44 For the more cautious attorney, perhaps the safest course is to seek, *ex parte*, leave of court to conduct an investigation of an infringer's continuing violations.⁷² While this method may be more time consuming and not have the flexibility of simply asking an investigator to run over to the store and see what the salespeople have to say, it provides much more in the way of assurance to the attorney involved that the court will not level sanctions against him.

V. CONCLUSION

¶45 The ethical dilemma encountered by intellectual property litigants in conducting investigations of represented parties is no dilemma at all if counsel is clear about the purpose and conduct of the investigators' visit. It is important that the investigator know his role and that he do only those things that an ordinary consumer would do under similar circumstances. If counsel is concerned with a particular jurisdiction's rules of ethics, the safest course is to seek leave to conduct the investigations *ex parte* from the Judge—at the very least in South Dakota.

⁶⁹ See David A. Green, *Balancing Ethical Concerns Against Liberal Discovery: The Case Of Rule 4.2 And The Problem of Loophole Lawyering*, 8 GEO. J. LEGAL ETHICS 283 (1995) (allowing for exception in cases involving discrimination allegations and government investigation of wrongdoing).

⁷⁰ *Midwest Motor Sports*, 144 F. Supp. 2d at 1152. The court noted that the investigator in this case also actively sought admissions, asking questions of Bill the salesman that went beyond those of the typical consumer.

⁷¹ 209 F. Supp. 2d at 877.

⁷² See, e.g., *Flebotte v. Dow Jones & Co., Inc.*, No. 97-30117-FHF, 2001 U.S. Dist. Lexis 21327 (Mass. Dist. Ct. June 28, 2001).