Meeting on Pretext Investigations

INTA Leadership Meeting
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Purpose of Pretext Investigations

• Investigate counterfeiting and infringement
  • Purchasing goods from alleged counterfeiters/infringers

• Evaluate priority rights among trademark users
  • First use investigations during adoption of marks or due to a dispute over rights
Ethical Considerations

• Pretext investigations, by their nature, involve misrepresenting oneself to the agents of other companies.

• The American Bar Association’s Model Rules of Professional Conduct and comparable state rules prohibit attorneys from engaging in conduct that involves dishonesty, fraud, deceit, or misrepresentation.

• The ABA Model Rules and the rules of many states fail to account for the necessary misrepresentation involved in pretext investigations.
Real Concerns

• Will a court strike evidence gathered through pretext investigations through motions *in limine*?

• Will lawyers be reprimanded or sanctioned for using pretext investigations?
Transactions With Persons Other Than Clients

Rule 4.1 Truthfulness In Statements To Others

In the course of representing a client a lawyer shall not knowingly:

(a) make a false statement of material fact or law to a third person; or

(b) fail to disclose a material fact to a third person when disclosure is necessary to avoid assisting a criminal or fraudulent act by a client, unless disclosure is prohibited by Rule 1.6.
ABA Model Rules – Representative Language

• Transactions With Persons Other Than Clients
  Rule 4.2 Communication With Person Represented By Counsel
  • 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 another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order.
ABA Model Rules – Representative Language

- *Transactions With Persons Other Than Clients*
  - Rule 4.3 Dealing With Unrepresented Person

- In dealing 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 misunderstands the lawyer’s role in the matter, the lawyer shall make reasonable efforts to correct the misunderstanding. The lawyer shall not give legal advice to an unrepresented person, other than the advice to secure counsel, if the lawyer knows or reasonably should know that the interests of such a person are or have a reasonable possibility of being in conflict with the interests of the client.
ABA Model Rules – Representative Language

- **Maintaining The Integrity Of The Profession**
  Rule 8.4 Misconduct

- 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;

- (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 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 the Rules of Professional Conduct or other law;

- (f) knowingly assist a judge or judicial officer in conduct that is a violation of applicable rules of judicial conduct or other law; or

- (g) engage in conduct that the lawyer knows or reasonably should know is harassment or discrimination on the basis of race, sex, religion, national origin, ethnicity, disability, age, sexual orientation, gender identity, marital status or socioeconomic status in conduct related to the practice of law. This paragraph does not limit the ability of a lawyer to accept, decline or withdraw from a representation in accordance with Rule 1.16. This paragraph does not preclude legitimate advice or advocacy consistent with these Rules.
State Rules – Handful of States Friendly to Pretext Investigations

• Rules in Alaska, California, Colorado, Florida, Iowa, Missouri, Ohio, Oregon, and Tennessee clarify in Rule 8.4 that attorneys may direct others in lawful investigative activities.

• Oregon’s Rule 8.4 allows attorneys to advise about or supervise lawful pretexting in investigating violations of civil or criminal law or constitutional rights. There, “covert activity” may only be conducted if the attorney has a good faith basis to believe that there is a reasonable possibility that unlawful activity has taken place, is taking place or will take place in the foreseeable future.

• Colorado’s Rule 8.4(c) provides an exception expressly stating that lawyers may oversee lawful investigations. It stops short of expressly permitting the use of pretexting in such investigations that would otherwise be prohibited by its Rules 8.4(c), CRPCs 4.1, 4.2, 4.3 and 8.4(a).
**Additional Favorable Jurisdictions**

• District Courts in the First, Third, and Fifth Circuits have found no violation of the Rules where a pretext investigation was used to obtain evidence in an IP suit.
  
  
  
  • **New Jersey**: An attorney’s use of investigators to test the defendant’s compliance with a license agreement did not violate the rules of professional conduct. *Apple Corps v. Int’l Collectors Soc’y*, 15 F. Supp. 2d 456, 458 (D.N.J. 1998)
  
Uncertainty in Certain Jurisdictions

• DC – no pertinent decisions, and no exceptions made in the language of the rules

• Fourth, Seventh and Eighth Circuits have not addressed pretext investigations in IP cases.
  • Non-IP cases suggest that these courts may view these investigations as violations if recording equipment is used without consent, or information is gathered from potential class members of a lawsuit. *Turfgrass Grp., Inc. v. Carolina Fresh Farms, Inc.*, Civil Action No. 5:10-cv-00849-JMC, 2013 U.S. Dist. LEXIS 112345, at *9-10 (D.S.C. Aug. 9, 2013) (court refused to admit secret evidence gathered by investigators); *Allen v. Int’l Truck & Engine*, No. 1:02-cv-0902-RLY-TAB, 2006 U.S. Dist. LEXIS 63720, at *26 (S.D. Ind. Sep. 6, 2006) (court found a violation of MRPC where plaintiffs’ investigators acted on behalf of counsel to gather information from defendant’s employees who are potential class members in a pending lawsuit); *Midwest Motor Sports v. Arctic Cat Sales, Inc.*, 347 F.3d 693, 695 (8th Cir. 2003) (court refused admission of evidence that was procured by hidden recording equipment).
INTA History Advocating for Pretext Investigations

• 2007: INTA’s Board of Directors adopted a resolutions endorsing ethical and legal pretexting as a means to combat trademark infringement and counterfeiting. This urged governments to permit private pretexting or to create exceptions to prohibitions against pretexting in trademark infringement and counterfeiting investigations.

• 2012: INTA’s Anticounterfeiting and Enforcement Committees provided comments on the final report prepared by the Pretexting Subcommittee of the Colorado Supreme Court Standing Committee on the Colorado Rules of Professional conduct supporting amendments to the Colorado Rules of Professional Conduct that would permit pretext investigations.
INTA History Advocating for Pretext Investigations

• 2015: INTA Published Guide to Pretext Investigations in US Trademark Practice

• 2016-2019: Prepared suggestions to amend the ABA’s Model Rules of Professional Conduct to permit ethical pretext investigations.
  • Meeting with ABA representatives from the trademark section, ABA structure and procedure makes amending the rules very difficult and unlikely.
  • INTA Bulletin Article for practitioner awareness and education.
Amendments INTA Supports

• INTA advocates permitting covert activity and the supervision of covert activity in the investigation and determination of intellectual property rights, provided the lawyer's conduct is otherwise in compliance with the Rules of Professional Conduct.

• INTA urges that “covert activity” be defined as an otherwise lawful effort intended to obtain non-privileged information about and/or evidence in the investigation and determination of intellectual property rights through the use of misrepresentations or other subterfuge.
Share Your Thoughts and Insights

• Admissibility concerns?

• Ethics concerns?

• Forum shopping?

• Investigators?

• Brainstorming: how should INTA proceed to explore this topic?