# CAN YOU PUT AN INDEPENDENT FACT WITNESS UNDER A CONTRACT THAT PROVIDES THAT HE OR SHE WILL NOT TALK TO OPPOSING COUNSEL VOLUNTARILY? [1]

by

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and

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## I. Introduction

This article is a follow on to both Gholz and Parker, It's Ok to Pay Fact Witnesses for Their Time, 13 Intellectual Property Today No. 10 at page 16 (2006), and Gholz, Can Counsel for an Interferent Represent an Independent Fact Witness at a Deposition?, 16 Intellectual Property Today No. 2 at page 18 (2009). This article deals with the following question: Whether or not you are going to represent an independent fact witness at his or her deposition, can you put him or her under a contract that provides that he or she will not talk to opposing counsel except at the deposition?

Preliminarily, we note that, as in the February article, by an "independent fact witness" we mean simply a fact witness who is not employed by your client. In most cases, that means either a former employee of your client or a former (usually disgruntled) employee of the opposing side.

If the fact witness is employed by your client and there is no reasonable possibility of the employee's interests being in conflict with the interests of your client, your client can, of course, instruct the fact witness not to talk to opposing counsel except during his or her deposition.[4]

## II. What Law Applies?

As with all such questions, answering the question posed in the title of this article starts

with a choice of law question. That question is, not only which law applies, but how many laws apply. The obvious candidates are: (1) the law applied by the PTO, (2) the law of the jurisdiction(s) where you are admitted,[5] and (3) the law of the jurisdiction in which you are practicing.[6]

Usually, a lawyer "admitted to practice in [Virginia]" or who "holds himself out as providing, or offers to provide legal services in Virginia" "is subject to the disciplinary authority of Virginia, regardless of where the lawyer's conduct occurs."[7] Further, "[a] lawyer may be subject for the same conduct to the disciplinary authority of Virginia and any other jurisdiction where the lawyer is admitted."[8] However, of specific interest to Virginia patent and trademark lawyers is the following:

> VIRGINIA RULES OF PROF'L CONDUCT R. 8.5 (b) (March 1, 2009):
>
> Choice of Law. In any exercise of the disciplinary authority of Virginia, the rules of professional conduct to be applied shall be as follows:
>
> > (1) for conduct in connection with a proceeding in a court, agency, or other tribunal before which a lawyer appears, the rules to be applied shall be the rules of the jurisdiction in which the court, agency, or other tribunal sits, unless the rules of the court, agency, or other tribunal provide otherwise;
> >
> > (2) for any other conduct, the rules of the jurisdiction in which the lawyer's conduct occurred; and
> >
> > (3) notwithstanding subparagraphs (b) (1) and (b) (2), for conduct in the course of providing, holding out as providing, or offering to provide legal services in Virginia, the Virginia Rules of Professional Conduct shall apply.[9]
>
> Comment 9 of Virginia's Rule 8.5 elaborates:
>
> > [9] If the lawyer appears before a court, agency, or other tribunal in another jurisdiction, subparagraph (b) (1) applies the law of the jurisdiction in which the court, agency, or other tribunal sits. In some instances, the court, agency, or other tribunal, may have it own lawyer conduct rules and disciplinary authority. For example, the United States Patent and Trademark Office ("PTO"), through the Office of Enrollment and Discipline, enforces its own rules of conduct and disciplines practitioners under its own procedures. A lawyer admitted in Virginia who engages in misconduct in connection with practice before the PTO is subject to the PTO rules, and in the event of a conflict between the rules of Virginia and the PTO rules with respect to the questioned conduct, the latter would control.[10]

So, apparently Virginia would defer to the PTO's rules as per Virginia's Rule 8.5 Comment 9 concerning this issue in the event of a conflict between its rules and the PTO's rules,[11] and, as demonstrated below, there is such a conflict with respect to the issue under consideration here.

## III. Is Such a Contract Permissible Under Virginia Law?

VIRGINIA RULES OF PROF'L CONDUCT R.3.4(h) (2000) provides that:

> A lawyer shall not . . . [r]equest a person other than a client to refrain from voluntarily giving relevant information to another party unless:
>
> (1) the information is relevant in a pending civil matter;
>
> (2) the person in a civil matter is a relative or a current[12] or former employee or other agent of a client; and
>
> (3) the lawyer reasonably believes that the person's interests will not be adversely affected by refraining from giving such information.[13]

An ongoing patent interference is presumably "a pending civil matter." Accordingly, in Virginia you may form such a contract with a potential independent fact witness in an interference who is a former employee of your client or a current independent contractor who is acting as an agent of your client as long as you reasonably believes that the potential independent fact witness's interests will not be adversely affected by refraining from giving such information to opposing counsel. Comment 4 to this rule explains this rule's coverage of current and former employees by saying that "such persons may identify their interests with those of the client."[14]

We presume that other, non-enumerated persons are not covered by this rule. Thus, attempting such contracts with an opposing party's current employee, an opposing party's former employee,[15] or an opposing party's former or current independent contractor would apparently be violative of Rule 3.4 (h). Likewise, attempting to form such contracts with a client's supplier's (current or former) employee (or independent contractor), or a client's customer's (former or

current) employee (or independent contractor) would also apparently violate Rule 3.4(h).[16]

## IV. Is Such a Contract Permissible Under the Law Applied by the PTO?

The PTO enforces its own ethical rules of conduct through the Office of Enrollment and Discipline.[17] The PTO's current rules governing practitioners' conduct were adopted in 1985 and may be found in 37 CFR § 10.[18]

A direct analog to Virginia Rule 3.4 (h) is absent from the PTO rules. Instead the PTO's rule on contact with witnesses is analogous to DR 7-109 of the Model Code of Professional Responsibility (which predate the Model Rules of Professional Conduct).[19] 37 CFR § 10.92 states:

> § 10.92 Contact with witnesses.
> (a) A practitioner shall not suppress any evidence that the practitioner or the practitioner's client has a legal obligation to reveal or produce.
> (b) A practitioner shall not advise or cause a person to be secreted or to leave the jurisdiction of a tribunal for the purpose of making the person unavailable as a witness therein.
> (c) A practitioner shall not pay, offer to pay, or acquiesce in payment of compensation to a witness contingent upon the content of the witness' affidavit, testimony or the outcome of the case. But a practitioner may advance, guarantee, or acquiesce in the payment of:
> (1) Expenses reasonably incurred by a witness in attending, testifying, or making an affidavit.
> (2) Reasonable compensation to a witness for the witness' loss of time in attending, testifying, or making an affidavit.
> (3) A reasonable fee for the professional services of an expert witness.[20]

A contract prohibiting a fact witness from talking to opposing counsel except at a deposition in an interference appears to comply with DR 7-109 (b) and 37 CFR § 10.92 (b) as it does not advise or cause a fact witness to hide within or leave the jurisdiction of a tribunal, and it also does not advise or cause the person to be unavailable as a witness in the interference. Because neither the fact witness nor the lawyer nor the client has a legal obligation to reveal or produce the fact witness's testimony prior to the witness's deposition, such a contract appears to

comply with DR 7-109 (a). Where the contract compensates the witness not in excess of the witness's reasonable loss of time and expenses in attending, testifying, or making an affidavit, that contract appears to comply with 37 CFR § 10.92 (c) and DR 7-109 (c).[21]

USPTO cases considering violations of 37 CFR 10.92 include:

• In re Boe, 26 USPQ2d 1809 (Director of the PTO's Office of Enrollment and Discipline 1992) (a patent examiner's efforts to destroy papers and silence officials was a clear effort to suppress and conceal facts (about bogus and spurious office actions he had submitted for credit) violated 37 CFR § 10.92 (a)).

Case law in various states considering violations of DR 7-109 (b) include:

• People v. Wollrab, 909 P.2d 1093 (Colo. 1996) (attorney publicly censured under DR 1-102 (a) (5) for requesting a police officer to not appear at client's hearing, but not reaching the DR 7-109 (b) issue on the merits).

• People v. Tucker, 676 P.2d 680 (Colo. 1983) (suspending attorney a year and a day and ordering payment of proceeding costs for arranging plane tickets to Hawaii for a potentially key fact witness thus making the witness unavailable to testify at trial).

• In re Friedman, 76 Ill. 2d 392 (Ill. 1979) (imposing no sanction upon prosecutor who attempted to arrange the absence of witnesses at trial, where the defendant acted "without the guidance of precedent or settled opinion" and thought he was acting properly).

• State v. Martindale, 527 P.2d 703 (Kan. 1974) (attorney publicly censured under DR 1-102(A) (5) for advising two witnesses to not appear at trial; however, finding no violation of DR 7-109 (b) because the meeting was purely accidental).

• Office of Disciplinary Counsel v. Slodov, 660 N.E.2d 1164 (Colo. 1996) (publicly reprimanding attorney under DR 7-109 (b) and 1-102 (a) (5) and (6) who deliberately instructed

his client to be unavailable for cross-examination on the day of trial and other misconduct).

The absence of an analog to Virginia Rule 3.4 (h) in 37 CFR § 10, along with the deference given by the Virginia Rule 8.5 cmt. 9 (March 1, 2009) to 37 CFR § 10 in proceedings before the PTO, appear to place no prohibition on a Virginia patent attorney's ability to enter into a contract with an independent fact witness providing that he or she will refrain from volunteering information to another party to an interference.

## V. If the Independent Fact Witness Is a Former Employee of Your Adversary, Could You Be Liable for Inducing a Breach of His or Her Employment Contract With Your Adversary?

If the independent fact witness is a former employee of your client, there is presumably nothing in his or her employment contract with your client that prevents him or her from entering into a contract that provides that he or she will not talk to your adversary's counsel voluntarily. However, what if the independent fact witness is a former employee of your adversary and there is something in his or her employment contract with his or her former employer that either requires him or her to talk to his former employer's counsel or prohibits him or her from discussing the relevant aspects of his or her former employment with anyone other that his or her former employer's counsel? Could you be liable to your adversary for inducing a breach of the independent witness's employment contract with your adversary?

Tortious interference with a contract is an economic tort which occurs when a person intentionally damages a plaintiff's contractual relationship with a third person. The Supreme Court of Virginia first recognized this cause of action in Worrie v. Boze, 198 Va. 533, 95 S.E.2d 192 (Va. 1956), where the court held that "the right to performance of a contract and the right to reap profits therefrom are property rights which are entitled to protection in the courts."[22] In Virginia, the elements required for a *prima facie* showing are: (1) the existence of a valid

contractual relationship; (2) knowledge of the relationship on the part of the interferor; (3) intentional interference inducing or causing a breach or termination of the relationship; and (4) resultant damage to the party whose relationship has been interfered with.[23] Where the contract is at-will, the plaintiff must additionally show that the defendant employed "improper methods."[24] Otherwise, knowledge and intent are required elements, but malice is not.[25] Upon a requisite showing, the burden then falls upon the defendant to show an affirmative defense of justification or privilege, based upon the relationships between the parties and the balancing of the social interest in protecting the contractual relationship against the interferor's freedom of action.[26] Specific grounds for the defense include legitimate business competition, financial interest, responsibility for the welfare of another, directing business policy, and the giving of requested advice.[27]

Even assuming that the employment contract is not at-will and that the knowledge element has been met, one could foresee difficulties in proving damages in such a contract. Any "damages" incurred due to the witness's breaching such a contract would likely follow merely from the submission of evidence harmful to the client.[28] Although the submission of evidence harmful to the client is *de facto* prejudicial, that is likely *damnum abasque injuria*. This is, it is not the sort of harm cognizable by the courts.[29]

## CONCLUSION

In interferences before the PTO, it is apparently permissible for a patent attorney to put an independent fact witness under a contract that provides that he or she will not talk to opposing counsel voluntarily <u>if</u> the patent attorney is admitted and practicing in Virginia or in a state in which the ethics rules are based on the Model Code of Professional Responsibility, <u>but not if</u> the patent attorney is admitted or practicing in a state other than Virginia where the ethics rules are

based on the Model Rules of Professional Conduct. The bottom line is that this practice is dangerous and that you should check the ethics rules that apply to you before you employ it.

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[4] VIRGINIA RULES OF PROF'L CONDUCT R. 3.4 (h) (2), R. 4.3 (b), R. 1.13 (d). From case law and ethics opinions, we observe that there may be a sliding scale of permissiveness, which we categorize as follows: inform, request, advise, instruct, bind. Though dependent upon the facts of the case, at least one ethics opinion held that merely informing an unrepresented independent fact witness of his or her right not to answer opposing counsel's question (during a deposition with opposing counsel present) is permissible. Virginia Legal Ethics Comm. Op. 1192 (Feb. 12, 1989), *available at* http://www.vacle.org/opinions/1192.htm. Though Virginia's Rule 3.4 (h) permits certain requests to refrain from voluntarily giving relevant information, Virginia's Rule 4.3 proscribes advising unrepresented persons whose interests have a reasonable possibility of being in conflict with the interests of your client. Of course, it is usually unlikely that, in the situations under consideration here, an independent fact witness's interests would be in conflict with the interests of your client.

[5] The lead author of this article is admitted to the Virginia bar and practices in Virginia, so this article focuses on the rules of that bar. However, since the ethics rules of many states are at least

roughly based on the ABA's Model Rules, the ethics rules of many states are at least roughly similar. Moreover, the PTO's ethics rules are based on the former Model Code of Professional Responsibility, so its rules are at least roughly similar to those of the states that still have ethics rules based on the Model Code of Professional Responsibility.

[6] Another possibility is the law of the jurisdiction governing the employment contract between the independent fact witness and his or her former employer (whether that former employer is your client or your adversary). However, we think that that law is only relevant to the issue considered in section V., *infra*.

[7] VIRGINIA RULES OF PROF'L CONDUCT R. 8.5 (a) (March 1, 2009), *available at* http://www.vsb.org/site/regulation/rules-55-and-85-of-rules-of-professional-conduct, then click "view Order amending Rules 5.5 and 8.5". VIRGINIA RULES OF PROF'L CONDUCT (with amendments through Sept. 1, 2008) are available at http://www.vsb.org/docs/2008-09_pg.pdf.

[8] VIRGINIA RULES OF PROF'L CONDUCT R. 8.5 (a) (March 1, 2009).

[9] VIRGINIA RULES OF PROF'L CONDUCT R. 8.5 (b) (March 1, 2009) (emphasis added).

[10] VIRGINIA RULES OF PROF'L CONDUCT R. 8.5 cmt. 9 (March 1, 2009) (emphasis added). So far as is known to the authors, the giving of such deference to the PTO's rules is unique to Virginia.

[11] However, whether it would do so may depend upon the scope/interpretation of "in connection with" and "appears". A very narrow reading of either "in connection with" or "appears" in Virginia Rules of Prof'l Conduct R. 8.5 (b) might construe the formation of such a contract as outside of the interference proceedings at the PTO.

12 It might occur to you that your contract with the independent fact witness could provide that, upon signing the contract, the fact witness becomes a consultant to or a part-time employee of your client whose duties are limited to working with you in connection with the litigation.

However, we urge you not to try that ploy. It seems to us that it is such an obvious attempt to circumvent the rule that the risk of getting in trouble precludes using it.

[13] VIRGINIA RULES OF PROF'L CONDUCT R. 3.4 (h) (2000) (emphasis added); *see also* MODEL RULES OF PROF'L CONDUCT 3.4 (f).

[14] VIRGINIA RULES OF PROF'L CONDUCT R. 3.4 cmt. 4. It is unclear whether former independent contractors who acted as your client's agent are covered by the exclusion.

[15] See also Intel Corp. v. VIA Technologies, Inc., 204 FRD 450, 452 (C.D. Cal. 2001) ("All parties are free to contact the fact witness [who was a former employee of the opposing party] and obtain their own statements.")

[16] VIRGINIA RULES OF PROF'L CONDUCT R. 3.4 (h) (2000).

[17] 37 CFR § 10.1 reads in relevant part as follows:

> This part governs solely the practice of patent, trademark, and other law before the Patent and Trademark Office. Nothing in this part shall be construed to preempt the authority of each State to regulate the practice of law, except to the extent necessary for the Patent and Trademark Office to accomplish its federal objectives.

[18] Added in 50 Fed. Reg. 5,172 (Feb. 6, 1985) (effective Mar. 8, 1985).

[19] DR 7-109 Contact with Witnesses.

> (A) A lawyer shall not suppress any evidence that he or his client has a legal obligation to reveal or produce.
>
> (B) A lawyer shall not advise or cause a person to secrete himself or to leave the jurisdiction of a tribunal for the purpose of making him unavailable as a witness therein.

(C) A lawyer shall not pay, offer to pay, or acquiesce in the payment of compensation to a witness contingent upon the content of his testimony or the outcome of the case. But a lawyer may advance, guarantee, or acquiesce in the payment of:

(1) Expenses reasonably incurred by a witness in attending or testifying.

(2) Reasonable compensation to a witness for his loss of time in attending or testifying.

(3) A reasonable fee for the professional services of an expert witness.

MODEL CODE OF PROF'L RESPONSIBILITY DR 7-109 (1980), *available at* http://www.abanet.org/cpr/mrpc/mcpr.pdf.

[20] 37 CFR § 10.92 (Jan. 19, 2009) (emphasis added).

[21] See also Gholz and Parker, It's OK To Pay Fact Witnesses for Their Time, 13 Intellectual Property Today No. 10 at page 16 (2006).

[22] Id. at 536, 95 S.E.2d at 196; *see generally* David N. Anthony, *Tortious Interference with Contract or Business Expectancy: An Overview of Virginia Law,* The Virginia Bar Association News Journal, vol. XXXIII, no. 5, at 9 (2006) *available at* http://www.vba.org/octnov06.pdf.

[23] Chaves v. Johnson, 230 Va. 112, 120, 335 S.E.2d 97, 102 (Va. 1985) [hereinafter Chaves].

[24] Duggin v. Adams, 231 Va. 221, 226-227, 360 S.E.2d 832, 835-836 (Va. 1987).

[25] Chaves at 120-121, 335 S.E.2d at 102-03.

[26] Id. at 103, 335 S.E.2d at 121.

[27] Id. at 103; see also Restatement (Second) Torts § 766 (1977):

Intentional Interference with Performance of Contract by Third Party

One who intentionally and improperly interferes with the performance of a contract (except a contract to marry) between another and a third person by inducing or

otherwise causing the third person not to perform the contract, is subject to liability to the other for the pecuniary loss resulting to the other from the failure of the third person to perform the contract.

[28] That is, if opposing counsel is better prepared for the witness's deposition, he or she is more likely to elicit damaging testimony on cross-examination.

[29] *See, e.g.*, Commonwealth v. Lang, 44 Pa. D. & C.3d 407, 420 (Pa. D. & C. 1986).