

**Q&A with the Honorable Erithe A. Smith
By John A. Vogt and Corbett Williams**



[For this judicial interview, we met with the Honorable Erithe A. Smith of the United States Bankruptcy Court. Judge Smith was appointed to the bench in 1994 and from 2003 to 2007 she served on the United States Bankruptcy Appellate Panel of the Ninth Circuit. She is a member of ABTL's Board of Governors.]

Q: What drew you to the law?

A: Well, I have no lawyers in my family, so I was not exposed to the law that way. But in my senior year of high school, a female attorney came to speak to my class. I was so impressed with her – the way she spoke, her knowledge of law, the challenges she had to overcome starting law school at age 40. I believe that was the first time I seriously considered a career in law. Then, a couple of months later, I attended a banquet where Barbara Jordan, the late congresswoman from Texas, spoke. The message of her speech, the empowerment of women

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Litigating Willful Patent Infringement Under The *Seagate* Standard

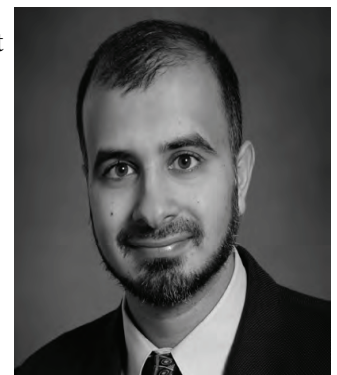
By Joseph F. Jennings and Umair A. Qadeer

In 2007, an *en banc* Court of Appeals for the Federal Circuit overruled the long-standing duty of due care to avoid patent infringement and announced a new standard for showing willful patent infringement. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*). The court offered little guidance on how the standard was to be applied, “leav [ing] it to future cases to further develop the application of [the] standard.” *Id.* In her concurring opinion, Circuit Judge Newman noted the uncertainties introduced by the new standard, but optimistically suggested that “judicial wisdom [would] come to show the way, in the common-law tradition.” *Id.* at 1385 (Newman, J., concurring). The following addresses the new *Seagate* standard, the wisdom one can glean from the courts’ application of the new standard over the past year, and a number of issues raised by *Seagate* that have yet to be explored.



Background of Willful Infringement and the *Seagate* Standard

The patent statute provides that “the court may increase the damages [for patent infringement] up to three times the amount found or assessed.” 35 U.S.C. § 284. While the statute does not provide any standard for awarding enhanced damages, the Federal Circuit has held that an award of enhanced damages requires a showing of willful infringement. *See Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1578 (Fed. Cir. 1991).



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The President's Message

By Martha K. Gooding

One of the great benefits of ABTL membership and involvement is the opportunity to spend time with our local state and federal judges. It is a pleasure to get to know them at our dinner meetings and to learn from them at our programs. But despite that access, there is still much that goes on in the courthouses that affects us as trial lawyers that we may not know about. So I spent some time recently with some of our judges and courthouse administrators to find out what is happening and what they want us to know about.

Federal Magistrate Judge Positions: On the federal side, perhaps the biggest news is that the court is seeking to fill two magistrate judge positions. The deadline for applications was September 15. I know we will all watch the appointment process with interest.

Opportunities for Attorney Involvement: Aside from applying to go on the bench, there are other opportunities for attorneys to become involved in the administration of our federal courts. First, the Central District annually seeks applicants for Ninth Circuit Lawyer Representative positions. The deadline to apply for 2008-09 openings has just passed, but notices will be posted next spring for the 2009-2010 openings. The procedures to follow and application forms are available on the Court's website – www.cacd.uscourts.gov – under Attorney Information/Attorney Assistance/Ninth Circuit Judicial Conference Lawyer Representative Information. Having recently concluded a three year term as a Lawyer Representative, I can confirm that it is a great opportunity to serve our courts and work with other lawyers throughout the Ninth Circuit. Second, the Court's ADR manager, Dawn Osborne-Adams, is always interested in adding qualified attorneys to the ADR Panel. Interested attorneys should go to the ADR section of the website – www.cacd.uscourts.gov /Attorney Information/ADR – for a summary of the qualifications for appointment and for a downloadable application form. You can also get further information by calling the ADR Department at (213) 894-2993.

Tips from the Santa Ana Courthouse: From the Reagan Courthouse management team comes two proce-

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The Dangers of Self-Help Discovery: Five Mistakes Attorneys Make in Investigating the Case

By Michael I. Katz and Jacqueline Beaumont



Written discovery is often insufficient to develop the best record for trial. Informal fact gathering can help tip the balance in your client's favor. An attorney employing self-help, however, must be careful to stay within ethical and legal boundaries. This article identifies five pitfalls associated with informal discovery, whether conducted by

lawyers directly or through private investigators.

1. Failing to Properly Instruct Your Investigator

A frequent mistake made by attorneys is to fail to clearly instruct the investigator on the ethical and legal rules governing their conduct. Both ABA Model Rule 5-3 and California Rule of Professional Conduct 3-110 require an attorney to adequately supervise non-



attorney investigators to ensure compliance with ethical standards for attorneys. The Model Rules go so far as to make the attorney liable for acts of the investigator that violate the Model Rules, if the attorney knows of or ratifies those acts. The rules seek to ensure that an attorney does not circumvent ethical standards by delegating to an investigator.

Instructions must include what can or should be done, what is to be avoided, and whether and who the investigator can employ to perform the assigned tasks. Failure to properly instruct an investigator may lead to unethical behavior, which may result sanctions. In the worst cases, sanctions can include prohibiting the use of improperly-obtained evidence at trial, or even terminating sanctions. One of the authors of this article obtained a dismissal of a trade secret misappropriation lawsuit as a sanction when plaintiff's private investigator trespassed on his client's property dumpster diving in search of evidence of misappropriation. The private investigator was hired by the client directly. The lawyers were involved, but they failed to take precautions to ensure that the investigator acted lawfully.

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The Brown Bag Breakfast with Judges McEachan, Moss and Fell

By James N. Knight

This quarter, we were fortunate enough to have a Brown Bag Breakfast in chambers with judges from the civil panel of the Orange County justice system. Judges McEachan, Moss and Fell, along with their research attorney, Sherri Honer, were gracious enough to meet for an early morning discussion from a jury deliberation room at the Central Justice Center in Santa Ana, and share helpful practice tips with the young business litigators in attendance.

• Best Practices for Drafting and Motion Practice

The Brown Bag Breakfast took place on Thursday, July 24, 2008, with the Honorable David T.

McEachan, Robert J. Moss and Sheila B. Fell hosting a breakfast discussion

about best practices for trial attorneys. The judges' research attorney, Sherri Honer, was also on hand to

lend her insight. The judges and Ms. Honer shared their views on motion practice, preparation for hearings and the use of technology in the courtroom.



The judges and Ms. Honer initially discussed best practices for drafting motions. They described the process of how the court and research attorneys review a motion and any opposition and how they prepare the motion for final determination. They all emphasized the importance of brevity and for describing the issue and requested relief quickly, preferably in the first sentence of the motion. The judges and Ms. Honer also remarked that it is crucial in the motion to direct the court (and its research attorney) to the relevant authority and avoid the "kitchen-sink" practice of citing every possible case that may support the motion. The panel further stressed the need for attorneys to accurately describe the caselaw in support of the motion and directly address issues that may weaken the argument, rather than trying to ignore these issues altogether.

The panel then discussed the effectiveness of demurrers and motions for summary judgment. The judges and Ms. Honer agreed that at the outset, attorneys should be thoroughly familiar with the strict procedural requirements of these motions. For both demurrers and motions for summary judgment, the judges noted that these devices are rarely granted, except on clear-cut issues such as a statute of limitations defense.

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The Ninth Annual ABTL Wine Tasting Fundraiser Was Another Great Success!

ABTL hosted its Ninth Annual Wine Tasting Fundraiser and Dinner Program to support Orange County's Public Law Center on June 4, 2008. The event was incredibly well attended and at the September 10th Dinner Program we publicly announced the final fundraising number – a record high \$20,000! We thank all of you for your continued support. Quite simply, this event would not be successful without the consistent support of the various law firms, companies, and individuals who help the ABTL thrive and flourish.

This year's Dinner Program was entitled “*Seeking Justice in Darfur*” and the theme – which seemed quite apropos given that it was a fundraiser to help the indigent in Orange County obtain top-notch legal care – was “Lawyers Helping Those In Need — Both at Home and Abroad.” The Program featured Terree A. Bowers (of Howrey LLP) and Genevieve A. Cox (of Munger, Tolles & Olson LLP). Both of these skilled attorneys have seen the atrocities occurring in Darfur. We were fortunate to have them share their experiences as two of the attorneys who are providing Sudanese lawyers advocacy skills training to help them represent victims of the genocide in Darfur before international tribunals. Their sobering and inspirational presentation showed us the challenges facing the Sudanese lawyers and the courage they exhibited in participating in the training. It also underscored the need not only for a system to provide predictable access to justice but more importantly the flesh and blood actors to make sure that human rights violations are not forgotten even when justice seems out of reach.

The evening sure put things in perspective as to how fortunate we are as individuals and as a community and how important it is to lend a hand to those in need. The ABTL's annual fundraiser benefiting the Public Law Center was a tremendous success and we appreciate your participation. Thanks again for your support.

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through the law, was very, very powerful. That pretty much solidified my career path. Before that, my short list of careers had included psychiatry and acting. I think I made the right move.

Q: Did you have any role models or influences during your legal career?

A: My life role model has always been my mother, an educator and artist who instilled in me at an early age that with hard work and perseverance anything is possible. As for my legal career in particular, I would say I have been most influenced by the two judges for whom I clerked. The first was Justice Marcus Kaufman, who was then on the California Court of Appeal in San Bernardino. The second was Judge Peter Elliott, a bankruptcy judge who I clerked for during the two years following my clerkship with Justice Kaufman. Both were highly respected, brilliant judges who loved the law and applied it with integrity and humility.

Q: How did you become interested in bankruptcy?

A: It certainly wasn't by design. By my second year of law school, I knew I wanted to specialize in some area of the law but had no idea what it would be. During my clerkship with Judge Elliott, the sky cleared, the stars and the moon shifted into perfect alignment, and I discovered my true calling – bankruptcy! One of my favorite old TV series is Rod Serling's *The Twilight Zone*, which might explain my attraction to bankruptcy which is sort of like the Twilight Zone of the law – a parallel universe where ordinary principles of the law are suspended. Things happen in bankruptcy law that just don't happen in the real world, a concept I find extremely exciting.

Q: Why did you become a Judge?

A: I have a relative who swears I announced at age 8 that I wanted to be a judge. I wish I remembered saying that because it would make a great story. What I do know is after my two clerkships, I knew I would someday seek a judgeship. I just didn't expect it to come so early in my career. I applied after only about nine years of practice because a bankruptcy judge encouraged me to do so. At that point, a judgeship wasn't even on the radar for me, but after giving it some thought, I realized it was something I really wanted to do.

Q: What do you like most about being a federal judge?

A: The experience has been extraordinarily wonderful. One thing I enjoy not having to do timesheets – I consider that a perk. But really, I just love being immersed in the law, especially bankruptcy law, and having the freedom to ponder, to reflect, to explore, and to analyze all aspects of it – the consumer issues, the business issues, the non-bankruptcy state law issues. Most of all, I like interacting with the public – attorneys, debtors, and other parties that, for whatever reason, appear in my court. I also have the opportunity to witness great lawyers at the top of their

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game – that is a major rush.

Q: What, if anything, do you like least about being a federal judge?

A: I would say there is a certain amount of isolation. In practice, there is a pretty big world of people you interact with on a daily basis – colleagues, support staff, clients, opposing counsel, etc. Here, my world off the bench is quite small – my judicial assistant, law clerk, courtroom deputy, and courtroom clerks. That’s pretty much it. Luckily, the Santa Ana division in which I sit is a small court so we’re able to socialize on a fairly regular basis.

Q: How would you describe your judicial philosophy?

A: That is an interesting question because I’ve never really thought about it before. I’m sort of a rule follower by nature, so I tend to apply the law pretty strictly, but hopefully with a certain amount of compassion and humility. I try very hard to make sure that when parties come to my court, they leave feeling that they were heard and that they were treated fairly – even if the ultimate ruling was not in their favor. Really, my goal is to ensure that the process is fair.

Q: What advice would you give to lawyers appearing in your court for the first time?

A: Be prepared. It sounds a bit cliché, but it’s true. Preparation is often the difference between winning and losing, and it is disheartening when an attorney appears in court ill-prepared for properly presenting his or her case. By ill-prepared, I mean not having his or her arms around the relevant issues, or not being familiar with the applicable legal authority. So, I would say, know the law, be prepared to vigorously defend your position, and be courteous to opposing counsel.

Q: Is there anything that you have learned as a federal judge that you wish you would have known as a practicing lawyer?

A: One thing I have learned over the years is the importance of making a good record, and not being timid about asking the judge for specific findings and conclusions. As a lawyer, this is one area I would probably have focused on more, knowing what I know now. For matters that might go on up appeal, having a complete record is vitally important.

Q: What do you believe are the common misconceptions about bankruptcy?

A: One often thinks of bankruptcy as a failure, that obviously something has gone terribly wrong. Yet, the underlying goal of bankruptcy is a positive one – to provide the bankrupt debtor with a fresh start. Companies reorganize through bankruptcy and jobs are saved. Many consumer debtors are able to keep their homes. Sometimes, lemonade is made in bankruptcy court.

Q: What challenges do you see facing the bankruptcy bar?

A: The bankruptcy bar is not a homogenous group; it is extremely diverse. Lawyers who represent consumers have their own issues, as do business bankruptcy lawyers both on the debtor and the creditor side. Following passage of the new bankruptcy laws, consumer bankruptcy lawyers face more paperwork and the challenge of remaining profitable while providing good service to their clients. As for the business bankruptcy bar, many of the larger cases have been filed elsewhere in recent years and the local bar has missed out on a lot of interesting work. But we are definitely seeing a slight increase in Chapter 11 cases filed here in the Central District, which is good for the business bankruptcy lawyers.

Q: Has the current drop in the real estate market had a spillover effect in bankruptcy court?

A: Absolutely. The effect on the consumer area is obvious, as we read on a daily basis about the rise in foreclosures. Certainly I think, in any given neighborhood, there are more “For Sale” signs up. The type of debtor is changing also. We are seeing more real estate agents, mortgage brokers, and other industry professionals – folks who probably never envisioned that they would be in the position of needing to file bankruptcy. The real estate crisis has an adverse domino effect on small to mid-sized businesses as well. As a consequence, bankruptcy filings have increased substantially in the past 12 months or so.

Q: What do you do for fun?

A: I love dancing, which is a passion of mine. I have taken salsa, swing, ballet, and tap lessons and admit to being a huge fan of reality dancing shows. I’m hoping the fox trot and quick step are somewhere in my future.

Q: Why did you choose to be a member of the ABTL?

A: What I like about the ABTL are the programs, which

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are often cutting-edge, practical and appealing to a wide range of business litigation practice areas. I'm also impressed by the active involvement of both federal and state judges in the organization.

Thank you Judge Smith for your time.

♦ *John A. Vogt is a partner in Jones Day's Irvine office. Mr. Vogt was assisted by Corbett Williams, an associate in Jones Day Irvine's trial practice group.*

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Shortly after its creation, the Federal Circuit established an affirmative duty of care standard for evaluating willful infringement. *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1389-90 (Fed. Cir. 1983). The court further held that the duty includes "the duty to seek and obtain competent legal advice from counsel **before** the initiation of any possible infringing activity." *Id.* at 1390 (emphasis in original). At the time the standard was announced "widespread disregard of patent rights was undermining the national innovation incentive." *Seagate*, 497 F.3d at 1369. Indeed, the willful infringer in *Underwater Devices* proceeded to infringe instead of taking a license based, in part, on advice that courts were then holding 80% of litigated patents invalid. *Underwater Devices*, 717 F.2d at 1385. Over time, the court adopted a totality of the circumstances approach to evaluating willfulness. *See, e.g., Rolls-Royce, Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986). The court also held that an accused infringer's failure to rely upon an opinion of counsel warranted a conclusion that it either obtained no legal advice or was advised that its activity constituted infringement of a valid patent. *See Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986).

As a result of the affirmative duty of due care, accused willful infringers would frequently assert advice of counsel as a defense, seeking to establish that their accused activities were done in good faith because they believed the patent was not infringed, invalid, and/or unenforceable. *See Seagate*, 497 F.3d at 1369. The advice of counsel issue often dominated the willfulness inquiry. *See, e.g., Electro Med. Sys., S.A. v. Cooper Life Scis.*, 34 F.3d 1048, 1056 (Fed. Cir. 1994).

Assertion of the advice of counsel to defend against willfulness caused much angst for accused infringers based on the potential adverse implications related to the

waiver of the attorney-client privilege and work product protection. The Federal Circuit addressed various practical concerns relating to the waiver over the years since *Underwater Devices*. In *Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 643 (Fed. Cir. 1991), the court cautioned against forcing accused infringers to either waive the privilege by asserting the advice of counsel defense or risk a finding of willful infringement when they proffered no such defense. To address what later became known as the "*Quantum* dilemma," the court instructed district courts to consider *in camera* review of privileged documents and possibly to bifurcate trial in appropriate cases to eliminate, if possible, the potential prejudice caused by forcing defendants to choose between lawful assertion of the attorney-client privilege and avoiding willful infringement if liability was found. *Id.* at 643-44.

Seeking to alleviate the pressure on defendants to waive the privilege in order to defend against willful infringement claims, the Federal Circuit held that invoking the attorney-client privilege or failing to obtain legal advice does not give rise to an adverse inference with respect to willful infringement. *See Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004) (*en banc*). The court subsequently clarified that relying on advice of counsel to refute a charge of willful infringement triggers waiver of the attorney-client privilege and work product protection for all communications on the same subject matter, but does not waive work product not communicated to the accused infringer. *In re Echostar Commc'ns Corp.*, 448 F.3d 1294, 1299, 1302-04 (Fed. Cir. 2006). This applied to both outside and in-house counsel. *Id.* at 1299.

The Federal Circuit's fine-tuning of the privilege issues related to the willfulness inquiry was seen as insufficient by many, and numerous amici urged the court to overhaul its willfulness jurisprudence in *Seagate*. *See Seagate*, 497 F.3d at 1364-65 (listing twenty-one amicus briefs). The *Seagate* case had made its way to an *en banc* Federal Circuit on a petition for writ of mandamus regarding the scope of the waiver of the attorney-client privilege and work product protection based on the assertion of an advice of counsel defense.

In view of this background and Supreme Court precedent analyzing willfulness elsewhere in the civil context, *see Safeco Ins. Co. of Am. v. Burr*, 127 S. Ct. 2201 (2007), the Federal Circuit in *Seagate* expressly overruled *Underwater Devices* and replaced the affirmative duty of due care with an objective recklessness standard. *Seagate*, 497 F.3d at 1371. The court established a two-part test for willful in-

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fringement: (1) “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent”; and (2) “a patentee must ... demonstrate that this objectively-defined risk ... was either known or so obvious that it should have been known to the accused infringer.” *Id.* On the issue provoking the petition for mandamus, the court held that producing an opinion of counsel to defend against willfulness does not waive the attorney-client privilege and/or work product protection with respect to trial counsel, absent exceptional circumstances. *Id.* at 1372-76.

The Federal Circuit left further development of how to apply its new willfulness test to future cases. *Id.* The court indicated in a footnote that it “would expect [as suggested by the concurring opinion of Circuit Judge Newman] that the standards of commerce would be among the factors a court might consider” in applying the new standard. *Id.* at 1371 n.5. The court did not elaborate on what it meant by “standards of commerce.”

With this backdrop we now look to how the new willfulness standard has been applied.

Totality of the Circumstances

Although not universally endorsed, the totality of the circumstances approach to willful infringement employed prior to *Seagate* appears to remain relevant to addressing the two-prong *Seagate* test. In *Lucent Techs., Inc. v. Gateway, Inc.*, No. 07-CV-2000-H, 2007 U.S. Dist. LEXIS 95934, at *11 (S.D. Cal. Oct. 30, 2007), for example, the court expressly held that “*Seagate* does not suggest that the Federal Circuit intended to jettison the general approach of viewing willfulness under the totality of the circumstances.” The Court proceeded to evaluate the totality of the circumstances, including allegations that the patented inventions were necessary to conform to an industry standard practiced by the accused products, competing expert opinions on the merits of the infringement and validity questions, and the PTO’s grant of a reexamination request based on “a substantial new question of patentability” (*see* 35 U.S.C. § 304) raised by the prior art. The court concluded that the evidence was insufficient to pass the threshold objective step of *Seagate* and granted summary judgment of no willful infringement.

In *Cohesive Techs., Inc. v. Waters Corp.*, 526 F. Supp. 2d 84, 103-04 (D. Mass. 2007), the court did not expressly adopt the totality of circumstances approach, but identified the following factors a court should consider in deciding

willfulness: “(1) whether there was a bona fide disagreement regarding patent invalidity or infringement, (2) whether the infringer solicited or followed the advice of counsel, (3) whether there was continued infringement after notice of probable infringement was received, (4) whether there was a degree of similarity between the patented and accused devices, (5) whether the infringer took efforts to avoid infringement, and (6) whether the infringer was indemnified against infringement costs.” With the exception of the sixth, these factors are similar to some of the nine factors in *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-27 (Fed. Cir. 1992), which had been applied pre-*Seagate*.

Various model patent jury instructions similarly indicate that the totality of the circumstances approach is the proper post-*Seagate* approach to willfulness. *See, e.g.*, Fed. Circuit Bar Ass’n Model Patent Jury Instructions, No. 3.8; Am. Intellectual Prop. Law Ass’n (“AIPLA”) Model Patent Jury Instructions (2008), No. 13; Model Patent Jury Instructions for the Northern District of California (adopted October 9, 2007), No. 3.11. These model instructions tend to focus on a non-exhaustive list of factors, with copying and advice of counsel (as discussed below) common to all three.

In evaluating the totality of circumstances, courts have typically tailored their analysis to the two prongs announced in *Seagate*. *See, e.g.*, *Church & Dwight Co. v. Abbott Labs.*, No. 05-2142, 2008 U.S. Dist. LEXIS 49587, at *27-*29 (D.N.J. June 23, 2008) (denying defendant’s motion for JMOL of no willful infringement based upon (1) objective factors indicating the strength of the infringement and validity case, and (2) evidence specific to the defendant’s acts establishing it knew or should have known of the objectively-defined risk).

As to where the “standards of commerce” mentioned in *Seagate* might fit into the analysis, no district court yet has paid anything more than lip service to it. Of the three model instructions, only those of the Northern District of California mention it, listing whether the accused infringer “acted in a manner consistent with the standards of commerce for its industry” as one of the facts to be considered, but providing no further guidance. It remains to be seen how standards of commerce will be used in the totality of circumstances of the willfulness inquiry. Further, whatever standards of commerce may have developed during the years preceding *Seagate* unquestionably would have been premised upon the obligations imposed by the affirmative duty of due care under *Underwater Devices*. Thus, if a patentee were to argue, for example, that the standard practice within an industry was to obtain an opinion of counsel when accused of infringing a patent, the patentee effectively would be reinstating an affirmative duty of due care under

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the guise of reasonable standards of commerce. This would significantly undermine the Federal Circuit's rejection of an affirmative duty of due care in *Seagate*.

In sum, a totality of circumstances analysis continues to apply to the willfulness analysis under *Seagate*. The various factors need to be somehow grafted onto the two-prong approach of the *Seagate* standard. Factors relating only to the second prong will only come into play if the objective first prong is satisfied, and it remains to be seen how "standards of commerce" will fit in the analysis.

Legal Opinions Remain Important

Even with the abandonment of the affirmative duty of due care, the advice of counsel issue remains important in defending against a charge of willful infringement. When offered in evidence, opinions of counsel are certainly part of the totality of circumstances to be considered in the willfulness inquiry and will often dominate the analysis. For example, in one of the few cases in which the Federal Circuit has addressed willfulness since *Seagate*, it reversed a finding of willfulness where the district court had denied JMOL on the issue. See *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008). The district court deemed the infringer's failure to obtain an opinion on the validity of the patent to be evidence supporting willfulness, even though the infringer relied upon an opinion of counsel that the patent was not infringed. *Id.* The Federal Circuit reversed, holding that a competent opinion of counsel concluding that the patent was invalid **or** not infringed "would provide a sufficient basis for [the infringer] to proceed without engaging in objectively reckless behavior with respect to the ... patent." *Id.*

Perhaps the most significant issue to arise following *Seagate* relates to a patentee's attempt to use the advice of counsel issue in support of willfulness where the accused infringer did **not** obtain a legal opinion regarding the potential infringing activity. Courts have come to opposite views regarding the appropriateness of such evidence following *Seagate*.

In *Energy Transportation Group, Inc. v. William Demant Holdings*, No. 05-422, 2008 WL 114861 (D. Del. Jan. 7, 2008), the district court held that the patentee could rely upon an accused infringer's failure to obtain an opinion of counsel as evidence of willfulness. The court reasoned that *Seagate* did not alter the

totality of the circumstances standard and thus the jury could consider the lack of a legal opinion as part of that totality.

In contrast, in *Ball Aerosol and Specialty Container, Inc. v. Ltd. Brands, Inc.*, 553 F. Supp. 2d 939, 953 (N.D. Ill. 2008), the court held that the lack of a legal opinion should not be considered as a factor supporting willful infringement. The court acknowledged that advice of counsel could still be used as a defense to willful infringement, but that *Seagate* "emphasized 'there is no affirmative obligation to obtain [an] opinion of counsel' on the part of infringers and the issue of advice of counsel issue should **not** be considered as a factor supporting willful infringement." *Id.* at 952-53 (emphasis added). This is the approach taken in model jury instructions adopted following *Seagate* by the Federal Circuit Bar Association, the AIPLA, and the Northern District of California. The model instructions all identify advice of counsel as an optional factor to be considered only if an opinion is offered by the accused infringer. See, e.g., *TGIP, Inc. v. AT&T Corp.*, Civil Action No. 2:06-cv-105, 2007 WL 2961631, at *14 (E.D. Tex. Sept. 14, 2007) (including optional factor in model instruction where accused infringer relied upon the advice of counsel as a defense to willfulness).

In *Broadcom Corp. v. Qualcomm, Inc.*, No. SACV 05-467-JVS, 2007 U.S. Dist. LEXIS 86627, at *7 n.2 (C.D. Cal. Nov. 21, 2007), the district court simply avoided the issue, concluding that it "need not decide now whether the Federal Circuit's elimination of [the] duty to obtain an opinion rules out consideration of a failure to obtain an opinion entirely." The court proceeded to grant a new trial on willfulness where the verdict was entered based on jury instructions under the pre-*Seagate* standard. *Id.* at *8.

Because *Seagate* expressly abandoned both the duty of due care and the corresponding obligation to obtain an opinion of counsel, it would seem incongruent, at best, to allow a patentee to rely upon the lack of an opinion as evidence of willfulness. Permitting a patentee to show willfulness based upon the absence of an opinion would effectively reintroduce at least an implicit duty to obtain a legal opinion. This would certainly conflict with the spirit, if not the letter, of *Seagate*. In the event a court allows evidence of the absence of a legal opinion on the issue of willfulness, however, an accused infringer should consider at least requesting an instruction that the law imposes no duty to obtain an opinion as emphasized in *Seagate*.

Bifurcation Of Willfulness

Under *Seagate*, the willfulness inquiry is now even more closely tied to the merits of the infringement inquiry. The objectively defined risk that an accused infringer's actions con-

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stituted infringement of a valid patent is “determined by the record developed in the infringement proceeding.” *Seagate*, 497 F.3d at 1371. Thus, as one court has noted, “it is difficult to see how the jury could assess willfulness without taking stock of the evidence, and the strength of the evidence, concerning liability. That is the very evidence from which ‘an objectively high likelihood [of] infringement’ would flow.” *Broadcom*, 2007 U.S. Dist. LEXIS 86627 at *17.

Because the willfulness inquiry is now so highly intertwined with the merits of the infringement proceeding, bifurcation of trials would result in unnecessary duplication of the record created in the infringement phase during the subsequent willfulness phase. *See, e.g., Computer Associates Int’l v. Simple.com, Inc.*, 247 F.R.D. 63, 67 (E.D.N.Y. 2007) (denying bifurcation based on interdependence of willfulness and infringement).

Not surprisingly, district courts have refused accused infringers’ attempts to limit discovery related to the second subjective prong of the *Seagate* test until after the patentee has somehow satisfied the objective prong. Nothing in *Seagate* “requires a plaintiff to obtain a ruling that the defendant’s conduct was objectively reckless before engaging in discovery with respect to the defendant’s subjective knowledge.” *Intervet Inc. v. Merial Ltd.*, Civ. No. 06-658 (HHK/JMF), 2008 WL 2411276, at *2 (D.D.C. June 11, 2008); *see also V. Mane Fils S.A. v. Int’l Flavors & Fragrances, Inc.*, 249 F.R.D. 152, 156 (D.N.J. 2008).

Relationship To Claim Construction

Infringement often turns on the legal issue of claim construction. *See, e.g., Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 81 F. Supp. 2d 978, 983 (N.D. Cal. 1999) *aff’d* 265 F.3d 1294 (Fed. Cir. 2001) (no opposition to infringement in view of claim construction); *see also Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 989 (Fed. Cir. 1995) (*en banc*) *aff’d*, 517 U.S. 370 (1996) (Mayer, J., concurring) (“To decide what the claims mean is nearly always to decide the case.”). The courts have not yet addressed how the closeness of the question on claim construction may play into the new willfulness inquiry of *Seagate*. Where the accused infringer’s claim construction position is set forth in a legal opinion, the analysis is straightforward and would proceed as before *Seagate*. The accused infringer could simply offer its legal opinion in evidence and argue that the claim construction position in the opinion, albeit wrong, provided a good faith basis for the accused in-

fringer to believe it was not infringing. Indeed, this is very much like the facts the Supreme Court addressed in *Safeco*, where the party accused of a willful violation of the Fair Credit Reporting Act avoided willfulness by showing it relied upon a reasonable, albeit incorrect, interpretation of the statute in question. 127 S. Ct. at 2215-16.

Where an accused infringer has no opinion or other evidence to show that it acted based upon an incorrect claim construction, however, it remains to be seen whether and how the infringer might argue that there was no objective high likelihood of infringement because of a close case on the claim construction issue. It would be virtually impossible for a jury to evaluate whether a claim construction position that may have been rejected in a pretrial *Markman* proceeding was sufficiently reasonable to negate the objective high likelihood of infringement. Such a scenario highlights the continued importance of legal opinions even after *Seagate* abandoned the duty to obtain and follow legal advice before undertaking the infringing activity. Of course, district courts remain free to consider the closeness of the claim construction issue as part of the totality of the circumstances in deciding whether to enhance damages. But that possibility offers little comfort for parties who wish to avoid the potential for enhanced damages and the stigma associated with a finding of willful infringement.

How Far Does “Should Have Known” Apply

District courts have come to different conclusions as to whether the subjective “knew or should have known” inquiry in *Seagate*’s second prong is restricted to situations where the accused infringer “knew or should have known” of the objective high likelihood of infringement of a patent known to it, or if it also encompasses the situation where the accused infringer lacked actual knowledge of the patent but where it should have known of the patent. At least one district court has embraced the “should have known of the patent” approach. In *Depomed*, the district court denied summary judgment of no willfulness, finding a reasonable party in the defendant’s position would have or should have known of the existence of the patent because (1) the patent issued two years before the defendant’s product was introduced, (2) a “reasonable party would therefore have had ample time to investigate and discover the relevant patent”, and (3) the patent and an agreement to license it “were well publicized.” 532 F. Supp. 2d at 1186.

Other district courts have continued to follow the “actual knowledge” standard with respect to knowledge of the patent. *See, e.g., Veritas Operating Corp. v. Microsoft Corp.*, No. 2:06-cv-00703-JCC, 2008 U.S. Dist. LEXIS 38752, at *295 (W.D. Wash. Jan. 17, 2008); *F5 Networks, Inc. v. A10 Networks, Inc.*, No. C07-1927RSL, 2008 U.S. Dist. LEXIS 31319, at *3-*4 (W.D. Wash. Mar. 10, 2008) (granting motion to strike allega-

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tion of willful infringement and request for treble damages based, in part, on failure to allege prior knowledge of patent). This is the approach taken in the model jury instructions of the Federal Circuit Bar Association and the AIPLA, which both list actual knowledge of the patent as a required element for willfulness in addition to the two-prong test of *Seagate*. Although a finding of willful infringement is more difficult in many ways after *Seagate*, the “should have known of the patent” interpretation of the second prong of the *Seagate* test would broaden the reach of the doctrine of willful infringement and may be inconsistent with the reversal of the affirmative duty of due care. It seems unlikely the Federal Circuit intended to relax the standard of willful infringement in such a manner.

Conclusions

Seagate significantly altered the standard for showing willful patent infringement. The courts’ application of the standard over the past year indicates that a fact-specific totality of the circumstances inquiry will continue to apply. While the objective high-likelihood prong may sometimes be dispositive, the advice of counsel remains important in defending against willful infringement and may continue to be critical if courts were to allow evidence regarding the lack of an opinion as part of the totality of circumstances. The impact “standards of commerce” might have remains to be seen and how the new *Seagate* standard plays out with *Markman* claim construction proceedings also needs to await further wisdom from the common-law tradition as suggested by Circuit Judge Newman.

♦ *Joseph F. Jennings is a partner and Umair A. Qadeer is a litigation associate in the Irvine office of Knobbe, Martens, Olson & Bear.*

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dural reminders: First, if you are filing a new case with a TRO near the 4 p.m. close of business, the Court asks that you call the Deputy-in-Charge, Milli Borgarding (714-338-4764), or Assistant Deputy-in-Charge, Jeff Allsteadt (714-338-4760), and let them know if the TRO can wait until the next day, so they can inform the judge receiving the assignment. Second, remember that Local Rule 3-2 requires that all manually filed civil initiating documents must be e-mailed in PDF format within 24 hours to the civil intake mailbox for the appropriate court

division. The Court and judges have been very patient as practitioners work through the growing pains of e-filing. I suspect at some point the Court may be less understanding of procedural gaffes, so we all need to take pains to ensure that we – and our staffs – know the ins and outs of the local e-filing procedures.

Improved Attorney Work Rooms in the Central District: Finally, the Central District invites attorneys to check out the updated attorney work rooms in all court-houses, which have been improved in response to attorney survey responses. One of the most notable changes is wireless internet access in the attorney work rooms. This is tangible proof that our responses to court surveys can make a difference.

State Court Changes: On the state court side, the face of the Court is literally changing. Two judges – Judges Donald Gaffney and Nick Thompson – were recently sworn in, and there are still a number of vacancies that now exist or shortly will (e.g., Judge James Gray’s seat, which becomes vacant in January, will be filled in the general election in November.) In addition, some familiar faces are taking new assignments: Judge Jo Tucker is joining the Civil Panel, bringing to approximately 31 the total number of judges on the Civil and Complex Panels; Judge Kim Hubbard is moving to the Family Panel; and some of our commissioners are being converted to judges. The Orange County Superior Court qualifies as an “SJO Conversion” court, which means that the next 16 commissioner positions to become vacant (e.g., through retirement or appointment to the bench), will be eligible to convert to judgeships, with the goal of ensuring a proper ratio on the court of judges to commissioners. Orange County is guaranteed that the first commissioner vacancy each year will be converted to a judgeship. This process will take years, but the first conversion occurred in June, when Commissioner James Waltz was appointed to the bench. His commissioner position was converted a judgeship, and Jacki Brown was immediately appointed to fill the new spot. Finally, the Court continues to participate in the Assigned Judge Program, which provides funding for the Court to hire distinguished judges to assist in the caseload. Retired Judges Richard Luesebrink and Robert Monarch are among the retired Orange County jurists sitting under the auspices of that program.

More Technology Upgrades: Our Superior Court also continues to advance on the technology front. Some of the technology changes are not particularly visible to practitioners, but one of the more significant recent changes will be: the Nomad Evidence Presentation podiums – which to this point were installed only in the Complex Panel courtrooms pursuant to initial grant funding – are being installed in all

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civil and felony courtrooms. Courtrooms have permanently mounted screens and projectors, and the mobile carts in the civil courtrooms will have the standard presentation equipment, which means lawyers just need to bring their laptops, documents, and other evidence. Making our case to the judge and jury just got easier.

New Rules for Trailing Cases: Finally, the Superior Court has just announced a new pilot program for trailing trials in unlimited civil cases. Under the former system, when a courtroom was not available on the Monday morning trial date, the attorneys or their parties were required to remain at the courthouse during the court day until noon on Wednesday, when a new trial date may be assigned. Beginning September 8, 2008, at the request of Orange County bar leaders, the court is initiating the following pilot program: Attorneys or parties whose cases are not immediately assigned to a trial courtroom will be required to remain in the courthouse Monday. Beginning Tuesday, however, they may be placed on a one-hour call, which may remain in effect until the close of the court day on Thursday, at which time a new trial date may be assigned. This pilot program is to remain in effect until further notice, and it will be evaluated after six-months, with an eye toward making it the court's ongoing policy. It is great to have a court so receptive to the suggestions of practitioners and willing to implement change to meet our needs.

Watch for further updates in upcoming ABTL Reports. In the meantime, I look forward to seeing you at our November 4 meeting. Please remember to bring either a stuffed animal for the Superior Court's adoption program (every child receives a stuffed animal on the day of their final adoption) or a small-denomination gift card for the children at Orangewood. I am proud of the generosity of our members and our commitment to serving not only our clients but also our community.

◆ *Martha K. Gooding is a partner in the Global Litigation Group at Howrey LLP.*

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To satisfy their ethical obligations, the lawyers in the above example could not simply instruct the investigator to avoid unlawful conduct. Attorney involvement must go beyond that, as illustrated by *Stephen Slesinger, Inc. v. Walt Disney Co.*, 155 Cal. App. 4th 736 (Cal. Ct. App. 2007), in which a Los Angeles court awarded terminating sanctions based on unethical conduct by a private investi-

gator who had been admonished by the plaintiffs to "obey the law." Plaintiffs claimed royalty payments allegedly due for Winnie the Pooh Merchandise under a licensing agreement with Disney. The Court issued terminating sanctions after plaintiffs' investigator was found to have stolen more than 6,000 pages of documents from garbage dumpsters located at multiple Disney document production facilities. In affirming the sanction, the appellate court ruled that plaintiffs failed to adequately supervise the investigator's activities, that circumstantial evidence showed their knowledge or deliberate indifference to his trespasses, and that they were vicariously liable for his work. "In short, Sands' deliberate misconduct is also the deliberate misconduct of [Stephen Slesinger, Inc.]." *Id.* at 769.

The perils associated with investigator misconduct can be greater still. California law holds both a company and its attorneys liable for negligent hiring, and vicariously liable for the intentional torts of a private detective agency committed in the course of employment. In *Noble v. Sears, Roebuck and Company*, a consumer alleged that she suffered personal injuries while shopping at Sears. 33 Cal. App. 3d 654, 663 (Cal. Ct. App. 1973). Defendants hired an investigator to obtain the address of a witness, plaintiff's friend. The investigator ultimately gained admittance to plaintiff's hospital room and secured the address "by deception." *Id.* at 657. In reversing the trial court's dismissal of the claims, the appellate court held that the company, its attorneys, the investigator, and the investigator's employee could all be found liable for the employee's "unreasonably intrusive investigation" violating the plaintiff's right to privacy. *Id.* at 660.

A threshold factor in determining whether the retention of an investigator is negligent is whether the investigator is licensed. *Noble, supra*, at 664. In California, an employer can confirm an investigator's license online by consulting the Bureau of Security and Investigative Services, an agency within the Department of Consumer Affairs. Confirmation of a license, however, is not itself sufficient to establish reasonable care in hiring. Attorneys should check references to confirm that a proposed investigator maintains an ethical practice. The California Association of Licensed Investigators may provide further guidance and recommendations for selecting an investigator.

When retaining a private investigator, one should maintain a professional, cordial relationship that emphasizes at all times that the interest to be served is to discover the truth, not to manufacture evidence, or to earn one's keep by producing positive evidence. One of the authors once impeached an adversary's forensic investigator with an e-mail communication in which the investigator's supervisor in-

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structed her, in substance, "to find something, because the client is paying us a lot of money to deliver results." An attorney should never assume that an investigator will know to avoid such a communication.

Once retained, the attorney must set the parameters of the investigator's conduct. Attorneys should develop a set of guidelines to review orally with the investigator, and consider developing a written contract that expressly states these expectations of professionalism.

2. Pretexting or Making False Statements

One ethical pitfall that occurs with some frequency is pretexting, which is the use of false pretenses as a method of discovery. Pretexting generally involves the use of information about an individual, such as a social security number, to impersonate the individual and mislead information providers into giving out additional information that would generally only be available to the authorized individual. Attorneys, and private investigators, when gathering facts, must avoid making false or misleading statements representing that they are authorized to obtain personal information when in fact they are not.

Until recently, a number of statutes covered pretexting activities only with respect to certain records. For example, the Gramm-Leach-Bliley Act of 1999, 15 U.S.C. § 1681q, prohibited the use of pretexting to acquire personal financial information from financial customers or institutions. The Fair Credit Reporting Act, 15 U.S.C. § 1681q, enacted in 1968, barred individuals from obtaining consumer information under false pretenses from a consumer reporting agency. Enacted in 1914, the Federal Trade Commission Act, 15 U.S.C. § 45, prohibited unfair or deceptive acts or practices affecting commerce, which covered many aspects of pretexting but did not give the FTC authority to seek civil penalties in certain cases.

No law specifically banned the use of pretexting to obtain telephone records until Congress enacted the Telephone Records and Privacy Protection Act (TRPPA) of 2006, 18 U.S.C. § 1039, making it a crime to knowingly and falsely obtain "confidential phone records information," punishable by a fine and up to ten years' imprisonment. Congress's findings supporting the TRPPA describe pretexting as fraud on a material fact that persuades someone to disclose information: pretexting occurs when "a data broker or other person represents that they are an authorized consumer and convinces an agent of the telephone company to release the data." Telephone Records and Pri-

vacy Protection Act of 2006, Pub. L. No. 109-476, § 2, 120 Stat. 3568 (codified at 18 U.S.C. § 1039). Even greater penalties may be assessed under state law against the use of fraudulent statements to obtain consumer and employee telephone records information, as is the case with California Penal Code § 638, enacted several months before the TRPPA. Section 638 subjects any person who attempts to procure telephone calling records through fraud or deceit to a penalty of a \$10,000 fine and up to one year of jail time.

Rules of professional conduct regarding pretexting provide some guidance, but also leave a considerable grey area that cautions restraint. Ethics rules do not define wrongful pretexting in terms of what specific activity is acceptable. A case from New Jersey illustrates what are likely the outer limits of what a court is willing to define as an ethical misrepresentation in the context of gathering facts in aid of litigation. In *Apple Corps Ltd. v. International Collectors Society*, Yoko Ono's counsel hired investigators to investigate whether a postage stamp company was violating the terms of a settlement agreement with John Lennon's estate concerning stamps bearing the rock star's image. 15 F. Supp. 2d 456 (D.N.J. 1998). The investigators posed as consumers and placed orders by phone with the stamp company for products not authorized under the settlement agreement. The stamp company sold the products to the investigators, which was the critical piece of evidence showing the stamp company's violation of the settlement agreement. After the plaintiffs sought a contempt order and injunction, the stamp company motioned for ethical sanctions against plaintiff's counsel, claiming their behavior was deceitful. The *Apple Corps* court held that the phone calls did not violate ABA, New York or New Jersey ethics rules prohibiting fraud and deceitful conduct, although the

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• Technology Updates in the Courtroom

The attorneys in attendance also received a glimpse of the technology upgrades that the Orange County Superior Court is implementing in the courtroom. Judge McEachan's courtroom is the first to receive these upgrades, which include a state-of-the-art podium that attaches directly into a laptop computer, allowing an attorney to present information directly from his or her laptop to retractable screens in the courtroom. The podium also links to a portable controller that allows the judge to also access and highlight information on the screen.

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All in all, the Brown Bag Breakfast was an informative discussion on a variety of practical topics for civil practitioners and a great start to the morning.

- **About the Judges**

Judge McEachan began his judicial career in the Municipal Court of Orange County in 1990 and elevated to the Superior Court of Orange County in 1993, where he now serves in Department C21. Judge Moss was appointed to the bench in 2002 and he currently sits on the civil panel in Department C18. Judge Fell was appointed to the bench in January 2001, and she currently sits in Department C22 of the Superior Court of Orange County Civil Panel. The ABTL and all attorneys in attendance at the breakfast thank Judges McEachan, Moss and Fell and Ms. Honer for sharing their time and insights on an early Wednesday morning.

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investigators did not identify their purpose in calling. The court held that rules prohibiting deception are not violated where lawyers and their investigators “act as members of the general public to engage in ordinary business transactions with low-level employees of a represented corporation” to detect violations of the law. *Id.* at 474-75. To what extent the conduct approved in *Apple* can be generalized to all cases is open for debate. Arguably, undercover investigative acts that verge on pretexting, such as those undertaken by the *Apple Corps* attorneys, appear to be accepted only in those narrow areas where courts or ethics boards have expressed some approval, as in the contexts of housing discrimination and trademark disputes, where the potential violations would otherwise not easily be detected or proven.

In contrast to *Apple Corps*, the Oregon Supreme Court held that an attorney’s false representations to investigate a potential claim did violate Oregon’s misconduct rule prohibiting “fraud, deceit or misrepresentation.” *In re Gatti*, 330 Ore. 517 (Or. 2000). Gatti, a lawyer, sought to investigate whether Comprehensive Medical Review (CMR), a company that conducts claims reviews for State Farm Insurance Company, employed unqualified reviewers and used an improper cost-cutting formula to deter-

mine whether to grant medical coverage for chiropractic services. Gatti, posing as a chiropractor, called a reviewer who worked for CMR to ask questions about his qualifications. Then Gatti called a CMR executive and falsely stated that he himself had performed medical examinations, was interested in working as a CMR claim reviewer, and had been referred to CMR by both State Farm and the chiropractor-reviewer Gatti had called. The court held that the Oregon Bar could prosecute Gatti based on a disciplinary rule prohibiting knowingly misrepresenting one’s identity with the intent that it be acted upon, in circumstances where disclosing one’s real identity would have influenced the recipients’ conduct. *Id.* at 527-28. In response to the *In re Gatti* decision, which met with a critical response from the state bar, Oregon adopted a new professional rule, now Rule 8.4(b), permitting attorneys to supervise lawful covert activity in the investigation of violations of law or rights, where the supervising lawyer in good faith believes there is a reasonable possibility of unlawful activity.

The differences in conduct engaged in by Yoko Ono’s attorneys and Gatti are important. One conclusion to be drawn is that an investigator’s failure to identify her true objectives is acceptable if she is acting as a member of the general public, doing something that members of the public typically can do in relation to a particular transaction. In such a situation, the investigator is not lying to the investigation target, nor is she tricking the target into acting differently or giving out information that would not otherwise be given in such a situation. However, where an investigator lies about his identity or poses as someone else in order to mislead the target into disclosing information that would otherwise be withheld, then such activity is treated as violative of the rules of professional conduct. Model Rules of Professional Conduct 4.1, 4.4(a), and 8.4(c) give detail to the ethical standards against deceit. In *Gatti*, as part of his investigation of potential violations, the attorney went further than merely inquiring about the prerequisites to become a CMR reviewer. He lied to his targets, falsely identifying himself as a licensed chiropractor, to gain confidences that, likely, would not have otherwise been revealed to him. This affirmative step, coupled with its material effect on whether information would otherwise have been given, is what separates Gatti’s investigation from that of Yoko Ono.

Prudent counsel will err on the side of avoiding misrepresentations, and will instruct an investigator to conduct themselves accordingly.

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3. Using an Investigator to Communicate with a Represented Witness

Another pitfall in using a private investigator is the possibility that she will communicate with someone already represented by counsel in connection with the matter at issue. Ethical rules prohibit an attorney from communicating about the subject of the representation with a witness the attorney knows to be represented by another lawyer, without the consent of the witness's counsel. The same rules apply to private investigators. The ABA states the rule this way: "Since a lawyer is barred under Rule 4.2 from communicating with a represented party about the subject matter of the representation, she may not circumvent the Rule by sending an investigator to do on her behalf that which she is herself forbidden to do." ABA Comm. on Ethics and Prof'l Responsibility, Informal Op. 95-396 (1995). Comment 4 to Model Rule 4.2 also states: "A lawyer may not make a communication prohibited by this Rule through the acts of another." Likewise, California Rule of Professional Conduct 2-100(a) prohibits a member from communicating "directly or indirectly" with a party known to be represented in the matter. The consequences of violating this rule include both professional and evidentiary sanctions.

That is not to say that all inadvertent or unwitting contacts with a represented party will result in sanction. Many courts would find no violation if the investigating attorney does not actually know that the witness is represented in the matter at the time of the communication. In *Jorgensen v. Taco Bell Corp.*, the trial court declined to find unethical conduct in connection a pre-litigation investigation in which plaintiff's investigator interviewed Taco Bell employees before the plaintiff had filed a complaint. The Court held that it was not possible for the attorney to know that Taco Bell was represented in the as-yet-unfiled matter. 50 Cal. App. 4th 1398 (Cal. Ct. App. 1996). The court did not require the attorney to contact Taco Bell's in-house counsel to determine whether Taco Bell was actually represented in the matter before making contact. This rule will not be the same for every jurisdiction. Some jurisdictions that follow the ABA Model Rules will impute knowledge of a witness's representation to an attorney under certain circumstances. See, e.g., *Featherstone v. Schaerrer*, 34 P.3d 194 (Utah 2001). Therefore, counsel considering such contacts must be careful to research the rules of the applicable jurisdiction.

This rule against *ex parte* communications extends to any person or witness represented by counsel in a matter to which the conversation relates, including potential parties. With respect to represented organizations and companies, the Model Rules distinguish between communications with a company that is represented, its low level employees, and its former employees. The Model Rules do not require the consent of the organization's counsel for communications with former employees. The attorney or investigator, however, must be careful to avoid eliciting the substance of privileged communications. Prior consent of corporate counsel in many instances is not required for communications with low-level employees, since the Rule only prohibits communication with an employee 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." Model Rules of Prof'l Conduct R. 4.2 cmt. 7. Many states have adopted rules and standards similar to the ABA Model Rules on organizational employees. See, e.g., Cal. Rules of Prof'l Conduct R. 2-100(b)(2). In 2002, the ABA narrowed the scope of the *ex parte* communications rule with respect to organizational employees. The prior standard prohibited communication with any person "whose statement may constitute an admission on behalf of the organization," which some courts had interpreted broadly to bar *ex parte* communications with any witness who could bind the organization in a legal, evidentiary sense. See Am. Bar Ass'n Annotated Model Rules of Prof'l Conduct R. 4.2 (5th ed. 2003). Even when communications with a current low-level employee are not barred by the *ex parte* rule, however, an attorney or investigator must be mindful of interactions with other rules, such as Model Rule 4.4, which prohibits the use of discovery methods that violate the legal rights of the organization, such as attorney-client privilege.

Before interviewing or communicating with a third party or potential witness, consider whether the contact falls within the ethical rules. Has a complaint been filed? Do you know whether the third party is represented? How does your jurisdiction define knowledge of representation, and whether a particular witness is represented by corporate counsel? Is the witness a low-level employee of an adverse party? If so, did they engage in any acts or omissions which might be imputed to their employer for liability purposes? These rules apply regardless whether the "ex parte" contact is initiated by an attorney, investigator or other person supervised by the attorney or investigator.

4. Failing to Preserve Attorney-Client Privilege

Another pitfall in using a private investigator is the potential loss of the attorney-client privilege or work product protection. Under both federal and California law, attorney work product and attorney-client privilege are granted to a private investigator as the agent or representative of attorney. *United States v. Nobles*, 422 U.S. 225 (U.S. 1975); *Rodriguez v. McDonnell Douglas Corp.*, 87 Cal. App. 3d 626 (Cal. Ct. App. 1978).

To avoid waiver of any privileges, it is important that an investigator undertake the same precautions as an attorney. In *Roberts v. Americable International, Inc.*, the plaintiff asserted work product and attorney-client privilege with respect to tape recordings of conversations between plaintiff and the individual defendant manager made secretly by the plaintiff for use in an employment discrimination case. 883 F. Supp. 499 (E.D. Cal. 1995). Plaintiff asserted attorney-client privilege and work product protection. The court denied the privilege assertion because none of the recorded communications was for the purpose of seeking legal advice. The court ruled the materials were not attorney work product because the recordings did not reveal the mental processes of the attorney or investigator—neither of whom were parties to the taped conversation. In the same vein, the court in *Laxalt v. McClatchy* required two investigators retained by defendants in connection with a libel action to respond to the plaintiff's deposition questions seeking to discover facts including the identity of witnesses and documents pertinent to the case and other information obtained during their employment with defendants. 116 F.R.D. 438 (D. Nev. 1987). The court drew a line, however, at requiring investigators to point out which witnesses they had interviewed, and to state which documents they had been shown by defendants, since this type of information was likely to reveal the type of mental impression and trial strategy that the work product doctrine protects.

Secret recordings pose a number of problems including waiver. While the ABA no longer considers it to be an ethical violation to secretly record another party, such recordings may violate other applicable regulations. ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 01-422 (2001). Where secret recording violates state law, as in California under Penal Code section 632, or under professional rules relating to fraud and deceit, work product protection

does not apply. Even when the recordings are lawful, attorneys should keep in mind the evidentiary issues they raise, including the quality of the recording and authentication.

Even when a privilege applies to an investigator's work, it may be waived under the same rules and exceptions applicable to attorneys. By listing a private investigator as a witness, a party is deemed to waive the work product privilege with respect to matters covered in the investigator's testimony. *Nobles*, 422 U.S. at 225. In jurisdictions with a crime-fraud exception, the attorney-client privilege will not extend to work performed by an investigator in aid of a fraud or crime. *See, e.g., In re Fulton County Grand Jury Proceedings*, 244 Ga. App. 380 (Ga. Ct. App. 2000). Voluntary disclosure to others and failure to timely assert work product protection or attorney-client privilege are other common sources of waiver.

5. Disqualifying Yourself as a Witness

Both Model Rule 3.7 and California Rule 5-210 prohibit an attorney from acting as a witness on a contested issue in a case the attorney is a likely witness, but do not disqualify other members of the attorney's firm. Courts typically weigh the prejudice to the opposing side against the hardship of retaining new counsel to the client employing the attorney-witness. Most jurisdictions permit disqualification only with respect of performing the role of advocate at trial, and not with respect to pretrial activities or preparation outside the courtroom. California's attorney-witness rule is more limited and only applies where the attorney's testimony will be delivered in front of a jury. Another consideration is the party calling the attorney-witness: some courts, including in California, hold that the advocate-witness rule disqualifies an attorney only where she is a necessary witness for her own client, and many courts find no disqualification where opposing counsel merely announces an intention to call the attorney as witness without showing additional necessity. California allows the attorney-witness prohibition to be waived by the client. Even where a jurisdiction allows waiver, however, a prudent attorney should be cautious about asking juries to assess the attorney's own credibility.

♦ *Michael Katz is a litigation partner at Thomas, Whitelaw & Tyler in Irvine and Jacqueline Beaumont at Morrison & Foerster's San Diego office.*

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