INVESTIGATIONS GONE WILD – THE RISKS AND REWARDS IN THE USE OF INVESTIGATORS

Christopher P. Busser
Kilpatrick Townsend & Stockton LLP
Atlanta, Georgia

and

Jeremy B. Liebman
Krispy Kreme Doughnut Corporation
Winston-Salem, North Carolina

October 18-20, 2017
Palm Desert, California
# Table of Contents

I. INTRODUCTION ................................................................. 

II. USE OF INVESTIGATORS - THE BUSINESS CASE .......... 
    A. Trademark Usage .................................................... 
    B. Franchise Operations ............................................. 
    C. Dealings with Third Parties ................................... 
    D. Use by Franchisees ................................................. 

III. USE OF INVESTIGATORS – ETHICAL ISSUES .......... 

IV. USE OF INVESTIGATORS – LEGAL ISSUES .......... 
    A. Cases in which Pretexting was Permitted ............... 
    B. Cases in which Pretexting was Successfully Challenged 
    C. Cases Off the “Deep End” ...................................... 

V. RECOMMENDED BEST PRACTICES IN UTILIZING INVESTIGATORS .. 

VI. CONCLUSION .................................................................
INVESTIGATIONS GONE WILD – THE RISKS AND REWARDS
IN THE USE OF INVESTIGATORS

I. INTRODUCTION

A fundamental maxim underlying success in business is that “knowledge and information is power.”¹ Access to information allows businesses to make more educated decisions about taking courses of action and helps them avoid serious legal and business missteps. This is particularly true in the world of franchising where the importance of knowledge and accurate and complete information permeates virtually every aspect of the franchise relationship, including relations between franchisors and franchisees, franchise operations, and dealings with third parties including vendors and competitors. But acquiring the necessary knowledge and information can sometimes pose significant challenges. As a result of the constant need for the most up-to-date knowledge and information to make informed legal and business decisions, a burgeoning industry has developed involving the use of third-party investigative services.² Although there can be great rewards in using investigators, how far can your investigator go in obtaining the desired information. Can the investigator lie to the individuals interviewed about the purpose of the interview or the investigator’s identity? Can the investigator interview individuals who are represented by counsel? Can the interviews be recorded for presentation of evidence? Does the attorney who retains the investigator need to be concerned at all with the tactics used by the investigator? This paper will examine the business case for using investigators, ethical and legal issues that should be considered in the retention and use of investigators and recommended best practices in the use of investigators.

II. USE OF INVESTIGATORS - THE BUSINESS CASE

A. Trademark Usage

The use of investigators unquestionably can be of great assistance to franchisors and franchisees in addressing a variety of issues.³ One area in which information obtained by investigators can be particularly helpful involves a franchise system’s trademarks. Consider, for example, these common scenarios:

1. A franchisor desires to adopt a new trademark for use by its system and after conducting a preliminary or commercial search discovers a third-party use of a similar mark for similar services.

¹ The phrase “scientia est potentia”, which translates to “knowledge is power”, is a Latin aphorism and is attributed to Sir Francis Bacon, although there is no known occurrence of this phrase in Bacon’s English or Latin writings. See Wikipedia.


³ See K. Kennedy, P. Rudolph & P. Silverman, Key Legal and Business Ethics Issues for Franchise Lawyers, IFA 44th Annual Legal Symposium, at 19 (2011); (hereinafter Kennedy, Rudolph & Silverman); Isbell & Salvi, supra note 2, at 800.
2. A franchisor owns a federal registration for its principal mark and is considering
expanding into a new geographic area but before selling the territory to a new franchisee learns
of a third party using a similar name or mark in the territory.

3. A franchisor acquires a new concept that owns a registration (either federal or
international) for its mark but after the acquisition discovers a number of third parties in the
applicable country(ies) that are operating a business under a similar mark for similar goods or
services.

4. After discovering that a domestic or international unrelated party is using or has
filed a registration application for a mark similar to the franchisor’s mark, the franchisor desires
to obtain more information about the nature of the actual or intended use and the identity of the
unrelated party.

The use of an investigator in any of these scenarios can yield essential information that
will allow a franchisor to make the most informed decision going forward. Without this
information, the franchisor will likely have difficulty determining whether it should be taking an
offensive or defensive posture in dealing with the third-party use and whether the franchisor’s
federal registration may be at risk.\(^4\) In these scenarios, investigators can often obtain key
information about the third party’s activities including:

- how long the third party has operated under the mark at issue (which is key to
  the issue of priority);
- whether there have been any significant gaps in that usage (which could result in, among other things, an abandonment argument);
- where the third party has historically operated and, if it operates more than one
  location, when each of those locations began operating (which could be relevant
  both to priority and to the size of the geographic area to avoid in the event the
  third party is determined to have priority);
- whether the third party is being operated by a former franchisee or employee of a
  franchisee or a relative of the former franchisee or employee (which could bear
  on the issue of intent);
- whether the third party is operating or using its marks in connection with its
  goods or services in a way that suggests an association with the franchisor,
  including similarity of logos, mission statements, websites, trade dress, service
  vehicle graphics, etc. (which could also bear on the issue of intent as well as
  trademark dilution); and
- the existence of bona fide actual confusion in the marketplace.

\(^4\) See generally C. Bussert & L. Ralls, Caveat Emptor: Trademark Clearance and Investigation Before Acquisition of a
New Concept, 32 Franchise L.J. 212, at 212-19 (Spring 2013); Stephen W. Feingold, Jessica N. Cohen & Meredith A.
Carlo, Ethical Considerations for Trademark Lawyers, Trademark Law Basics, at *16-19 (INTA Course Handbook
2001), \texttt{http://www.kilpatricktownsend.com/~media/Files/articles/SFeingoldTMArticle.ashx} (hereinafter Feingold,
Cohen & Carlo).
B. Franchise Operations

Another area in which the use of investigators can be very beneficial to franchisors is in obtaining information relating to franchisee operations. Consider the following common scenarios:

1. The franchisor desires to determine whether franchisees are complying with system standards, are offering all required goods and services of the system including those that are involved in ongoing promotions or are offering additional or different goods or services, or are making proper use of the franchisor’s trademark.5

2. The franchisor receives a complaint from a franchisee of a neighboring franchisee encroaching on the complaining franchisee’s exclusive territory.

3. The franchisor desires to determine whether a terminated franchisee has fully complied with all post-termination obligations including debranded its location to remove all use of the franchisor’s trademarks, ceased all use of the franchisor’s trade secrets and confidential information, and/or complied with any noncompete obligations.6

4. The franchisor desires to investigate a complaint received from a consumer that a franchisee is engaging in discriminatory conduct based on race, sexual orientation, or other categories.

Investigators can help identify information that will assist the franchisor in assessing and addressing each of these scenarios before they careen out of control. And in the case of terminated franchisees, the information obtained can help in preparing exhibits to demand letters or lawsuits that may result in early resolution of the matter.7

C. Dealings with Third Parties

Finally, retention of investigators may help in dealing with a wide range of issues involving a franchisor’s dealings with third parties. Consider the following common scenarios:

1. A franchisor discovers a trademark or domain name it would like to acquire from a third party.

2. A franchisor receives reports that a vendor for its system is selling nonconforming goods to franchisees, selling directly to franchisees without permission, or selling goods to third parties that make improper or unauthorized use of franchisor’s marks or confidential information.

---


6 See Kennedy, Rudolph & Silverman, supra note 3, at 18.

7 Nix & Ray, supra note 5, at 540-41 (“[a] benefit of permitted pre-suit investigations [is] the development of information, which may provide counsel with leverage for pre-suit settlement negotiations”).
3. The franchisor learns that a competitor may be making false or misleading statements about the franchisor and/or its franchise system and/or the perceived qualities or deficiencies of the goods and services that are offered by that franchise system.

Again, the use of investigators may assist in assessing and addressing any of these scenarios. As to the potential acquisition of a trademark or domain name from a third party, investigative services often are able to conduct negotiations regarding the potential acquisition anonymously, which may help keep the acquisition price down. Information yielded based on the investigation of vendors may lead to candid communications between the franchisor and vendor that may result in the vendor adequately addressing the issues raised by the franchisor or risking being terminated by the franchisor as an authorized vendor. The results of the investigation of a competitor may yield information that will support a strongly worded demand letter to the competitor or averments in a lawsuit brought against the competitor.

D. Use by Franchisees

And the use of investigators is by no means limited to franchisors. Franchisees may benefit from retaining investigators as well. Consider the following scenarios:

1. The franchisee desires to obtain information that may help to rebut factual assertions by a franchisor of inadequate product or service quality or overall performance.

2. The franchisee desires to verify statements made by the franchisor regarding ownership of intellectual property rights.

3. The franchisee desires to ascertain the consuming public’s reaction to the franchisee’s operations.

4. The franchisee desires to verify whether another franchisee is encroaching on its exclusive territory.

Retention and use of private investigators by franchisors or franchisees has additional benefits as well. When experienced, competent investigators are used and are provided with clear instructions, key information regarding specific commercial activities and transactions can often be obtained economically and efficiently including activities that cannot be effectively explored by other means. This is particularly so because investigators have mastered skills and have tools not generally within the knowledge or experience of most attorneys. Moreover, using an investigator whose credentials, resume, and integrity is beyond reproach for pre-litigation investigation (as opposed to an attorney involved in the matter or his or her staff) may help blunt any argument of bias in the information obtained as investigators are generally viewed as independent witnesses. It will also avoid putting the attorney in the irreconcilable

---

8 Isbell & Salvi, supra note 2, at 802.

position as serving as both a client’s attorney and a material witness, which could result in a disqualification motion.10

III. USE OF INVESTIGATORS – ETHICAL ISSUES

Despite the strong business case for use of investigators, their use is not without controversy, particularly with respect to the tactics they may employ to obtain the desired information. At the outset, many courts have held that the principal-agent doctrine is applicable to the retention and use of investigators.11 Accordingly, investigators are bound by the same ethical rules and obligations that apply to the attorneys who retain them.12 A number of ABA Model Rules and their state equivalents repeatedly come up in assessing the actions of investigators and the attorneys who retain them.13

Because, as discussed below, investigators frequently use, to some extent, pretext to obtain information on behalf of the attorney who retains the investigator, the attorney needs to be cognizant of his or her obligations under ABA Model Rules 4.1 and 8.4, which are recited below. These rules prohibit attorneys, and by extension their investigators, from making misrepresentations or engaging in other fraudulent or dishonest conduct in certain circumstances.14

ABA Model 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.


12 Smoot, supra note 9, at 41 (“Along the same lines, an attorney’s agents are bound by the same ethical rules that bind the attorney”); Feingold, Cohen & Carlo, supra note 4, at *16; Bernstein & Harvey, supra note 7, at 1249. See also P. Segal, Five Questions Litigators Should Ask Before Hiring an Investigator (and Five Tips to Investigate It Yourself), Litigation, Vol. 43, No. 3 at 1 (2017) (hereinafter Segal).

13 See Sections IV.A., B. and C. infra.

14 See Isbell & Salvi, supra note 2, at 811-23, assessing in detail the applicability of these rules to pretext investigations and concluded that, when properly read, these rules do not prohibit a lawyer’s use of investigators who make misrepresentations about their identity and purpose; Nix & Ray, supra note 5, at 527 (“some courts have deemed acceptable the use of deception to expose political corruption, racial discrimination, and intellectual property infringement”).
ABA Model 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; or

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

As discussed in further detail below, some jurisdictions have found that certain misrepresentations made or tactics used in the course of a pretext investigation do not trigger the foregoing prohibitions, although the latitude given varies widely from jurisdiction to jurisdiction. 15

The timing of the investigator's interactions with an employee or representative of the target (i.e. whether the target and/or the employee or representative are represented by counsel) as well as the role of the employee or representative within the target (i.e. management level vs. sales clerk) also are often the subject of scrutiny under ABA Model Rules 4.2 and 4.3 cited below. 16 These rules outline standards for communicating and otherwise dealing with represented (Rule 4.2) and unrepresented (Rule 4.3) parties.

ABA Model 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 court order.

ABA Model Rule 4.3: Dealing with Unrepresented Persons

---

15 See Kennedy, Rudolph & Silverman, supra note 3, at 19. Some commentators have suggested that concealment of identities or the use of fictitious credentials by investigators do not constitute a material misrepresentation within the meaning of Rule 4.1. Isbell & Salvi, supra note 2, at 813; A. Oh, Using Employment Testers to Detect Discrimination: An Ethical and Legal Analysis, 7 Geo. J. Legal Ethics 473, 486 (1993). See also Nix & Ray, supra note 5, at 526.

16 Feingold, Cohen & Carlo, supra note 4, at *12.
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.

And consideration of ABA Model Rule 5.3 recited below in the context of investigations is also important as it prohibits an attorney from endorsing or ratifying conduct or directing an investigator to engage in conduct in violation of the Model Rules if engaged in by the attorney.17

ABA Model Rule 5.3: Responsibilities Regarding Nonlawyer Assistance

With respect to a non-lawyer employed or retained by or associated with a lawyer:

(a) a partner, and a lawyer who individually or together with other lawyers possesses comparable managerial authority in a law firm shall make reasonable efforts to ensure that the firm has in effect measures giving reasonable assurance that the person’s conduct is compatible with the professional obligations of the lawyer;

(b) a lawyer having direct supervisory authority over the nonlawyer shall make reasonable efforts to ensure that the person’s conduct is compatible with the professional obligations of the lawyers; and

(c) a lawyer shall be responsible for conduct of such a person that would be a violation of the Rules of Professional Conduct if engaged in by a lawyer if:

(1) the lawyer orders or, with the knowledge of the specific conduct, ratifies the conduct involved; or

(2) the lawyer is a partner or has comparable managerial authority in the law firm in which the person is employed, or has direct supervisory authority over the person, and knows of the conduct at a time when its consequences can be avoided or mitigated but fails to take reasonable remedial action.

As discussed in further detail below, although in many cases each state’s equivalent to the ABA Model Rules is worded in an identical or virtually identical fashion, this does not necessarily mean the rules will be interpreted the same or that exceptions to their application recognized in one jurisdiction will be recognized in another jurisdiction.18 Similarly, and as also discussed below, although courts in some jurisdictions have distinguished ethical rules from

17 Segal, supra note 12, at 1; Bernstein & Harvey, supra note 10, at 1249; Feingold, Cohen & Carlo, supra note 4, at *15.

18 See Nix & Ray, supra note 5, at 526, 529-33 (analyzing the different approaches taken under the ethics rules of Oregon, Colorado, Florida and Missouri as to covert investigations).
statutes and have accordingly been more willing to excuse violations depending on the particular circumstances presented, other jurisdictions have more strictly applied ethical rules with the force of statutes. For example, and as discussed below, some pretexting activities allowable in New York and New Jersey do not appear to be allowable in South Dakota and South Carolina.

IV. USE OF INVESTIGATORS – LEGAL ISSUES

The most significant legal challenge regarding the use of investigators has involved the issue of “pretexting.” In its most common form, pretexting occurs when an investigator in the course of an investigation disguises his or her real identify and purpose, and instead poses as someone else such as an ordinary consumer of the target’s goods or services to obtain desired information on the target’s activities. The purpose of this ruse is to encourage the targets of the pretext to let their guard down and volunteer more freely on the subjects inquired on by the investigator. Courts are not uniform in their treatment of this issue or on how much latitude they will allow investigators to obtain information. Ensuring that an investigator’s activities do not go over the line under the ABA Model rules or their state equivalents and the legal authority of a particular jurisdiction is of critical importance. Failure to do so can result in many negative consequences, including the exclusion of some or all evidence obtained by the investigator, waiver of the attorney-client privilege or work product doctrine as to all aspects of the investigation, as well as disciplinary proceedings, a civil damages claim or criminal charges being pursued against the attorney who retained the investigator.

Cases in which pretexting was and was not allowed are discussed in the following sections followed by best practices the authors recommend be considered in retaining investigators and achieving the goal of obtaining the desired information without subjecting the attorney or client to serious ethical or legal issues.

A. Cases in which Pretexting was Permitted

To the extent issues with the use of pretexting in an investigation have been raised, early cases appeared to focus more on whether the information obtained in the investigation was admissible under the relevant rules of evidence, rather than on any deception used in obtaining that information. For example, Louis Vuitton S.A. v. Spencer Handbags Corp. involved an action against the sellers of allegedly counterfeit handbags. Plaintiff’s case was based primarily on a videotape of a meeting between representatives of the defendants and an attorney’s client, on the one hand, and an investigator, on the other, qualify for protection under the attorney-client privilege or work product doctrine. Compare Smoot, supra note 9, at 40-41 with Bernstein & Harvey, supra note 10, at 1248.


21 In many cases, particularly in the area of intellectual property infringement, the court simply notes that evidence of infringement was procured by investigation without any discussion of the tactics used or the admissibility of that evidence. See, e.g., Phillip Morris USA Inc. v. Shalabi, 352 F. Supp. 2d 1067 (C.D. Cal. 2004).

22 765 F.2d 966 (2d Cir. 1985).
investigator retained by plaintiff’s attorney. The investigator played the undercover role of “Mel West,” a casino owner interested in funding a scheme involving the manufacture and distribution of counterfeit bags. The investigator contacted a representative of defendant, David Rochman, whom the investigator knew to be a distributor of counterfeit bags. The investigator told Rochman that he was planning to manufacture counterfeit Vuitton bags and wanted Rochman to partner with him in this operation. Rochman then introduced Pinny and Arie Rand to the investigator in a meeting that took place in the investigator’s hotel room and which the investigator covertly videotaped. During that meeting the Rands’ remarks revealed that they were highly knowledgeable about the counterfeit bag business. Among other things, they repeatedly stressed to the investigator that they were anxious to build up a large stock of counterfeit Vuitton merchandise, that they paid their suppliers promptly without giving them any trouble, and that they took many precautions to avoid getting caught. The district court relied on the videotape evidence in granting plaintiff’s motion for a preliminary injunction.23

On appeal, the Second Circuit held defendants’ contention that the district court erred in admitting the videotape into evidence was frivolous.24 Significantly, the defendants’ challenge to the videotape was not based on the investigator’s use of pretext but instead on whether the videotape had been properly authenticated and a proper chain of custody established. Defendants did not argue that the videotape was inaccurate or that it had been altered since the date of recording.

The Second Circuit noted that the district court had allowed the videotape to be played after hearing the investigator’s testimony that the tape accurately depicted the events in the hotel room.25 The court recited the requirements of Federal Rules of Civil Procedure 901, which, among other things, states that “the requirement of authentication or identification is a condition precedent to admissibility as satisfied by evidence sufficient to support a finding that the matter in question is what its proponent claims.”26 Because defendants made no well-founded accusations of impropriety or inaccuracy, the testimony provided by plaintiff’s witnesses was deemed sufficient to authenticate the videotape. Accordingly, the Second Circuit held that the district court did not err in admitting and relying upon the investigator’s videotape.

*Nikon Inc. v. Ikon Corp.*27 similarly involved an action for trademark infringement in which plaintiff, which manufactured cameras under the NIKON mark, sued a competitor, which manufactured cameras under the IKON mark. As part of its efforts to establish actionable “passing off”, plaintiff hired two private investigators to pose as customers of two retailers who carried defendant’s cameras including a store owned by the president of defendant. At that store, one of the investigators was advised by a sales person that IKON cameras were made by the same people who made NIKON cameras and that Nikon authorized the manufacturing of IKON cameras. At the second store, the sales person told the investigator that Nikon made portions of Ikon’s cameras including the lens and the equipment inside the camera.

---

23 *Id.* at 969.

24 *Id.* at 973.

25 *Id.* at 973-74.

26 *Id.* at 974.

The court observed that although Ikon may not be held responsible for the acts of independent retailers of whose conduct it was unaware, evidence of “passing off” even by independent retailers was relevant to determining likelihood of confusion. This was particularly true, according to the court, because one of these incidents occurred at a retail store owned by the president of Ikon and was within his control. And although plaintiff’s evidence of “passing off” was limited to these two instances, the court found that it was of probative value in determining whether a likelihood of confusion existed between the marks at issue.

Weider Sports Equipment Co. v. Fitness First, Inc. began a more recent trend of directly challenging the use of pretexting under ethical rules. There, third party defendant Icon Health and Fitness and defendant Fitness First moved for a protective order or exclusion of evidence directly or indirectly obtained through what Icon Health contended was unethical conversations with one of its employees. Specifically, Icon Health asserted that the employee had been contacted some 26 times by private investigators working for the plaintiff. In the conversations with the employee, the investigators posed as potential customers. Icon Health also contended that at the time the investigators contacted the employee he was represented by counsel and therefore a motion for protective order was proper. Icon Health argued that the investigators’ communications with its employee violated ABA Model Rule 4.2 because they did not obtain prior approval from Icon Health’s counsel. Icon Health also asserted that greater scrutiny of the communications was warranted because the employee had managerial responsibilities.

The court first found that Icon Health had made an insufficient showing that its employee served in a managerial or supervisory status. It also observed that there was no question litigation in the case had not commenced during the period of time plaintiff’s investigators spoke with the employee. For these reasons, the court found Icon Health’s reliance on Rule 4.2 to be without merit. According to the court, Rule 4.2 was intended to apply to organizations at large and not individual employees, only after litigation had been commenced, and not to all levels of employees who could make an admission against a party’s interest. For all these reasons, the court denied Icon Health’s request for suppression of evidence or a protective order, but it did order plaintiff to make available for copying, or copies of, all tapes and documents obtained by its investigators in its contacts with the employee.

One of the leading cases involving pretexting is Apple Corps Ltd. v. International Collectors Society, which involved the sale of Beatles memorabilia. Plaintiffs had exclusive trademark and copyright rights in the names and the likenesses of the Beatles and John Lennon. Defendants distributed and sold collectors’ stamps bearing celebrities’ likenesses,

---

28 Id. at 922.
29 Id.
31 In that regard, one commentator has noted that “[w]hen applied to corporate clients, the commentary to . . . Rule [4.2] prohibits contact with managerial employees of the corporate party or an employee ‘whose act or mission in connection with the matter may be imputed to the organization’ for liability”. See Sullivan, supra note 20, at 2.
32 Id. at 512.
including those of the Beatles and Lennon. Pursuant to a consent order defendants had previously been enjoined from further sale of Beatles and Lennon stamps, except to persons who, according to defendants’ records, are members of the Beatles/John Lennon club.  

Suspecting that defendants were not complying with the consent order, plaintiffs’ lawyers contacted defendants and were successful in purchasing stamps without establishing that they were club members. They then retained private investigators who posed as non-members of the club. Those investigators were successful ordering stamps as well. Defendants claimed that these activities constituted improper ex parte contact with a represented party under New Jersey ethical rules. The court held that plaintiffs’ investigation to discover violations of the consent order was permissible, granted plaintiffs’ motion for contempt, and denied defendants’ motion for sanctions.

Defendants asserted that the challenged conduct violated three ethical rules: (1) Rule 8.4(c), forbidding attorneys from engaging in deceitful conduct, (2) Rule 4.2, the “no contact” rule restricting attorneys from communicating with “parties represented by counsel”, and (3) Rule 4.3, “the rule regarding an attorney’s dealings with an unrepresented party.” The court found each of these challenges to be without merit. At the outset, because plaintiffs’ representatives did not contact members of the defendants’ “litigation control group,” as defined under New Jersey law, but rather only low-level telephone sales employees, and because they were merely asked about the availability of stamps, the court reasoned there was no ethical problem involving “represented parties.” Next, the court held the prohibition on contact with “unrepresented parties” only applied to lawyers “acting in their capacity as lawyers,” which was not the case here. Finally, as to defendants’ claim that plaintiffs’ use of investigators and lawyers to pose as consumers constituted improper deceit and misrepresentation, the court concluded otherwise observing:

Undercover agents in criminal cases and discrimination testers in civil cases, acting under the direction of lawyers, customarily dissemble as to their identities or purposes to gather evidence of wrongdoing. This conduct has not been condemned on ethical grounds by courts, ethics committees or grievance committees. [T]his limited use of deception, to learn about ongoing acts of wrongdoing, is also accepted outside the area of criminal or civil-rights law enforcement. . . . 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.

Another court in the Southern District of New York endorsed the approach in Apple Corps the following year in Gidatex v. Campanello Imports, Ltd. Plaintiff owned the

34 Id. at 460.
35 Id. at 472.
36 Id. at 473-74.
37 Id. at 476.
38 Id. at 475 (citation and footnote omitted).
SAPORITI ITALIA mark for furniture and accessories. Defendants had been plaintiff’s licensed sales agents for such products in the United States. Plaintiff claimed that defendants continued use of the subject mark after their agency was terminated, employing “bait and switch” tactics to lure customers using plaintiff’s mark and then selling them competing products.\footnote{Id. at 120.} Plaintiff hired two private investigators who posed as interior designers and visited defendants’ showroom and warehouse. The investigators also secretly tape recorded their conversations with defendants’ sales people.

Defendants moved in limine to exclude the investigators’ evidence on the grounds that plaintiff had violated the ABA and New York ethical rules precluding communication with a party known to be represented by counsel and prohibiting attorneys from circumventing a disciplinary rule through actions of another, and by engaging in conduct involving dishonesty, fraud, deceit or misrepresentation. The court denied defendants’ motion. The ethical rules cited, according to the court, were not intended to reach the conduct to which defendants objected, and to so interpret them would hinder the legitimate interests served by such practices. In that regard, the court observed:

These ethical rules should not govern situations where a party is legitimately investigating potential unfair business practices by use of an undercover posing as a member of the general public engaging in ordinary business transactions with the target. To prevent this use of investigators might permit targets to freely engage in unfair business practices which are harmful to both trademark owners and consumers in general. Furthermore, excluding evidence obtained by such investigators would not promote the purpose of the rule, namely preservation of the attorney/client privilege.\footnote{Id. at 122.}

The court further held that, even if the cited ethical rules applied, defendants had not demonstrated that plaintiff’s counsel had violated them. Although the defendants’ sales clerks interviewed were arguably parties known to be represented in the case, and plaintiff’s counsel caused his investigators to communicate with them, the court noted that these were disciplinary rules, not statutes.\footnote{Id. at 126.} They simply were not meant to prohibit the conduct about which defendants complained:

Although [plaintiff’s counsel] conduct technically satisfies the three-part test generally used to determine whether counsel has violated the disciplinary rules, I conclude that he did not violate the rules because his actions 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. Gidatex’s investigators did not interview the sales clerks or trick them into making statements they otherwise would not have made. Rather, the investigators merely recorded the normal business routine in the Campaniello showroom and warehouse.\footnote{Id. at 125-26.}
Flebotte v. Dow Jones & Company\textsuperscript{44} presented a very interesting issue involving the use of an investigator retained to contact the adverse party who was represented shortly before trial. Plaintiff brought the underlying action for age discrimination after defendant terminated his employment. During his deposition and in response to discovery requests, plaintiff claimed repeatedly that he was unable to find employment and earn any income after his termination. Shortly before the scheduled trial date, defendant discovered that plaintiff was advertising massage services for a fee on the internet. Defendant desired to investigate these activities and, accordingly, filed an \textit{ex parte} motion with the court to engage in \textit{ex parte} communications with plaintiff through a private investigator for the limited purpose of ascertaining whether he was running a massage business for profit. The court granted defendant’s motion in an \textit{ex parte} hearing. Thereafter, defendant’s investigator contacted plaintiff and learned that plaintiff had been in the massage business five years and had 30 to 40 regular clients and made “a lot of money” from the business.\textsuperscript{45}

At trial, counsel for defendant confronted plaintiff with evidence of his massage business on cross-examination. After that examination, plaintiff’s counsel approached defendant’s counsel about settling the case. The parties thereafter reached a settlement that was announced by the court at the trial, and the parties were given 60 days to consummate that settlement. When plaintiff refused to consummate the settlement after trial, defendant moved to enforce the settlement. Plaintiff sought to invalidate the settlement because of defendant’s \textit{ex parte} communications with the court and plaintiff. Plaintiff first argued that there was no meeting of the minds and the settlement should not be enforced because he mistakenly believed that whatever information that had been gathered by defendant relating to plaintiff was gathered by appropriate (as opposed to inappropriate) means. The court found this argument to be without merit noting that the purported lack of information regarding the basis of plaintiff’s cross-examination at trial would not prevent the parties from reaching a meeting of the minds necessary to enter into a settlement.\textsuperscript{46}

Next, plaintiff contended that defendant’s failure to disclose its communications with plaintiff constituted a misrepresentation or fraud in the inducement that vitiated the settlement.\textsuperscript{47} The court rejected this contention as well, noting that there was an absence of any misrepresentation of material fact by defendant sufficient to justify rescission of the settlement. The court added that any reliance by plaintiff on the purported misrepresentation by defendant would have been unreasonable as a matter of law.\textsuperscript{48}

Finally, plaintiff claimed that defendant was required to disclose the information obtained by the investigator under Rule 26 of the Federal Rules of Civil Procedure prior to using it at trial, and that defendant had employed means to obtain the information that were inappropriate and violated professional conduct. The court disagreed. At the outset, it held that plaintiff’s reading of Rule 26 was belied by its text that did not require disclosure of information used solely for


\textsuperscript{45} \textit{id.} at *1.

\textsuperscript{46} \textit{id.} at *4.

\textsuperscript{47} \textit{id.} at *5.

\textsuperscript{48} \textit{id.}
impeachment, which was the case here.49 And, contrary to plaintiff’s suggestion, the court found that defendant’s investigator’s ex parte communications with plaintiff after applying to the court for permission to engage in such contact was appropriate and did not violate any standard of professional conduct.50 Citing Gidatex, the court reasoned that the ex parte communications here struck the proper balance between the plaintiff’s need for effective representation and defendant’s need to gather information on an informal basis.51 For all of these reasons, the court granted defendant’s motion to enforce the settlement agreement.

Another judge in the Southern District of New York followed the approach articulated in Gidatex and its progeny in A.V. by Versace, Inc. v. Gianni Versace, S.p.A.52 There, plaintiff brought a trademark infringement action against a competitor with the same last name. Plaintiff obtained a preliminary injunction against the competitor, but defendant Alfredo Versace was permitted to use his name to identify goods he designed by use of the phrase “Designed by Alfredo Versace” so long as the goods prominently included a disclaimer disavowing any affiliation with plaintiff. Later, plaintiff determined that Alfredo Versace had embarked on a new clothing venture using the “Designed by Alfredo Versace” mark, sometimes shortened to “Alfredo Versace” or just “Versace,” without the disclaimer. As evidence of defendant’s transgressions, plaintiff relied on the affidavit of an investigator it had retained who claimed to have purchased “Designed by Alfredo Versace” goods and that these goods did not bear the disclaimer. Plaintiff also claimed that an agent for Alfredo Versace’s new venture boasted to plaintiff’s investigator that the new venture had sold $800,000 of goods at a major trade show in Las Vegas.

Alfredo Versace attacked the plaintiff’s use of the private investigator and claimed that it had caused an unfair invasion of his privacy. He argued that the investigator had used a false name and had posed as a buyer in the fashion industry. The court observed that the investigator’s actions conformed with those of an ordinary business person in the fashion industry, and that Alfredo Versace had made no allegation that the private investigator had gained access to any non-public part of the new venture.53 Relying on Gidatex, the court noted that other courts in the Southern District of New York had frequently admitted evidence, including secretly recorded conversations, gathered by investigators posing as consumers in trademark disputes.54 Accordingly, the court had no reluctance in relying on this evidence in finding Alfredo Versace in contempt of the preliminary injunction order.

Hill v. Shell Oil Co.,55 unlike the majority of the previous cases, was a civil rights case as opposed to a trademark case. In Hill, African-American consumers brought a putative civil rights class action against the corporate owners of gas stations and dealers alleging that
defendants required African-Americans to prepay while other customers could pay after fueling. Plaintiffs conducted undercover investigations of gas station attendants to prove discriminatory practices by the defendants. Defendants moved for a protective order under ABA Model Rules 4.2 and 4.3.

The court found the employees were represented by counsel, making Rule 4.2 applicable but Rule 4.3 inapplicable. Attempting to find the right balance in applying the rules, the court stated:

Lawyers (and investigators) cannot trick protected employees into doing things or saying things they otherwise would not do or say. They cannot normally interview protected employees or ask them to fill out questionnaires. They probably can employ persons to play the role of customer 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.56

Applying that reasoning to this case, the court found that videotaped recordings of said station employees’ ordinary course of conduct in reacting (or not reacting) to customers was proper under Rule 4.2 as they were only asked if a gas pump was prepay or not.57 The court reserved for trial, however, the admissibility of the substantive conversations, held outside the normal business transaction, between the investigators and the employees.

In Design Tex Group, Inc. v. U.S. Vinyl Mfg. Corp.,58 a court in the Southern District of New York followed Gidatex and denied a motion to exclude evidence on the grounds that it was obtained in violation of ethical rules. In that case, plaintiff retained an investigator who posed as a purchaser and obtained from an employee of defendant a sample book that included an allegedly copyright-infringing pattern. Defendant argued that this action should not be attributed to it because it was carried out by a low-level employee who had not yet received instructions not to mail out the sample book in question. The court found this assertion to be without merit, particularly because there was no evidence that the employee was actually disobeying a company directive.59

The court also rejected defendant’s argument that the evidence obtained by the investigator should be excluded because plaintiff’s actions violated ethical rules.60 The court reasoned that the investigator’s activities were not an end-run around the attorney/client privilege, particularly where the investigators were merely recording the normal business routine rather than interviewing employees or tricking them into making statements they otherwise would not have made.61

56 Id. at 880.
57 Id.
59 Id. at *1.
60 Id.
61 Id.
In a workplace racial bias suit, the court in *Mena v. Key Food Stores Co-operative, Inc.*\(^{62}\) considered the legality of secretly taping comments by the plaintiffs’ employer and obtaining a private investigator to instruct the plaintiffs in the use of recording equipment. In their complaint, plaintiffs alleged that obscenities, foul language, racial slurs and epithets directed at women and African-Americans were common parlance at defendant’s offices. Approximately one year before the lawsuit was instituted, one of the plaintiffs conferred with counsel and sought advice regarding the legality of secretly taping some of these comments. Counsel suggested that she retain a private investigator who procured recording equipment and instructed her in its use in counsel’s presence. That plaintiff thereafter made surreptitious recordings, one of which included a statement by a defendant’s supervisor inquiring whether a job applicant is a “f…g n…r,” whether she has dreadlocks and if she smells.\(^{63}\)

The defendant cried foul and moved to suppress the contents of the taped conversations and disqualify counsel from any further representation of the plaintiffs. The court began its analysis by analyzing recent contemporary ethical opinions and noted that they were generally in accord that a lawyer may secretively record telephone conversations with third parties without violating ethical strictures so long as the law of the jurisdiction permits such conduct.\(^{64}\) Although some earlier opinions condemned this practice, more recent opinions had noted numerous exceptions such as the documentation of criminal utterances, threats, obscene telephone calls and the like, and for testers in investigations for housing discrimination and trademark infringement.\(^{65}\) Citing *Gidatex* with approval, the court found that the defendant’s unlawful activity involved in this case might otherwise evade discovery and presented potential policy interests as compelling as those that had been recognized in housing discrimination matters.\(^{66}\) The court added:

> The public at large has an interest in insuring that all of its members are treated with that modicum of respect and dignity that is the entitlement of every employee regardless of race, creed or national origin. Weighed against this ethical imperative, the attorney’s conduct, even had it involved more hands-on participation than it actually did, should not be subject to condemnation under the disciplinary rules and does not warrant the extreme sanctions of suppression or disqualification.\(^{67}\)

For all of these reasons the defendant’s motion was denied.

*Cartier v. Symbolix, Inc.*\(^{68}\) involved an action brought by Cartier to prevent a defendant retailer from altering genuine stainless steel Cartier watches by mounting diamonds at various

---


\(^{63}\) 195 Misc. 2d at 403.

\(^{64}\) Id. at 404-05.

\(^{65}\) Id. at 406.

\(^{66}\) Id. at 407.

\(^{67}\) Id.

\(^{68}\) 386 F. Supp. 2d 354 (S.D.N.Y. 2005).
points on the bezels and cases to simulate Cartier’s more expensive white gold watches and thereafter selling the altered watches.

Prior to initiating the litigation, Cartier deployed a private investigator to conduct an investigation into the retailer’s activities. Plaintiff’s investigator posed as a customer and spoke to a representative of the retailer about purchasing a watch with diamonds on the bezel and case. The retailer’s representative responded that he could sell the investigator a brand new Cartier Tank Francaise stainless model and add diamonds on the bezel and case for $6,000. By comparison, the retailer’s representative represented that a genuine Cartier Tank Francaise watch with diamonds would cost $14,500. The retailer’s representative also claimed he had made similar watch alterations for 10 years. In a subsequent conversation, the investigator expressed concern that Cartier did not manufacture the Cartier Tank Francaise watch in stainless steel and that others viewing the watch might regard it as a fake. The retailer’s representative responded that the Cartier Tank Francaise model is made with stainless steel or white gold, but that diamonds are only placed by Cartier on the white gold model. He also reassured plaintiff’s investigator that the stainless steel would be polished to make it look like “white gold; it looks exactly the same. They are exactly identical.” The retailer’s representative further stated that he had placed a picture of the Cartier Tank Francaise watch in stainless steel with diamonds in a recent newspaper advertisement and no one could tell the difference between the two watches.

The retailer argued that plaintiff should be denied injunctive relief because its use of an investigator to order and obtain enhanced watches constituted unclean hands and fraud, deceit, unconscionability, or bad faith. The court rejected the retailer’s argument, holding that plaintiff’s employment of the private investigator was a matter collateral to the subject matter of the litigation. It further relied on Gidatex and Apple Corps in holding that the use of an undercover investigator to detect ongoing violations of the law was not ethically proscribed, especially where it would be difficult to discover these violations by other means.

Chloe v. DesignerImports.com USA, Inc. involved the sale of infringing CHLOE handbags by defendant. Plaintiff’s private investigator contacted defendant to order a bag, and sent a check in under a pseudonym. She also made several follow-up calls to defendant’s sales clerk under her pseudonym to find out when the bag would be delivered. Defendant attacked the investigator’s use of pretext and claimed it made her credibility suspect. Citing Versace and Gidatex, the court rejected the challenge to the investigator’s use of pretexting, noting that courts in the Southern District of New York had frequently admitted evidence gathered by investigators posing as consumers in trademark disputes. The court found that defendant’s contention that the undercover investigator “bespeaks deceit and

69 Id. at 357.
70 Id. at 362.
71 Id.
73 Id. at *29.
74 Id. at **29-30.
dishonesty” was contradicted by clearly established law. The court instead cited and reaffirmed the broad statement from Apple Corps:

“(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.) Indeed, it is difficult to imagine that any trademark infringement investigator would announce her true identity and purpose when dealing with a suspected seller of counterfeit goods.

In Chloe SAS v. Sawabeh Information Services Co., Chloe and other owners of luxury brands and associated trademarks brought an infringement action against numerous defendants who allegedly sold counterfeit versions of their goods. One of the defendants, TradeKey Ltd., was accused of facilitating the sale of these goods by certain of the other defendants over the internet. Chloe and the other plaintiffs pursued contributory counterfeiting and trademark infringement claims against TradeKey.

In the course of investigating TradeKey, plaintiffs hired an investigator who was advised by a representative of TradeKey that counterfeiting is one of the two biggest industries featured on TradeKey’s website. The investigator thereafter purchased numerous counterfeit items off of TradeKey’s website. Once the goods were verified to be counterfeit, plaintiffs relied on the evidence obtained through the investigation and moved for summary judgment of contributory counterfeiting and trademark infringement against TradeKey. TradeKey attacked plaintiffs’ investigation as “sloppy, unprofessional and completely unreliable,” and asserted that it “identified several half-truths, falsehoods, and contradictory statements that cast serious doubt on the integrity and accuracy of the facts in evidence presented in plaintiffs’ moving papers.” The court dismissed these challenges as being so minor that they failed to create a genuine issue of material fact. TradeKey also claimed that plaintiffs did not establish an adequate chain of custody and that the investigator’s evidentiary handling procedures failed to follow reliable procedures, which created issues of fact regarding the veracity of the physical evidence supporting plaintiffs’ contributory counterfeiting claims. The court responded that this argument was not only unpersuasive, it bordered on the absurd. The court further noted that there was a substantial track record regarding the use of private investigators in federal court litigation. After rejecting all of TradeKey’s arguments with respect to the evidence obtained in the investigation, the court granted plaintiffs’ motion for summary judgment for contributory counterfeiting and trademark infringement.

Beltran v. InterExchange, Inc. was another case not involving intellectual property issues. Defendants sought to strike certain allegations of plaintiffs’ complaint. The moving

75 Id. at *30.

76 Id. (citation omitted).


78 Id. at *4.

79 Id. at *5.

defendants alleged that an investigator working for plaintiff's attorneys had unethically directly contacted certain defendant organizations after the original complaint in the case had been filed in violation of Colorado Rules of Professional Responsibility 4.2, 4.3 and 8.4.  The moving defendants claimed that the investigator's true purpose in making the contacts was to "elicit admissions concerning the weekly stipend paid by host families to their au pair" and that "he misrepresented his intent to the improperly contacted defendants."81

The court observed that the following underlying facts concerning the contacts at issue were not disputed: the case was originally filed on November 13, 2014; the forms requesting service of process were not filed until November 20, 2014; the contacts by the investigator occurred on November 20-21, 2014; the investigator did not identify himself as working for the plaintiffs’ attorney; none of the contacted defendants were aware of the existence of the lawsuit at the time of the contacts, had retained counsel to represent them in the lawsuit at the time of the contacts, and the earliest that any of the defendants in the case were served was December 5, 2014.82

The court cited Gidatex with approval and observed that courts in other jurisdictions predominantly held that because disciplinary rules are not statutes, courts are not obligated to exclude evidence even if they find that counsel obtained the evidence by violating ethical rules.83 In this case, the court noted that it was far from clear the contacts between the investigator and the defendant entities constituted violations of the Rules of Professional Conduct.84 Even assuming the contacts were improper, striking factual allegations in a pleading was not in the court’s view the preferred remedy. The court added that defendants had failed to show any prejudice merely by the plaintiff’s inclusion of factual allegations in the complaint, which must ultimately be proved or disproved after discovery.85 As a result, the court concluded that the moving defendants failed to meet their heavy burden of demonstrating any portion of the complaint should be stricken.

The foregoing cases, many of which involved intellectual property violations litigated in the Southern District of New York, have recognized reasonably wide latitude in the use of pretexting in investigations, including the investigator assuming a fake identity, interacting with public-facing employees and recording these interactions. And challenges to these tactics based on violations of the relevant ethical rules (including, most notably, Rules 4.2, 4.3 and 8.4) or equitable considerations (such as unclean hands) seeking imposition of sanctions on the attorney and/or investigator or the exclusion of evidence have largely failed. A key justification relied upon by courts in allowing such evidence appears to focus on whether the conduct being investigated is unlawful in nature and would be difficult to substantiate in the absence of the use of pretexting in the investigation.86

81 Id. at *1.

82 Id.

83 Id. at *2.

84 Id.

85 Id.

86 As one commentator has noted:
B. Cases in which Pretexting was Successfully Challenged

If delving into the subject of the use of pretexting in investigations was limited to a review of cases in the preceding section, one may conclude that investigators are pretty much given “carte blanche” by courts. However, as demonstrated below, not all courts agree with this practice even in cases involving infringement of intellectual property rights and have found violations of these same ethical rules as the result of certain aspects of a pretext investigation. And the consequences for the clients and attorneys involved on occasion have been both severe and sometimes embarrassing, including striking of pleadings, exclusion of evidence, punitive damages awards, waiver of any privilege relating to the subject matter of the investigation and disciplinary proceedings for the attorney responsible for the investigation.

_Monsanto Co. v. Aetna Casualty & Surety Co._\(^{87}\) involved litigation between Monsanto and its insurance companies. Monsanto moved for a protective order on the grounds that investigators employed by the insurance companies had allegedly mislead former Monsanto employees in the course of investigating the claims at issue in the lawsuit. Monsanto claimed that such conduct violated Rules 4.2, 4.3 and 5.3 of the Delaware Lawyers Rules of Professional Conduct. Monsanto submitted numerous affidavits of former employees of Monsanto who had been contacted by these investigators. The affidavits suggested that the investigators had not ascertained whether the interviewees were represented by counsel and failed to inform the interviewees that the investigators worked for the insurance companies involved in litigation adverse to Monsanto or had misrepresented the scope of their representation. The insurance companies responded that interviewing Monsanto’s former employees did not violate the rules of professional conduct.

After examining the affidavits submitted by Monsanto in detail, the court observed that there was sufficient evidence to support the conclusion that at least some of the former employees had been affirmatively mislead by the investigators.\(^{88}\) This caused the court to be particularly critical of the attorneys who had retained the investigators:

> [W]hile I am mindful in this case that defense counsel had made efforts to retain the most experienced and professional investigatory companies and that at times some investigators may make improper statements to interviewees in their fervor to gain information, attorneys who are officers of this court must realize that they are accountable and must supervise the investigators in order to assure that this type of misleading conduct that has previously occurred will not happen in the future.\(^{89}\)

Because the investigators failed to determine whether the former employees were represented by counsel, did not clearly identify themselves as working for attorneys who were

---


\(^{88}\) Id. at 1020.

\(^{89}\) Id.

It seems clear that the scales of social policy tip markedly in favor of the use of undercover investigators and discrimination testers, despite the deceptions necessarily entailed. In a nutshell, there are circumstances where deception is justified in the search for truth.

Isbell & Salvi, _supra_ note 2, at 804.
representing a client who was involved in the litigation against their former employer, did not clearly state the purpose of their interview of the former employees, and made affirmative misrepresentations, the court concluded Rules 4.2 and 4.3 had been violated.\(^{90}\) As a result, the court granted Monsanto’s motion for a protective order which, among other things, required the insurance companies and their attorneys to provide Monsanto: (1) with the identity and work and home addresses of any investigators employed by them who had interviewed any former Monsanto employee; (2) with the identity of any former Monsanto employee contacted by their investigators; and (3) with any and all statements obtained from the former Monsanto employees.\(^{91}\) The court further deferred a decision on whether the information obtained by the investigators from the former employees would be admissible at trial and whether Monsanto would be entitled to recover its fees and costs in pursuing the protective order.\(^{92}\) Finally, the court held that no further interviews of any former employees of Monsanto could be conducted unless they followed a specific script approved by the court.\(^{93}\)

*Sunrise Assisted Living, Inc. v. Sunrise Healthcare Corp.*\(^{94}\) involves one of the more elaborate deceptions undertaken in the course of an investigation. There, the court held that an agreement to transfer rights in the trademark THE SUNRISE CLUB to defendants, which they consummated in an effort to obtain significant priority in use of the SUNRISE mark for assisted living facilities, was fraudulently induced by a private investigator who facilitated the sale by lying about his principal and purposes. As a result, the court rescinded the agreement and granted partial summary judgment of fraud.\(^{95}\) In the process, the court also ordered production of a number of documents from defendants’ counsel and their investigators on the ground that counsel had waived any claim under the attorney-client privilege or work-product doctrine protection based on the crime-fraud exception.\(^{96}\)

The investigator hired by defendants concocted an elaborate scheme in which he claimed to be a representative of a North Carolina restaurant chain. The investigator told the trademark seller falsely that he wanted to obtain rights in THE SUNRISE CLUB mark to use as the name of a sandwich. The investigator’s pretext resulted in the sale of the mark being consummated. Prior to that sale, the seller was never informed of the true purchaser or how the purchaser intended to use the mark. Significantly, the seller claimed he would have never agreed to the sale had he known who the real purchaser was or the intended use. After learning of the deception, the seller intervened as a party plaintiff in the case and moved for summary judgment of fraud. The court granted this motion. In doing so, the court observed that defendants could not simultaneously claim to be innocent principals and “accept the benefits of

\(^{90}\) Id.

\(^{91}\) Id. at 1021.

\(^{92}\) Id.

\(^{93}\) Id.


\(^{95}\) Id. at *2.

\(^{96}\) Id. at *3.
the [trademark purchase] agreement while disclaiming responsibility for the methods employed by their agent.\textsuperscript{97}

The court similarly found without merit defendants’ claims that the misrepresentations were not material; that the investigator had no duty to disclose the identity of his principals; that he somehow “cured” his misrepresentations about the intended use of the mark by saying it had not been finally determined; and that the seller unjustifiably and unreasonably relied on the investigator statements (the assertion of which the court found incredible).\textsuperscript{98} In a separate opinion, the court also granted plaintiff’s motion to compel the production of documents by the investigator and defendants’ counsel on a variety of topics including the parties’ trademark claims, priority positions and the decision to conceal the identity of the trademark purchaser.\textsuperscript{99} The court found that invocation of the crime-fraud exception was also appropriate in this case and, accordingly, ruled that defendants had waived the attorney-client privilege and work-product doctrine with respect to advice received by defendants from counsel on those subjects.\textsuperscript{100}

\textit{Midwest Motor Sports, Inc. v. Arctic Cat Sales, Inc.}\textsuperscript{101} is one of the few pretexting cases directly involving franchising. At issue were alleged misrepresentations by plaintiff regarding the sale of snowmobiles. As in \textit{Gidatex}, the defendant in \textit{Midwest} a hired private investigator to visit one of plaintiff’s retail franchisees and to pose as a customer while making covert audiotapes. Eventually the investigator was deposed and the notes he made in accepting the assignment from the franchisor’s lawyers were produced. The investigator’s notes and testimony suggested that the investigator was instructed to do far more than pose as a consumer shopping for a snowmobile. Instead, the investigator’s notes reflected that he should seek certain specific admissions and answers to specific questions from the franchisee and see if it would “bad mouth” or otherwise make negative comments about another franchisee. The investigator also admitted that he was aware the franchisee was represented by counsel and there was a pending lawsuit, and that the purpose of his investigation was to elicit evidence in the pending lawsuit.

Citing the South Dakota ethical rules against contact with represented parties, prohibiting lawyers from violating ethical rules through the acts of another, and prohibiting “deceit and representation”, plaintiff successfully moved to exclude this evidence at trial. The court distinguished \textit{Apple Corps} as being limited by New Jersey’s Ethical Rule, which only prohibits contact between counsel and members of the “litigation control group” finding that this limitation is not present under the South Dakota rules.\textsuperscript{102} Although the court noted that ex parte contact with low level employees of a party was permitted under certain limited circumstances, such contact was not permitted for the purpose of securing the information the investigator

\textsuperscript{97} \textit{Id.} at *15.

\textsuperscript{98} \textit{Id.} at *19.


\textsuperscript{100} \textit{Id.} at *2.

\textsuperscript{101} 144 F. Supp. 2d 1147 (D.S.D. 2001), aff’d, 347 F.3d 693 (8th Cir. 2003).

\textsuperscript{102} \textit{Id.} at 1157. The evidence in the case disclosed that the investigator only spoke to sales people and not anyone that served in a managerial capacity for the franchisee. \textit{Id.} at 1154.
sought here, particularly when it was obtained under false pretenses. The court further relied on Rule 4.2 of the South Dakota Rules of Professional Conduct, which prohibits any communication by counsel with a party known to be represented when made without the knowledge or permission of opposing counsel. In that regard, the franchisee’s lawyers claimed they had warned the franchisor’s lawyers, prior to the investigation being commissioned, that they not contact representatives of the franchisee without the permission of the franchisee’s lawyers. Relying on Justice Stevens’ dissent in Patterson v. Illinois, the court found that defendant had obtained evidence for use at trial by going behind the back of its adversary, and as a result, concluded that defendant was guilty of a breach of professional ethics and an unfair form of trial practice.

In Lawlor v. North American Corporation of Illinois, the actions of an investigator in trying to determine whether a former employee had violated a non-competition agreement resulted in the former employee pursuing an action against her former employer for the tort of intrusion upon seclusion.

Shortly after Lawlor left North American, North American began an investigation to determine whether she had violated her non-competition agreement. North American asked its longtime corporate attorney to conduct that investigation. The attorney, in turn, retained a private investigation firm with experience in conducting non-competition investigations. North American provided its attorney with Lawlor’s date of birth, her address, her home and cellular telephone numbers, and her social security number. The investigator was provided with this information and used it to obtain Lawlor’s personal phone records. These records included information of the date, time, duration, and numbers called on her home and cell phones during certain periods in 2005. This information was provided by the investigator to North American, who then attempted to verify whether any of the numbers called by Lawlor belonged to one of its customers.

Lawlor initially filed suit against North American seeking outstanding commissions that she alleged were owed. After learning of North American’s investigation, however, she amended her complaint and alleged an intrusion upon seclusion claim based upon a pretexting scheme in which she alleged someone pretended to be her in order to obtain private phone records without her permission from her phone carriers.

The matter proceeded to a jury trial in which the jury returned a verdict in Lawlor’s favor and awarded her $65,000 in compensatory damages and $1.75 million in punitive damages. In so finding, the jury answered several special interrogatories establishing the following factual findings: (1) information had been obtained by North American about Lawlor’s telephone calls without her authorization through pretexting in that the investigator called her telephone carriers and pretended to be her in order to obtain the information; (2) North American knew the

---

103 Id. The court added that it was unethical for an attorney or its investigator to record a conversation without the other party’s consent because such conduct involves deceit or misrepresentation. Id. at 1158.


105 144 F. Supp. 2d at 1153.


107 983 N.E.2d at 421-22.
investigator obtained information about Lawlor’s telephone calls without her authorization through pretexting; (3) the investigator was acting as North American’s agent when it got the information about the phone calls from the investigator; (4) the investigator was acting as North American’s agent when it obtained the information about the telephone calls; (5) the investigator was acting within the scope of authority granted by North American when information about Lawlor’s telephone calls were obtained without her authorization through pretexting; and (6) North American knew that the investigator obtained information about Lawlor’s phone calls without her authorization through pretexting.108

The matter eventually ended up in the Illinois Supreme Court, which upheld the jury verdict on the intrusion upon seclusion claim.109 North American argued that it should not be held liable because there was no evidence it had personally obtained any of Lawlor’s phone logs, and there was insufficient evidence to support an agency relationship between North American and the investigator. North American further asserted that it lacked knowledge of how the call logs were obtained and it had no control over the manner in which the investigator’s work had been conducted. North American added that it had not instructed the investigator specifically how to conduct the investigation and, therefore, no agency had been established. The Illinois Supreme Court rejected North American’s arguments finding that there was sufficient evidence in the case for the jury to conclude North American authorized the manner in which its investigator had obtained Lawlor’s phone records.110 However, the Illinois Supreme Court did reduce the punitive damages award to Lawlor to $65,000.111

*Meyer v. Kalanick*112 arose from a putative class action lawsuit instituted by the users of an application for smartphone devices that matched riders with drivers. The action was brought against Uber, its chief executive officer and co-founder. In response to the lawsuit, Uber engaged unlicensed private investigators to conduct secret personal background investigations of the lead plaintiff and his counsel through the use of false pretenses. In a number of instances, the investigators employed elaborate ruses to obtain further information. For example, in the investigation of plaintiff’s attorney, upon learning that the attorney’s practice focused on labor law matters, the investigator told a source that he was engaged in a “project profiling top-up-and-coming labor lawyers in the U.S.”113 The investigators also conducted phone interviews with a number of individuals which they recorded without the knowledge or consent of the individuals with whom they were speaking.

Plaintiff’s counsel eventually learned of several of the contacts by the investigators and brought the matter to the court’s attention. After conducting several hearings on these investigative tactics, the court authorized plaintiff to serve document subpoenas relating to the investigations. In response to the subpoenas, both Uber and the investigators claimed attorney-client privilege and/or work-product doctrine. The court denied all claims of privilege.

---

108 *Id.* at 422.
109 *Id.* at 429-30.
110 *Id.* at 430.
111 *Id.* at 435.
113 *Id.* at 440.
and work-product protection as to the materials of the investigators related to the investigations.114 Among other things, the court determined that disclosure of these materials was mandated because of the crime-fraud exception. Specifically, the court found that the investigators were engaged in fraudulent and arguably criminal conduct, and that many of the documents over which the investigators claimed privilege were intended to facilitate this fraudulent and criminal activity.115 According to the court, the purpose of the investigation was to try to unearth derogatory personal information about plaintiff and his counsel that could be used to try to intimidate them or to prejudice the court against them.116

The investigators next attempted to justify their conduct by relying on the holdings in Gidatex and Apple Corps.117 But the court found these cases were distinguishable from this case in that the investigation did not involve any alleged misconduct that plaintiff had perpetrated against Uber (as was the situation in Gidatex) or whether plaintiff and its counsel were disobeying an existing court order (as was the situation in Apple Corps.).118 In that regard, the court noted:

Furthermore, even if (contrary to the Court’s interpretation) Gidatex and Apple could be read to support the proposition that investigators working on behalf of a party to litigation may properly make misrepresentations in order to advance their own interests vis-a-vis their legal adversaries, this Court would reject such a proposition. The New York Rules of Professional Conduct require lawyers to adequately supervise non-lawyers retained to do work for lawyers in order to insure that the non-lawyers do not engage in actions that would be a violation of the Rules if the lawyer performed them.119

The court similarly rejected attorney-privilege and work-product doctrine objections Uber made with respect to documents relating to the investigation.120 Uber claimed that it had commissioned the investigation of plaintiff in order to determine if he constituted a security threat to Mr. Kalanick or other Uber employees. Although the court was far from convinced, it found that the purported explanation estopped Uber from claiming that the subject documents were either “made for the purpose of obtaining or providing legal assistance” or were prepared “in anticipation of litigation.”121 Moreover, to the extent Uber claimed work-product protection

114 Id. at 443.
115 Id. at 444.
116 Id. at 443.
117 Id. at 446.
118 Id.
119 Id.
120 Id. at 448.
121 Id.
over the documents, the court found that the protection had been overcome for the same reasons that it had ordered the production of the investigators documents.\textsuperscript{122}

As a result of these transgressions, the court enjoined the defendants from using in any manner in connection with the case any of the information obtained from the investigation, including presenting arguments for seeking discovery concerning the same. The court also enjoined the defendants and the investigator from undertaking any further personal background investigation of the individuals involved in the litigation through the use of false pretenses, unlicensed investigators, secret recordings, or other unlawful, fraudulent, or unethical means.

\textit{Leysock v. Forest Laboratories, Inc.}\textsuperscript{123} involved a \textit{qui tam} action alleging the submission of fraudulent claims by defendants to Medicare. Defendants moved to dismiss plaintiff’s Second Amended Complaint as a sanction for alleged violations of attorney ethical rules. Specifically, they asserted plaintiff’s attorneys had engaged in an elaborate scheme of deceptive conduct in order to obtain information from physicians about their prescribing practices, and in some instances, about their patients. Plaintiffs retained a physician and medical researcher, Dr. Mark Godec, to survey physicians concerning their practice in prescribing a specific drug to Medicare patients. To obtain the cooperation of the physicians, Dr. Godec falsely represented he was conducting a medical research study. Dr. Godec, at the direction of plaintiff’s law firm, conducted internet-based surveys as well as follow-up telephone interviews. Among other things, the physicians were induced to provide patient medical charts and other confidential information to Dr. Godec. Information obtained from those surveys was then incorporated into plaintiffs’ Second Amended Complaint to support their fraud claims.

The court analyzed Dr. Godec’s conduct under Rule 4.1(a) and Rule 8.4(c) of the Massachusetts Rules of Professional Conduct.\textsuperscript{124} Rule 4.1(a) states that: “[i]n the course of representing a client, a lawyer shall not knowingly ... make a false statement of material fact or law to a third person.” Rule 8.4(c) states that: “[i]t is professional misconduct for a lawyer to engage in conduct involving dishonesty, fraud, deceit, or misrepresentation.”\textsuperscript{125} Although these rules on their face imposed sweeping prohibitions, the court reasoned that corresponding ethical rules in other jurisdictions had been interpreted to contain narrowly defined exceptions that permitted the gathering of evidence under certain circumstances. The court noted that an exception existed allowing prosecutors or other government attorneys to conduct undercover criminal investigations, which typically required some level of deception or misrepresentation. A second exception permitted civil attorneys to use investigators in certain circumstances to obtain information that would normally be available to any member of the public. For example, attorneys may use “testers” to gather evidence of housing discrimination or to retain undercover investigators to pose as ordinary consumers to obtain evidence of suspected intellectual property infringement.

\textsuperscript{122} \textit{Id.}


\textsuperscript{124} \textit{Id.} at *6.

\textsuperscript{125} \textit{Id.} (brackets in original text).
The court noted that these exceptions were not applicable to the investigator’s conduct in this case as the scheme employed by plaintiffs went well beyond a mere concealment of identity and purpose in order to obtain evidence.\textsuperscript{126} In that regard, the court observed:

The conduct at issue in this case is of a significantly different degree and kind. It was an elaborate scheme, involving a fake medical research study, intended to elicit information from practicing physicians about patients under their case. Dr. Godec did not simply pose as an ordinary member of the public in order to elicit the same responses that the physicians that would have given to any other member of the public. ...

Dr. Godec thus posed as the only kind of person in the only kind of circumstances under which a physician would likely disclose patient information -- another physician conducting legitimate medical research. No one posing as an ordinary consumer (or patient or sales person) would have been able to elicit the same type of information.\textsuperscript{127}

For all these reasons, the court had little difficulty concluding that the conduct of the attorneys in the case violated Rules 4.1(a) and 8.4(c) of the Massachusetts Rules of Professional Conduct.\textsuperscript{128} As a sanction for that conduct, the court struck over 100 averments from plaintiffs’ Second Amended Complaint. And because the remaining allegations of the Second Amended Complaint were insufficient to support a fraud action against defendants, the action was dismissed.\textsuperscript{129}

\textit{Turfgrass Group, Inc. v. Carolina Fresh Farms, Inc.}\textsuperscript{130}, \textit{Turfgrass Group, Inc. v. Northeast Louisiana Turf Farms, LLC}\textsuperscript{131} and \textit{In re Cecil Duff Nolan, Jr.}\textsuperscript{132} serve as reminders that under certain circumstances even using investigators to obtain evidence of intellectual property infringement can result in negative consequences to the attorney who commissioned the investigation where he fails to consult the applicable jurisdiction’s ethical rules and legal authority prior to initiating the investigation.

In \textit{Carolina Fresh}, plaintiff brought an action against Carolina Fresh for violation of the Plant Variety Protection Act and Lanham Act as a result of Carolina Fresh’s unauthorized sale of a certain variety of grass. During the action, Carolina Fresh filed a motion in limine seeking to

\textsuperscript{126} \textit{Id.} at *9-10.

\textsuperscript{127} \textit{Id.}

\textsuperscript{128} \textit{Id.} at *12.

\textsuperscript{129} \textit{Id.} at *14. \textit{See also Orso [sic] v. Bayer Corp.}, No 04 C 0114, 2006 U.S. Dist. Lexis 73647 (N.D. Ill. Sept. 27, 2006) (an investigation similarly went off track where a pharmacist-lawyer conducted an investigation in which he represented himself as a pharmacist to obtain evidence regarding the drug at issue to oppose a defendant drug manufacturer’s motion to dismiss); \textit{People v. Pautler}, 35 P.3d 571 (Colo. PDJ 2001) (attorney suspended from practice as a result of misrepresenting to a criminal defendant that the attorney was a public defender).

\textsuperscript{130} No. 5:10-cv-00849-JMC, 2013 WL 4048980 (D.S.C. Aug. 9, 2013), \textit{aff’d}, 588 F. App’x. 992 (Fed. Cir. 2014).

\textsuperscript{131} No. 10-13544, 2013 WL 6145294 (W.D. La. Nov. 20, 2013).

\textsuperscript{132} 419 S.C. 169, 796 S.E.2d 841 (2017).
exclude evidence obtained by plaintiff's investigator in surreptitious recordings with Carolina Fresh's employees to establish these violations. The court found that plaintiff attorney Duff Nolan’s use of an investigator to obtain secret recordings of Carolina Fresh employees violated Rule 8.4 of the South Carolina Rules of Professional Conduct.\(^{133}\) However, the court refused to dismiss the case entirely or award financial sanctions. Instead, it precluded plaintiff from utilizing the tape recordings obtained by the investigator as evidence in the case or the investigator from offering testimony relating to the substance of the tape recordings.\(^{134}\) On the other hand, the court allowed plaintiff to use other evidence obtained as a result of the investigation, including, for example, samples of grass that Carolina Fresh sold to plaintiff’s investigator.\(^{135}\)

Similarly, in *Northeast Louisiana*, plaintiff, again represented by Nolan, pursued violations of the Plant Variety Protection Act and Lanham Act against another defendant who was allegedly marketing and selling a certain grass seed product without authorization, license, or the requisite labeling. Nolan used the same investigator as in *Carolina Fresh* to help establish defendant's unlawful practices. The investigator posed as a customer and questioned defendant's personnel concerning the purchase of the grass seed product at issue and the encounters were surreptitiously recorded.

When Northeast learned of the audiotape evidence, it moved for sanctions seeking to exclude from evidence the recordings and the testimony of the investigator. Defendant also contended that Nolan violated various ethical rules because: (1) he retained an investigator to record conversations surreptitiously with defendant’s personnel; (2) the investigator employed deception to obtain that evidence; and (3) he violated Louisiana law by using a private investigator who is not licensed or registered in Louisiana.\(^{136}\)

Relying on *Cartier, Gidatex and Apple Corps*, the court observed that the prevailing view was that using an undercover investigator to detect ongoing violations of the law was not ethically prescribed, especially where it would be difficult to obtain the violations by other means.\(^{137}\) This finding did not exonerate Nolan, however, as the court noted two other improprieties in connection with the investigation that merited further consideration. First, the court noted that Nolan had violated Louisiana law by employing a private investigator who was not registered in the state in which the investigation was conducted.\(^{138}\) Nolan and his law firm attempted to circumvent this violation by arguing that the investigator was an employee of his firm, and therefore was not required to be registered or licensed in Louisiana. The problem with this argument, according to the court, was that Nolan and his law firm had previously argued in *Carolina Fresh* that the same investigator was not an employee but instead was an independent contractor. The court was clearly not amused with Nolan and noted that it was disingenuous for him to fail to disclose or acknowledge his prior inconsistent arguments, evidence and personal

\(^{133}\) 2013 WL 4048980, at *3.

\(^{134}\) *Id.*

\(^{135}\) *Id.*

\(^{136}\) 2013 WL 6145294, at *2.

\(^{137}\) *Id.* at *4.

\(^{138}\) *Id.*
belief regarding the investigator’s employment status that he advanced before another tribunal until after the inconsistency was raised by this court. As a result, Nolan was found to have violated the spirit of Rule 3.3(a)(1) of the Louisiana Rules of Professional Conduct in bad faith and as a result of that finding, the court stated that Nolan should be publicly admonished for his lack of candor.

Unfortunately for Nolan, the investigator-related transactions for which he was held responsible in Carolina Fresh did not end with the exclusion of certain of the evidence obtained by the investigator. It also resulted in as a disciplinary proceeding initiated against him in South Carolina. In ruling that Nolan should be publicly reprimanded for this conduct, the South Carolina Supreme Court made the following findings:

In the course of preparing for the litigation, [R]espondent’s private investigators traveled to locations in South Carolina to pose as customers in an effort to obtain evidence to prove that the [D]efendant was violating the intellectual property rights of the [P]laintiffs. During the investigation, [R]espondent’s investigators made false statements to the Defendant’s employees and used tactics designed to prod the employees into making statements about the product. Respondent’s investigators tape-recorded these conversations without notice to the employees.

Respondent was unaware that secret taped-recording, pretexting, and dissembling were in violation of the South Carolina Rules of Professional Conduct. He acknowledges that it was incumbent upon him to research the law in South Carolina before sending his investigators to this state.

C. Cases Off the “Deep End”

As aggressive as some of the tactics discussed in the previous section may be, two cases are often labeled as some of the worst when it comes to investigations, particularly as they involved investigations conducted by lawyers as opposed to third-party investigators. The first is In re Gatti, which was a disciplinary proceeding resulting from improper investigative tactics undertaken by attorney Daniel J. Gatti. The underlying case involved a claim in which Gatti’s clients had been charged with racketeering and fraud. In an effort to obtain information helpful to his clients, Gatti initiated contact with two individuals. The first was a chiropractor named Becker. Gatti represented to Becker that Gatti was a chiropractor and sought to have Becker describe his credentials. Without Becker’s knowledge, Gatti tape recorded the conversation. Next, Gatti contacted Adams, the Vice President and Director of Operations for Comprehensive Medical Review, a company who evaluated medical reports for insurance companies and made recommendations on whether or not to accept medical claims. Gatti introduced himself as a doctor with experience performing independent medical examinations and reviewing insurance claims. He also represented that he saw patients, that he performed

139 Id. at *6.
140 Id.
142 796 S.E.2d at 842.
143 33 Or. 517, 8 P.3d 966 (2000).
file and case reviews, and that he was interested in participating in Comprehensive Medical Review's educational programs for insurance claims adjusters. He further represented that Becker had referred him to Comprehensive Medical Review, and that he was interested in working for Comprehensive Medical Review as a claim reviewer. Gatti tape recorded most of his conversation with Adams as well.

When Gatti’s misrepresentations came to light, a bar complaint was filed against him. The Oregon Supreme Court determined that by misrepresenting his identity and purpose and making other false statements when Gatti called these individuals with the intention of deceiving them, Gatti violated his duty to the public to maintain personal integrity. Although the Bar contended that Gatti should be suspended from the practice of law for at least 120 days, because Gatti admitted to his transgressions and fully cooperated in the investigation, the Court determined that a public reprimand was appropriate.

*In re Curry* may take the prize for the extent of subterfuge used by an attorney who decided to manage his own investigation with disastrous consequences. With no apparent motive other than personal financial gain, Curry persuaded a group of dissatisfied litigants (with whom he had no prior dealings) in a bitterly-contested, high-stakes civil matter between members of the Demoulas family that a Superior Court judge had “fixed” their case, so it was “over before it began”. Curry then developed and participated in an elaborate subterfuge whose purpose was found to induce and coerce the judge’s former law clerk into making statements that the law clerk otherwise would not have made about the judge and her deliberative process, which Curry intended to use to remove the judge from the still ongoing case, and to require reversal of her prior rulings against the litigants Curry solicited.

In an initial meeting between Curry and the dissatisfied litigants, Curry made salacious and disparaging remarks about the trial judge’s character on and off the bench and the character of plaintiff’s attorneys. The dissatisfied litigants were shocked at Curry’s revelations and asked Curry what could be done. Curry volunteered he and his private investigator Reid be retained to develop evidence of the judge’s “prior corrupt acts” and “judicial misconduct” to take to the court and to the media. In the ensuing twelve months Reid mined public records for information on the personal and professional lives of the judge and plaintiff’s attorneys.

In a stroke of luck, Curry was able to obtain a copy of the resume from the trial judge’s law clerk who was about to complete his clerkship with the judge and was in interested in securing employment with a law firm. Reid and Curry deduced that the law clerk was interested in international commercial civil litigation and decided to contact the law clerk under the guise of offering him a dream job. After gathering public documents relating to the law clerk, his neighbors, his parents and their neighbors, the investigator contacted the law clerk and represented he was a headhunter who wished to interview him about an “attractive opportunity” at a law firm. The investigator then set up the meeting at the law clerk’s home to discuss the opportunity. During that meeting, Reid inquired of the law clerk’s writing skills and asked whether he had worked on any cases of note while clerking for the trial court. The law clerk

---

144 8 P.3d at 978.

145 *Id.* at 980.


147 880 N.E.2d at 395.
promptly replied that “[w]e wrote the *Demoulas* decision”.\textsuperscript{148} When he was asked to clarify, the law clerk stated “I wrote the decision.”\textsuperscript{149} He also told the investigator that the trial judge had read, but not edited, the decision. This meeting was followed by several purported job interview meetings, one of which occurred in Halifax, Nova Scotia, in which the investigator or Curry continued to delve into the authorship of the *Demoulas* decision under the guise that doing so was of great interest to the purported employer because writing skills were extremely important for the job. As an incentive to make the trip to Halifax, Curry paid the law clerk’s plane ticket and gave him $300 to reimburse him for missing a day of work.

When Curry’s scheme eventually came to light, a disciplinary proceeding was instituted against him. The special hearing officer involved in that proceeding determined that Curry’s inquiries were unquestionably designed to inquire into the trial judge’s deliberative process in the *Demoulas* decision and to elicit potentially damaging personal information about her.\textsuperscript{150} He also determined that the law clerk had been asked a series of questions about his personal life and whether he had done anything illegal or had any skeletons in the closet in order to determine whether there was any compromising information that could be used against the law clerk.\textsuperscript{151}

Curry defended his conduct in setting up the interviews with the law clerk to “secure admissions” about “improper conduct” by the trial judge claiming that it was proper and ethical.\textsuperscript{152} He contended that pretextual interviews were not prohibited by the disciplinary rules and that he had acted reasonably and in good faith in an area where the rules were unclear.\textsuperscript{153} In holding that Curry’s conduct was sufficiently sustained and egregious to merit disbarment, the Court made the following observations:

Unlike discrimination testers or investigators who pose as members of the public in order to reproduce pre-existing patterns of conduct, Curry built an elaborate fraudulent scheme whose purpose was to elicit or potentially threaten the law clerk into making statements that he would otherwise would not have made. In particular, by leading the law clerk to believe that his “dream job” depended on the outcome of his interview, flying him to Nova Scotia, and paying him hundreds of dollars in cash, Curry created an artificial situation designed to cause the law clerk to make statements about Judge Lopez and the *Demoulas* decision that he would not have made absent such inducements. Curry further structured the ruse so as to elicit a particular set of answers to those questions: by emphasizing that the law clerk’s future was riding on his writing skills, Curry pressured him to give an account of the process of writing the *Demoulas* decision in which the law clerk claimed Judge Lopez played little or no role. Finally, Curry engaged in an elaborate fishing expedition into the law clerk’s background aimed

\begin{footnotes}
\item\textsuperscript{148} *Id.* at 396 (alteration in original).
\item\textsuperscript{149} *Id.*
\item\textsuperscript{150} *Id.* at 398.
\item\textsuperscript{151} *Id.*
\item\textsuperscript{152} *Id.* at 402.
\item\textsuperscript{153} *Id.*
\end{footnotes}
at discovering any “skeletons” or perceived vulnerabilities that Curry could use later to exert further coercive pressure on the law clerk.\textsuperscript{154}

The cases in the preceding two sections reemphasize the importance of an attorney not glossing over the details of an investigation and instead thoroughly researching and considering all angles prior to its commencement. Although the activities investigated may clearly be unlawful, courts in some jurisdictions have found that “the end does not necessarily justify the means.”\textsuperscript{155} The cases further establish that after-the-fact defenses to a rogue investigation based on “I didn’t know what my investigator was going to do” or “I did not expressly authorize the investigator to do that” have largely fallen on deaf ears. They also serve as a reminder on the importance of conveying clear instructions and expectations to the investigator prior to conducting the investigation and carefully monitoring the investigation when it is in progress. And a court finding that an investigation was improperly conducted in several cases resulted in much more than a “bump in the road,” and instead caused the underlying case to be derailed entirely and the attorney subjected to disciplinary proceedings.

V. RECOMMENDED BEST PRACTICES IN UTILIZING INVESTIGATORS

Although the benefit of obtaining information derived from an investigation may be great, failing to prepare adequately to defend the tactics used can result in a significant headache for the party or attorney who commissioned the investigation. Accordingly, the authors strongly recommend consideration of the following in the retention and use of investigators:

1. Attorneys should not conduct pretext investigations themselves as doing so may put the attorney in the conflicting position of both representing the client and serving as a material witness, which could result in a disqualification motion.\textsuperscript{156}

2. Thoroughly vet the investigator as to experience and credentials\textsuperscript{157} including in generating necessary reports, declarations or affidavits, and testifying, and assess any reluctance the investigator exhibits in undertaking any of these actions. The investigator’s communication skills should be assessed as well.\textsuperscript{158} Verify that the investigator is licensed in the jurisdiction in which the investigation will take place.\textsuperscript{159} Oftentimes, former members of federal and state law enforcement agencies with a background in investigations serve as highly credible witnesses.

\textsuperscript{154} Id. at 404-05. In a companion action, another attorney representing the same litigants, who was also involved in law clerk interview scheme, was disbarred as well. \textit{In re Crossen}, 450 Mass. 533, 880 N.E.2d 352 (2008).

\textsuperscript{155} Nix & Ray, \textit{supra} note 5, at 542.

\textsuperscript{156} Sacoff, \textit{supra} note 20, at 13; Bernstein & Harvey, \textit{supra} note 10, at 1248-49.

\textsuperscript{157} Smoot, \textit{supra} note 9, at 42; Segal, \textit{supra} note 12, at 1 (recommending five questions that should be asked to any prospective investigator before making a hiring decision).

\textsuperscript{158} Id.

\textsuperscript{159} See Smoot, \textit{supra} note 9, at 40, 42.
3. Provide the investigator with specific written instructions including guidelines, goals, work product, and budget. The investigator should be reminded that he is the agent of the retaining client/firm and that his actions can be imputed to the client/firm. Maintaining a written record of the instructions to the investigator regarding the scope and limitations of the investigation is prudent in the event the investigation is later subject to challenge. The investigator should be encouraged to maintain detailed and accurate notes regarding the conduct of the investigation as well.

4. To increase the likelihood of a successful investigation and to avoid duplication of effort, the attorney should communicate all relevant information that may assist the investigator in the investigation including names of the relevant players and addresses. Providing complete and accurate information to the investigator can prevent the investigation from going off course. If multiple individuals are to be interviewed by the investigator, discuss the order in which the individuals should be contacted. Also, both the attorney and the investigator should be prepared to adopt a flexible approach based on what the investigation yields early on.

5. Local ethics rules, disciplinary rulings and opinions, and case law should be closely scrutinized before embarking on a pretext investigation, including in the states where the lawyer is admitted to practice, where the case is pending, and where the investigation will take place. As the decisions discussed above make clear, judicial precedent interpreting the applicable ethical rules varies from locale to locale and should be carefully considered in developing a strategy for the use of pretext.

6. Consider the individuals who will be contacted in the course of the investigation. Courts have expressed fewer concerns with communications between investigators and sales clerks and other “public-facing” employees, as opposed to officers or others who have managerial responsibility with the target. Some courts, however, have held that statements made by even low level employees may be imputed to the target. The investigator should further not try to simulate an attorney in a deposition in gathering information from individuals (such as asking a series of leading questions). Instead, the exchange should be kept low key and conversational, which will encourage the target to volunteer information. Moreover, the investigator should not falsely claim to be the individual targeted in the investigation in order to obtain non-public information relating to the target from third-party sources (such as phone records).

---

160 See Segal, supra note 13, at 3; Sacoff, supra note 20, at 14; Smoot, supra note 9, at 43; Sullivan, supra note 20, at 6.

161 Smoot, supra note 9, at 43.

162 Segal, supra note 12, at 3.

163 Id. (cautioning against a “too-rigid game plan” in conducting an investigation).

164 Sacoff, supra note 20, at 15; Sullivan, supra note 20, at 6; Kennedy, Rudolph & Silverman, supra note 3, at 23; Nix & Ray, supra note 5, at 526, 542.

165 Kennedy, Rudolph & Silverman, supra note 3, at 23; Sacoff, supra note 20, at 14; Bernstein & Harvey, supra note 10, at 1254.

166 Sullivan, supra note 20, at 6.
7. Even with low level employees, going beyond communications seeking publicly available information such as the price and availability of goods and services and instead seeking to obtain admissions as to details, decisions, motivations and effects is more likely to be subject to the strict scrutiny of a court.\textsuperscript{167}

8. The timing of any investigation is important as well (non-litigation, pre-litigation settings, litigation instituted but service not yet achieved, etc.). Once litigation has been instituted and all parties served, courts are far more likely to apply strictly the rules against communicating with persons represented by counsel and/or that are unrepresented.\textsuperscript{168}

9. Verifying and documenting normal business practices and transactions in the ordinary course of business with members of the general public is usually permitted.\textsuperscript{169} Conversely, having an investigator construct a complex ruse, such as where he or she poses as a professional to obtain information generally accessible only by highly trained professionals (such as a physician) is not a good idea. Covertly audiotaping or videotaping normal business practices and transactions is probably acceptable, although before doing so the law of applicable jurisdiction should be reviewed to ascertain whether making recordings of an individual without permission is allowed.\textsuperscript{170}

10. If a lawyer retains investigators to conduct investigations in multiple jurisdictions against defendants allegedly engaged in the same unlawful conduct which results in companion actions brought in these jurisdictions, avoid taking inconsistent positions to support the investigative tactics in these actions as they may come back to haunt you.\textsuperscript{171}

11. For multi-jurisdictional investigations, such as when investigating franchisees with locations in various states, or where the same type of investigation is performed throughout the system, forming a relationship with one established investigator to “quarterback” numerous investigations can be useful for cost efficiency and assurance of the engagement of qualified investigators. This is similar to the potential usefulness of engaging a single law firm familiar with your company, goals, and previous actions to serve as nationwide counsel alongside local counsel. A trusted investigator “quarterback” already understands your goals and expectations, and can help ensure that the local investigator is fully informed and accountable. Moreover, when the need for numerous, multi-jurisdictional investigations arise, particularly when time is of the essence, an investigator “quarterback” can often refer you to other reputable investigators in their network. However, this does not replace contact between counsel and each investigator for the purposes described herein.

\textsuperscript{167} Sacoff, supra note 20, at 14.

\textsuperscript{168} See Segal, supra note 12, at 3 (recommended that an investigation template approved by the client be used to avoid violating the no-contact rule); Nix & Ray, supra note 5, at 540; Sacoff, supra note 20, at 13; Kennedy, Rudolph & Silverman, supra note 3, at 23.

\textsuperscript{169} Sacoff, supra note 20, at 14.

\textsuperscript{170} Nix & Ray, supra note 5, at 534-35 (identifying twelve states that do not permit recording of calls or in-person conversations without the consent of all parties to the conversation); Kennedy, Rudolph & Silverman, supra note 2, at 23.

\textsuperscript{171} See supra notes 138-40.
12. When an investigator is obtaining photographic or video evidence, be clear and specific on your expectations. Ensure that the investigator clearly understands the areas you are looking to photograph or record. Also, be clear on the various types of photographs you want obtained. For instance, when the goal is to show that there is an infringing product being sold at a store, you may want a wide shot, and then close ups, so that the photographs show the product’s location. Providing examples of photographs from previous investigations can be useful to make sure the investigator fully understands what you expect to receive in terms of types and quality of photographs and videotapes. Make sure the equipment being used meets your needs, such as the proper pixilation for zooming and enhancement. This helps to avoid the need to have an investigator return to a location due to errors.

13. If the investigator is expected to make a purchase, be as diligent as possible in ensuring that the product is easily tied to the purchase. This may include the use of video or photographs, as well as method of payment, and obtaining a receipt with as much detail as possible. Also, be aware of chain of custody issues to make sure the purchased product is admissible.

14. For all investigations that may be part of litigation, always be thinking about evidentiary considerations. Be knowledgeable of the jurisdictional requirements and tailor the information that is needed to be provided by the investigator, including the detail the investigator will need to provide in as part of an affidavit or declaration, such as the type of equipment used (i.e. the brand and model of camera), time, date, and specific location. Ensure the investigator timely and fully completes an appropriate affidavit or declaration, and do your best to ensure the investigator is generally available to testify if needed.

15. As discussed above, investigators are not only used for litigation, and can be an excellent resource as part of a franchisor’s routine compliance process. To that end, also consider secret shoppers as a cost effective way to obtain some immediate information to assist in determining whether the situation requires escalated investigation.172 There are numerous secret shopper services, including services in which consumers can sign up via their phone to be notified to go to a nearby location, ask a few questions, and obtain a few photographs. This type of information can be an excellent first step in your investigative process. Some franchisors have gone as far as including provisions in their franchise agreements expressly authorizing the use of secret shoppers to evaluate a franchisee’s performance.173

16. Franchisees are typically fervent brand enforcers that do not want to see the goodwill of the brand diminished or a negative impact on their sales. Oftentimes, franchisees are the first to notify a franchisor of a potential infringer. Although it is generally not advisable for a franchisor to place its franchisees in the middle of an investigation, franchisees (particularly international franchisees) can be an excellent resource in obtaining photographs or other initial information of a potential infringement that will assist the franchisor in determining the appropriate next steps.

---

172 Nix & Ray, supra note 5, at 537 (“Courts across the country have ... held that mystery shopping is ethically permissible when the deception is limited to identity and purpose.”).

VI. CONCLUSION

There are unquestionably great rewards available to franchisors, franchisees, and their counsel who use investigators. But as demonstrated by the cases discussed above, those who retain investigators need to be extremely vigilant in instructing and supervising them. Attorneys further need to take into account the ethical standards and legal authorities of the jurisdiction(s) in which the investigation will be conducted. Doing so will help minimize the possibility of the investigation going off course and possibly negatively impacting the client’s interests and resulting in embarrassment for the client and attorney. Attorneys are well advised to manage all aspects of the investigation with the same diligence routinely given to other key aspects of the case including deposition preparation, opening and closing statements, and retention of expert witnesses.\footnote{See Segal, supra note 12, at 5.}
CHRISTOPHER P. BUSSERT is senior counsel in the Atlanta office of Kilpatrick Townsend & Stockton LLP. Over the past 30 years, Mr. Bussert has represented clients in trademark, copyright, false advertising, and franchise litigation, and in licensing and trademark clearance and prosecution matters. He is a past editor-in-chief of *The Franchise Law Journal* and a past member of the Governing Committee of the American Bar Association Forum on Franchising.

JEREMY B. LIEBMAN is Senior Counsel for Krispy Kreme Doughnut Corporation in Winston-Salem, North Carolina. Jeremy focuses his practice on domestic and international franchising and distribution, intellectual property, and strategic expansion and development.