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HEARING OFFICER OF THE SUPREME COURT OF ARIZONA

BY [signature]

BEFORE A HEARING OFFICER

IN THE MATTER OF A MEMBER OF THE STATE BAR OF ARIZONA, Thomas G. Watkins, III, Bar No. 004433, Respondent,	Case No. 05-0357 FINDINGS OF FACT, CONCLUSIONS OF LAW, AND RECOMMENDATION

I. PROCEDURAL HISTORY

A probable cause Order in this matter issued on August 14, 2005. On November 1, 2005, the State Bar filed its complaint. On December 9, 2005, the Respondent filed his answer. An amended complaint was filed on April 12, 2006, to which an Answer was filed on May 5, 2006. The hearing was held on June 20 and 21, 2006, and the parties submitted post hearing memoranda.

Subsequently, the State Bar moved to expand the record to include the Superior Court's ruling in a related civil matter between TASER and Watkins and included, with its post hearing memoranda, pleadings which had been filed in that matter. The Respondent did not object to the inclusion of the Court's order (granting partial summary judgment to TASER), but objected to the inclusion of the related pleadings in this record. I granted the Respondent's Motion to Strike the related proceedings.

II. FINDINGS OF FACT[1]

1. At all times relevant, Respondent was an attorney licensed to practice law in the State of Arizona, having been admitted to practice in Arizona on April 24, 1976. Joint Pre-Hearing Statement ("JPS"), ¶ 1. Respondent is also licensed before the United States Patent and Trademark Office ("USPTO"), and in the States of Florida and Texas. RT[2] 452, 453.

2. TASER manufactures and sells devices commonly known as "stun guns." Respondent represented TASER for several years, beginning from in or about January 2001, through January 2005, in litigation before various courts and the USPTO. JPS, ¶ 2, Ex. 9.

A. TASER first retained Respondent to defend a patent infringement suit brought by McNulty reference a device known as the M26. RT 81 - 83, Ex 17 - 18.

1). As part of his attorney's fees in connection with the McNulty case, Respondent was given an option to purchase 7, 633 shares of TASER stock at $6.55 per share for five years. The option, at that price, was valued at $50,000. Respondent exercised his options in January and February, 2004, and realized a profit in excess of $970,000 on his TASER stock. RT 91, Ex. 17, 19-21.

2). As part of his attorney's fees, Respondent's paralegal, Linda Dittemore, was given an option to purchase 3,816 shares of TASER stock at $6.55 per share for five years. The option, at that price, was valued at $25,000. Ms. Dittemore exercised her options, and realized a profit of $464, 801 on her TASER stock. RT 91, Ex. 17, 19-21.

3). The agreements referenced above were memorialized in a letter dated May 31, 2001. Ex. 17.

4). The stock options were in lieu of $75,000 in fees. RT 88, 463. The options, at $6.55 per share, were worth $75,000.

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[1]In order to ease review, those findings which can be directly attributed to the evidence are noted.

[2]RT refers to the Reporter's Transcript of the hearing.

5). TASER stock dropped after May 31, 2001, but later rose and became very valuable. RT 179.

6). It is possible that TASER initiated the substitution of stock options for fees. RT 180. The decision to split the fees between Respondent and his paralegal were not initiated by TASER. RT 88.

7). Respondent did not advise TASER to consult with independent counsel prior to agreeing to make stock options available as part of the fee agreement. RT 86, 92. Ex 17.

8). Respondent shared his legal fees from his representation of TASER with Ms. Dittemore, a non lawyer.

B. A decision was rendered in the McNulty case in July, 2002. RT 470.

C. In late, 2002, Respondent represented TASER when he took over the M26 patent application. RT 94.

D. Respondent represented TASER on appeal from the Court's judgment in the McNulty case. RT 470-471. That matter concluded in late 2003 or early 2004. RT 470-471.

E. Respondent represented TASER in a trademark infringement lawsuit brought by Tasertron; that litigation concluded in June, 2002. RT 99, 472, Ex 17.

F. Respondent represented TASER in connection with securing patent protection for the X26 device as more particularly described below.

G. Respondent represented TASER in connection with a lawsuit against Stinger Systems in North Carolina. RT 40-41, 517-518. As of January 11, 2005, Respondent was primary counsel in that matter. Ex. 9.

H. On or about May 31, 2001, Respondent and TASER entered into an agreement which stated that TASER was retaining Respondent for "one year of general legal consulting starting in August 2001." Ex 17. Respondent's billing records reflect that he was not paid a general retainer pursuant to this agreement although he was paid for the various representations described herein. RT 456 - 461; Ex. 14.

I. TASER employed counsel other than Respondent for other matters between 2001 and 2005. RT 176 - 178.

3. On December 12, 2001, a Continuation Patent Application No., 10/015,082 ("the 082 Patent Application") was filed with the USPTO by another attorney that identified Patrick Smith, an employee of TASER, as the sole inventor of that patent (the M26 device) JPS, ¶ 3; RT 93.

4. In April 2002, while the 082 Application was pending, Respondent claims he conceived a new stun gun power source. RT 480 – 483.[3] Respondent claims that, when he invented this technology, he was acting in his own capacity as an inventor and not as a lawyer for TASER; he was "just doing it to help [TASER]." RT 493.

A. On May 10, 2002, Respondent attended a meeting at TASER to discuss the Tasertron patent infringement lawsuit with TASER CEO Rick Smith. RT 100 - 102; 486 - 487.

B. Respondent asserts that he arranged, with Rick Smith, to meet that day with Max Nerheim, Vice President, Research and Development for TASER, after the Tasertron meeting. RT 488-489.

C. Rick Smith denies that a meeting with Nerheim had been arranged and believes that such a meeting never took place. RT 102 - 103.

D. Respondent asserts that he disclosed and explained his conception to Mr. Nerheim subsequent to his meeting with Mr. Smith at the TASER offices. RT 490-492, Ex. Q.[4] He contends that the meeting occurred in the same conference room as the Tasertron

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[3]The parties have stated that whether Respondent was or was not an inventor need not be decided in this proceeding. Many of the Respondent's proposed findings of fact appear to bear on this issue. Because it is not necessary to decide whether or not Respondent was an inventor, I have not considered those proposed findings.

[4]Ex. Q is Respondent's reproduction of what he testified he gave to Nerheim on May 10, 2002.

meeting. *Id.* Respondent referred to his conception as "a new stun gun design." RT 491.

1. Respondent testified that prior to this meeting, he determined that he did not have a conflict of interest with TASER as a result of this new invention because he was "not an attorney [in this capacity], this is just to help them, this is not legal services, and there's no conflict because I'm just going to help them." RT 493.

E. Nerheim asserts that he did not meet with Respondent in the conference room but there was a time in May, 2002, when Respondent suggested to Nerheim that he speak with the principles of TOMAR Electronics to discuss TASER's capacitor problems. Nerheim further contends that Watkins wrote TOMAR's phone number in Nerheim's lab book and showed him, but did not provide copies of, two TOMAR patents. RT 267-270.

F. Respondent asserts that he met with Nerheim on May 10, disclosing his 'invention,' drawing a schematic diagram, and leaving copies of the TOMAR patents. Respondent further asserts that he left a phone number for Nerheim to call the principals of TOMAR. RT 491- 493.

G. TOMAR's principal's names and phone number were written into Nerheim's notebook. RT 270.

H. Respondent suggested that Nerheim call the TOMAR principals; Nerheim did call but did not have substantive conversation about technology. RT 270 - 272.

I. Nerheim asserted the conversations related to a device other than the X26. RT 270-271.

J. Respondent never intended to give the invention to TASER gratuitously. RT 495.

5. On August 19, 2002, Respondent met with TASER representatives, Rick Smith, Max Nerheim, and Phillips Smith (then Chair of the Board) to discuss developments in the testing of a new device (to become the X26). RT 107, 199 - 200, 274, 499-500.

6. During the August 19, 2002, meeting, Nerheim represented that he had developed the X26 technology, a portion of which Respondent now claims to have invented.

Respondent did not dispute or admit that claim. JPS ¶6.

7. Rick Smith asked Respondent during the August 19, 2002, meeting, whether the invention was patentable. JPS ¶7.

8. Respondent asked Nerheim to provide more detailed information about the invention to assist Respondent in determining whether or not the invention was patentable and in order to prepare the patent application. RT 107 *et seq.*; 278-279; 503-04; 550, 552.

9. After reviewing Mr. Nerheim's write-up on the invention, Respondent confirmed his opinion that the invention was his design. RT 542.

A. At that time, Respondent states that he reflected upon whether or not he had a conflict of interest, and concluded that he did not have a conflict of interest because he did not have a viable claim of inventorship due to a lack of corroboration. RT 504.

10. Respondent testified that he did not have a duty to disclose his claim of inventorship to TASER because he did not have corroboration and, therefore, it would not be in TASER's best interest to bring it up. RT 508. Respondent further testified that the company was at a "critical crossroads" of its business and he did not want to create a problem for his client. RT 509.

11. In November, 2002, after Respondent advised TASER that the design appeared to be patentable, Respondent was asked by TASER to prepare a patent application for the X26 device. JPS, ¶8.

12. Respondent was aware, throughout his representation of TASER, that TASER (its directors and officers) believed that Max Nerheim was the sole inventor of the X26 device. RT 559, Ex. 2 - 5.[5]

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[5]To the extent that Respondent testified that he could not be certain that TASER believed Mr. Nerheim to be the sole inventor of the X26, I find the testimony to be incredible. A review of the facts, including the filings with the USPTO that were prepared and filed by Respondent, and the energy consumed by TASER to develop and market the product, would cause any objective observer to conclude that TASER believed Mr. Nerheim to be the sole inventor of the X26 patents, and that TASER held full rights to the pending patent. TASER had no reason to think otherwise.

13. Respondent drafted and, on February 11, 2003, Respondent filed, an original patent application on behalf of TASER for the X26 technology. JPS ¶11; Ex. U.

A. In connection with this application, Respondent drafted and had Max Nerheim sign a Declaration for Utility or Design Patent Application ("Declaration") that identified Mr. Nerheim as the inventor; Respondent filed the document with the USPTO on February 11, 2003. RT 290 - 291, Ex. 2.

B. In connection with this application, Respondent drafted and had Mr. Nerheim sign an Assignment of U.S. Patent Rights ("Assignment") that identified Mr. Nerheim as the sole inventor; Respondent filed the document with the USPTO on or about February 11, 2003. RT 284 - 287; Ex. 3. Nerheim assigned all rights he would otherwise be entitled to, to TASER. This permitted TASER to expend monies on the development, production, and marketing of the device, secure in knowing that the invention would be protected as TASER property.

C. In connection with the continuation patent related to the X26 device, Respondent drafted and had Mr. Nerheim sign a Declaration for Utility or Design Patent Application that identified Mr. Nerheim as the inventor; Respondent filed the document with the USPTO on or about May 29, 2003. RT 290 - 291; Ex. 4.

D. In connection with this continuation patent, Respondent drafted and had Mr. Nerheim sign an Assignment of U.S. Patent Rights that identified Mr. Nerheim as the sole inventor; Respondent filed the document with the USPTO on or about July 17, 2003. RT 285 - 287; Ex 5. Nerheim assigned all rights he would otherwise be entitled to, to TASER. This permitted TASER to expend monies on the development, production, and marketing of the device, secure in knowing that the invention would be protected as TASER property.

14. Respondent testified that he owed no duty of candor to the USPTO with respect to the naming of Nerheim as the sole inventor of the X26 technology, notwithstanding his own contrary belief, because Respondent's claim was a legal "nullity," and that the "oath is

not examined." RT 511 - 512.

15. TASER believed that all rights in the X26 technology had been assigned to TASER. RT 45 - 46; 209 - 211; 554 - 558.

16. TASER made business decisions based on the belief that it was the sole owner of the X26 technology. RT 46; 209-211. TASER expended approximately $1,000,000 to develop the X26 device in 2002 and 2003, and continues to expend monies as it improves the product. RT 131.

17. Respondent believed, at the time he filed the documents related to the X26 device with the USPTO, that the documents were false. These documents include the patent applications, the declarations, and the assignments. RT 556 - 562.

18. Between February 11, 2003, and January 11, 2005, Respondent never corrected any of the documents submitted to the USPTO which named Mr. Nerheim as the original or sole inventor of the X26 technology.

19. Between May 10, 2002, and December, 2004, Respondent did not obtain any new factual information that would help him corroborate his claim that he was an inventor of the X26 technology. RT 545-546.

20. Respondent billed, and TASER paid, for Respondent's services in preparing and prosecuting the X26 patent application. RT 128 - 129; Ex. 14.

21. In or about February, 2004, TASER advised Respondent that TASER had retained Will Bachand to continue the prosecution of the X26 patent application. RT 42-43; 516.

In the first or second quarter of 2004, TASER replaced Respondent as its patent prosecution counsel before the USPTO in connection with its X26 patent. RT 61-62. Respondent continued to represent TASER in an appeal of a patent infringement lawsuit. RT 43.

22. On August 12, 2004, the X26 patent application was published by USPTO. Ex. U.

23. On or about December 12, 2004, TASER asked Respondent to represent it for

the purpose of preparing a false advertising claim in North Carolina against Stinger Systems. RT 40-41, 517.

24. Respondent prepared a complaint for filing by December 17, 2004, and had local counsel in North Carolina file the complaint. RT 518.

25. Respondent testified that it was the action against Stinger Systems which caused him to conclude that he had must inform TASER of his X26 inventorship claim. RT 518 - 519.

A. Respondent testified that Stinger, a competitor of TASER, could infringe on the X26 technology which would have to be protected by TASER in a patent infringement suit, and during the course of the suit, it was likely that Respondent would be deposed; during the course of that deposition, he would have to disclose his inventorship in order to avoid committing perjury. RT 518 - 519.

B. Respondent testified that, after determining that he would likely be deposed in a patent infringement suit, he reviewed the TOMAR patents and determined that he did have sufficient corroboration to substantiate his claim of inventorship. RT 521 - 522. Respondent testified that he "found a case" that permitted an inventor to corroborate his claim of inventorship by circumstantial evidence. RT 522.

C. Respondent testified that he determined that he had sufficient corroboration, "on a weak circumstantial level," to substantiate his claim of inventorship; therefore, he concluded he had a conflict of interest with TASER, and needed to disclose his claim of inventorship in order to minimize disruption to TASER. RT 524-525.

26. On January, 11, 2005, Respondent advised TASER that he was a joint inventor on the X26 patent. RT 294-296, 526-527. This information was initially imparted to Max Nerheim during a lunch meeting at a restaurant away from TASER's office. RT 39, 295, 526-27. Respondent testified that he wanted to speak with Nerheim first in order to have him "admit the truth." RT 525. Nerheim denied that Respondent was an inventor. RT 296, 527.

27. After Respondent and Nerheim returned to TASER from the restaurant, there was a heated discussion in the TASER parking lot between Respondent, Nerheim, Rick Smith, Phillips Smith, and Doug Klint (general counsel for TASER) about Respondent's newly disclosed claim. RT 296-298, 527-528. Rick Smith and Max Nerheim were extremely angry during this meeting.

28. January 11, 2005, was the first day Respondent communicated his claim of inventorship to anyone associated with TASER. RT 129, 284, 549.

A. Respondent asserted and continues to assert that his claim of joint inventorship stems from his actions in providing to Max Nerheim, two patents he had prepared years earlier for another client, TOMAR Electronics. RT 483; Ex. R, S. Respondent further asserts that these designs were part of the design of the X26 device. Ex. 9, 13. Max Nerheim, asserts that the TOMAR designs were not used in developing the X26 device and that the TOMAR designs were discussed in connection with problems associated with the M26 device. RT 270, 311.

B. Respondent claims that during the January 11, 2005, parking lot meeting, Mr. Klint asked for "a number" which was interpreted to mean, how much money he wanted. RT 528. The other participants to the conversation deny that the request was made. RT 44, 125-126, 203, 298.

C. At the time of the disclosure, TASER was in a vulnerable position because of a drop in its stock value, pending lawsuits and an investigation by the Securities and Exchange Commission. RT 47.

29. Respondent met with representatives of TASER on January 13, 2005, to more fully explain his claim of inventorship. RT 48-49. During that meeting, Respondent presented figures representing his belief of the market value of his invention. RT 49-50. He requested a payment of $10,000,000 for his invention. RT 50-51, 206-207; Ex. 9.

A. Respondent testified that Mr. Klint insisted that Respondent give him a "number" at the meeting. RT 529.

B. TASER was represented by Mr. Klint at this meeting. RT 532-533.

C. Respondent testified that he advised the TASER principals that he believed that there could be a patent validity action brought against the patents issued for the X26 product. RT 518. Respondent further advised that he could be called to testify in such an action and that he would have to opine that the patent was invalid. RT 519. He therefore felt the need to assert his claim to TASER at this time. RT 518-520.

30. TASER principles perceived Respondent's actions as an "extortion attempt." RT 59. TASER felt no need to, and did not, conduct an internal investigation into Respondent's claim of inventorship. RT 191.

31. On or about February 5, 2005, Respondent filed in the USPTO a continuation application related to the X26 patent application seeking to alter the inventorship, and a declaration asserting either that the Respondent was the sole inventor or a joint inventor of certain claims contained in the X26 patent application. Ex. 13.

A. The purpose of this filing was to cause the USPTO to determine inventorship of the X26 technology, RT 146, and to provoke an interference with the X26 patent applications which had been previously filed with the USPTO. Ex. 13.

32. On August 2, 2006, the Maricopa County Superior Court determined in *Taser v. Watkins*, CV 2005-002509, an action brought by TASER against Respondent which involves the same predicate facts as the instant matter, that Respondent's belief that he was an inventor or co-inventor of the X26 technology created a conflict of interest with TASER, and that Respondent continued to represent TASER without disclosure. The Superior Court further determined that Watkins had breached his duty to TASER and that TASER was harmed. The amount of damages has not yet been adjudicated by the Superior Court.

III. CONCLUSIONS OF LAW

1. Respondent violated ER 1.4 when he failed to disclose information to TASER that he knew could impact the representation and TASER's business interests.

2. Respondent violated ER 1.6 by misappropriating information from TASER which

he learned during the course of his representation of TASER which was then used to harm TASER.

3. Respondent violated ER 1.7(a)(2) by continuing to represent TASER at a time when his representation of TASER was materially limited by his own self-interest.

4. Respondent violated ER 1.8(a) and 8.4(a) by attempting to enter into a business transaction with TASER or by attempting to knowingly acquire an ownership interest adverse to TASER without TASER's consent.

5. Respondent violated ER 1.8(a) when he acquired TASER stock without complying with the provisions of ER 1.8(a)(2), or (3).

6. Respondent violated ER 1.8(b) by using information relating to the representation of TASER to the disadvantage of TASER, without TASER's consent.

7. Respondent violated ER 1.9(b) by using information relating to the representation of TASER to the disadvantage of TASER when Respondent provoked an interference with TASER's patent application which Respondent had previously filed with the USPTO on behalf of TASER.

8. Respondent violated 1.13(b) when he failed to advise TASER that he believed one of TASER's employees had stolen the technology giving rise to the X26 device and had signed a declaration under oath stating that he was the sole inventor of the technology.

9. Respondent violated ER 1.16(a)(1) by failing to withdraw from representing TASER in connection with the X26 patent prosecution as the representation violated the Rules of Professional Conduct.

10. Respondent violated ER 3.3(a) and 3.4(b), when he made a materially false statement of fact or law to a tribunal by filing declarations he believed to be factually false with the USPTO and then failed to correct the false declarations he filed on behalf of TASER employees in support of the applications and by filing declarations he believed to be factually false on behalf of TASER employees in support of the applications.

11. Respondent violated ER 5.4(a) by sharing legal fees with a non-lawyer.

12. Respondent violated ER 8.4(c), by engaging in conduct involving dishonesty, fraud, deceit or misrepresentation when he failed to correct the declarations he believed to be false which were filed on behalf of TASER employees in support of the applications and by filing declarations he believed to be false on behalf of TASER employees in support of the applications.

13. Respondent's conduct during and after his representation of TASER was prejudicial to the administration of justice in violation of ER 8.4(d).

IV. A.B.A. STANDARDS

The purpose of lawyer discipline is not to punish the lawyer, but to protect the public, the profession and the administration of justice, *Matter of Neville*, 147 Ariz. 106, 708 P.2d 1297 (1985), and deter future misconduct. *In re Fioramonti*, 176 Ariz. 182, 187, 859 P.2d 1315, 1320 (1993). Yet another purpose is to instill public confidence in the bar's integrity. *Matter of Horwitz*, 180 Ariz. 20, 29, 881 P.2d 352, 361 (1994).

In imposing discipline, it is appropriate to consider the facts of the case, the American Bar Association's Standards for Imposing Lawyer Sanctions ("Standards") and the proportionality of discipline imposed in analogous cases. *Matter of Bowen*, 178 Ariz. 283, 286, 872 P.2d 1235, 1238 (1994). The ABA *Standards for Imposing Lawyer Sanctions* (1991) ("the *Standards*") are designed to promote consistency in the imposition of sanctions by identifying relevant factors and applying them to situations where lawyers have engaged in various types of misconduct. *Standard* 1.3, Commentary. Ethical violations are considered within the framework of *Standard* 3.0: (a) the duty violated; (b) the lawyer's mental state; (c) the actual or potential injury caused by the lawyer's misconduct; and (d) the existence of aggravating or mitigating factors. *In re Cardenas*, 164 Ariz. 149, 152, 791 P.2d 1032 (1990). The *Standards* also indicate that the "ultimate sanction imposed should at least be consistent with the sanction for the most serious instance of misconduct among a number of violations; it might well be and generally should be greater than the sanction for the most serious." *Matter of Taylor*, 180 Ariz. 290, 292, 883 P.2d 1046 (1994).

Respondent violated his duty to TASER, to the legal system and to the profession. Respondent's mental state was intentional and there was actual, serious injury or potential serious injury caused by the Respondent's misconduct.[6] The most serious violations are Respondent's conflict of interest and dishonesty to a tribunal. Accordingly, consideration is first given to *Standards* 4.3 and 6.1.[7]

Standard 4.31 provides that disbarment is generally appropriate when a lawyer, without the informed consent of the client, engages in representation of a client knowing that the lawyer's interest are adverse to the client's, with the intent to benefit the lawyer, and causes serious or potentially serious injury to the client.

Standard 4.32 provides that suspension is generally appropriate when a lawyer knows of a conflict of interest and does not fully disclose to a client the possible effect of that conflict, and causes injury or potential injury to a client.

Standard 6.11 provides that disbarment is appropriate when a lawyer, with the intent to deceive the court, makes a false statement, submits a false document, or improperly withholds material information, and causes serious or potentially serious injury to a party, or causes a significant or potentially significant adverse effect on the legal proceeding;

Standard 6.12 provides that suspension is appropriate when a lawyer knows that false statements or documents are being submitted to the court or that material information is improperly being withheld, and takes no remedial action, and causes injury or potential injury to the legal proceeding, or causes an adverse or potentially adverse effect on the legal

[6]Respondent contends that either the State Bar did not prove actual injury or, alternatively, that this proceeding should await the remedy phase of the Superior Court matter for a determination of harm. However, the *Standards* consider both harm and the potential for harm. The potential is clear. Moreover, the fact that Respondent provoked an interference and TASER has had to expend resources to protect the patent it thought Respondent had protected is actual harm.

[7]Because I find that Respondent's conduct was intentional and knowing, sanctions for negligent conduct are not addressed.

proceeding.

Consideration must also be given to Standard 4.6, which describes appropriate sanctions for lack of candor:

Standard 4.61 provides that disbarment is generally appropriate when a lawyer knowingly deceives a client with the intent to benefit the lawyer, and causes serious injury or potentially serious injury to a client;

Standard 4.62 provides that suspension is generally appropriate when a lawyer knowingly deceives a client and causes injury or potential injury to the client.

Respondent, with full knowledge of his direct and irreconcilable conflict, and with the intent to significantly benefit himself, failed to inform TASER about his conflict and perpetuated, at least in his own mind, a fraud on the USPTO.[8] Rather than immediately disclose his claimed invention at or after the August 19th meeting, Respondent sat on his claim and waited until the X26 achieved commercial success to bring his claim. Respondent had obtained options for TASER stock in May 2001, and had every incentive not to do anything to adversely affect the price of the stock. Yet, in December 2004, after he had been relieved of his responsibilities as patent counsel for TASER and had exercised his stock options, he conducted research and "found a case" that would benefit him, and began his attempts to prove that he was the inventor of the X26 technology in an effort to harm his then-client, TASER, and benefit himself by seeking $10,000,000 from TASER. When that failed, he sought to interfere with the TASER's patent application (which he had filed and prepared using information obtained from TASER) by provoking an interference with TASER's application.

Respondent's conduct was intentional and designed to benefit him.

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[8]Respondent testified that it was not until December, 2004, when he conducted research and determined that corroboration could be satisfied by circumstantial evidence, that he determined to seek compensation for his design. Respondent also testified, however, that he never intended to give the design to TASER without consideration. Moreover, Respondent was a practicing patent lawyer for over twenty-five years. I find it hard to believe that he was unaware that corroboration could be established by circumstantial evidence until December, 2004.

V. AGGRAVATING AND MITIGATING FACTORS

In deciding what sanction to recommend, the following aggravating factors have been considered:

Standard 9.22(b) dishonest or selfish motive. Respondent had a selfish motive when he failed to inform his client that he had a conflict of interest and when he subsequently provoked an interference with TASER's patent application.

Standard 9.22(g) refusal to acknowledge wrongful nature of conduct. Respondent still maintains that what he did, he did to benefit TASER while, at the same time, provoking an interference with the X26 patent application to benefit himself.

Standard 9.22(I) - substantial experience in the practice of law. Respondent was admitted April 24, 1976, and has been an attorney for 30 years.

The following mitigating factor is found.[9]

Standard 9.31 (a) - Absence of a prior disciplinary record. The Arizona Supreme Court has accorded great weight to this mitigating factor. *E.g. In re Murphy*, 188 Ariz. 375, 936 P.2d 1269 (1997).

VI. PROPORTIONALITY ANALYSIS

The Supreme Court has held that, in order to achieve proportionality, the discipline in each situation must be tailored to the individual facts of the case. *In re Wines*, 135 Ariz. 203, 660 P.2d 454 (1983); *In re Wolfram*, 174 Ariz. 49, 847 P.2d 94 (1993).

The State Bar has cited cases which suggest that a suspension is warranted. In *In re Moak*, 205 Ariz. 351, 71 P.3d 343 (2003), the Respondent had, in the most serious transgression, essentially committed a fraud in connection with a personal injury lawsuit hiding from opposing counsel, the Court, and the jury, facts revealing that the injured party had been subsequently injured in a separate accident. The Court found that Moak's

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[9]At the time this report is prepared, there have been no other sanctions imposed as a result of the Superior Court case. *See Standard 9.31(k).* Nevertheless, an award of damages in the civil case would not alter my recommendations as to the appropriate sanction in this case given the nature of the self-dealing described in the testimony.

misconduct was committed knowingly. The client suffered harm because a verdict in his favor had to be vacated after the true facts were learned.

In another count, Moak represented a husband and wife in a personal injury case but, because the husband had been the driver, there was a potential conflict of interest, properly disclosed, which later became an actual conflict of interest. Ultimately, Moak initiated an action against his former client (the husband), on behalf of the wife, without consent, and forged the wife's name on the verification in an attempt to avoid statute of limitations problems.

In yet another count, Moak's wife loaned Moak's client $25,000 at 25% interest per annum and Moak drafted the notes. The notes permitted Moak to withhold settlement funds to repay the loans to his wife with those funds.

The Court noted four aggravating factors and four mitigating factors. The Court suspended Moak from the practice of law for six months and one day.

The instant case has some similarities. Like Moak, Respondent had an undisclosed conflict and he deceived a court. However, Respondent's conflict was much more serious and Respondent had a selfish motive for keeping it to himself - the potential benefit of millions of dollars at TASER's expense. Moak's misconduct, on the other hand, was calculated to benefit **both** ~~he~~ and his client. Respondent's failure to disclose his conflict caused TASER serious injury. Moreover, Respondent affirmatively took actions to harm his former client and benefit himself. The matter *sub judice* also includes a proven allegation of fee splitting with a non lawyer and the entering of a business transaction and acquisition of stock in the client without complying with the strictures of ER 1.8.

In *In re Murphy*, 188 Ariz. 375, 936 P.2d 1269 (1997), Murphy's firm did legal work connected with a real estate transaction (partnership formation, offering memorandum, and the like) involving one of the associates as a promoter. Murphy, firm members and clients were investors. Murphy helped formulate offers on the property, reviewed the purchase documents before they were signed, and persuaded the promoters to give all related legal work to his firm. Murphy reviewed incoming agreements and kept himself continuously informed about the promoters' progress in enlisting subscribers.

The broker relied on Murphy's verbal assurance that he would purchase 20 units when making commitments for the land package. When the attorney and the broker approached Murphy to collect the down payment on the units, he refused to proceed unless the attorney and the broker personally guaranteed a 10% annual return on the investment. No other investors were given such assurances. The guarantees were executed. The property was subsequently lost at foreclosure. Thereafter, Murphy's new firm filed suit on the guarantee.

Regarding the use of confidential information, the Court found that Murphy had access to information regarding the promoters' difficulties in selling subscriptions. Murphy made last-minute demands for personal guarantees knowing these problems, that the escrow could not be extended, and that the promoters faced the loss of their down payment if they could not close. Murphy used confidential information to the detriment of his firm's clients in violation of ER 1.6 and ER 1.8(b).

Regarding conflicts of interest, the Court found that Murphy was a partner of the firm whose members performed legal work and, therefore, he violated ER 1.10(a). Murphy's law firm had endeavored to insulate the promoters from personal liability in connection with the limited partnership syndication, yet, on behalf of his trust clients, Murphy demanded personal guarantees that stripped away the very protection the firm had labored to produce. The dual representation adversely affected at least one of the firm's clients in violation of ER 1.7(a). Also, the Court found that Murphy's own investment in the business deal was a violation of ERs 1.7(a), 1.7(b), 1.8(a) and 1.9(a).

Multiple aggravating factors were found including: a selfish motive, a pattern of misconduct, the refusal to acknowledge wrongful actions and substantial experience in the practice of law. Because of Murphy's clean disciplinary record, Murphy was suspended from the practice of law for one year.

Respondent's conduct is similar to Murphy's in that he had information about TASER's business that benefitted him if he did not disclose his conflict to TASER. After letting TASER spend approximately one million dollars to develop the X26 technology, Respondent exercised his options and sold his stock for a $900,075.56 profit, and approximately a year later, after being relieved of patent prosecution responsibilities, claimed to be a joint or sole inventor of the technology and asked TASER for $10,000,000.00 to assign his rights to them. When TASER refused, he provoked an interference with their patent application. The harm in this case was significant. The aggravating and mitigating factors in *Murphy* are similar to those found in this case.

In *Virginia State Bar, ex rel. v. Lynt*, Chancery No. CH04-001593 (2004), Lynt incorporated his own ideas into a patent application that he was preparing on behalf of his client. Lynt's incorporated ideas would subsequently be claimed by Lynt to be his own patentable "invention." The filed patent application, approved by the client, did not name Lynt as an inventor or co-inventor, nor did Lynt inform the client of his claim of inventorship. Lynt subsequently prepared a second, related, patent application. In late 1998, Lynt personally participated in the prosecution of the second application, to which claims were added embodying his alleged idea, but Lynt make no claim at the time to the client or to the USPTO that he was an inventor or co-inventor.

After being discharged as patent counsel, Lynt for the first time declared himself the originator of his ideas contained in the patent applications and suggested that he be added as an inventor in the pertinent filings with the USPTO. Thereafter, he filed a patent application naming himself as the co-inventor with the client, listing himself as the attorney of record for the application even though he was not. After the former client requested that Lynt assign rights, he demanded a payment of $2,600,000 plus royalties. The client filed suit and a settlement was reached. Lynt violated DR 4-101[10] and was suspended for two years.

[10] DR 4-101 provides, in relevant part, that, a lawyer shall not knowingly use a confidence or secret of his client to the disadvantage of the client or use a confidence or secret of his client for

Respondent's conduct is remarkably similar to Lynt's in that respondent represented a client, gained confidential information from the client, then attempted to use that information to his advantage. Respondent's conduct, of course, involved other, multiple, breaches of the ethical rules as discussed elsewhere.

Respondent contends however that *Lynt* is distinct. Respondent contends that Lynt, while working on a patent application for a client, made some modifications to the design, then claimed he was an inventor and, therefore, that his case is different. In this case, Respondent claims he invented a power circuit, gave it to a client representative, who misappropriated it and claimed it was his own invention, which claim the client believed. I find *Lynt* both applicable to the instant matter and persuasive in that patent counsel in *Lynt*, and here, filed documents with the USPTO believing them to be false and, after being discharged as patent counsel, sought to materially benefit by interfering with the very patent they were retained to secure.

I have considered Respondent's mistake of law argument and find it unpersuasive in this case. Nor do I find that the Respondent's actions were in good faith or the result of a good faith error of law. Rather, Respondent's actions were calculated to benefit him notwithstanding the harm or potential harm to his current, and then, former client, TASER.

VII. DISCUSSION OF APPROPRIATE SANCTION

Standard 4.31 states that disbarment is generally appropriate when counsel, without the informed consent of the client, provides representation knowing that his interest are adverse, with the intent to benefit himself, and causes serious or potentially serious injury to the client. Respondent's conduct clearly was designed to benefit him. He maintains that he never intended that TASER benefit from his 'invention' for free. Yet he continued to represent TASER in prosecuting the patent while filing documents be believed to be false knowing that the falsehoods could, some day, be seized upon by another to defeat the patent.

With respect to lack of candor, Standard 4.61 provides that disbarment is generally

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the advantage of himself or a third person, unless the client consents after full disclosure.

appropriate when a lawyer knowingly deceives a client with the intent to benefit the lawyer or another, and causes serious injury or potentially serious injury to a client. Standard 4.62 provides that suspension is generally appropriate when a lawyer knowingly deceives a client and causes injury or potential injury to the client. In this case, I find that Respondent intended to benefit himself and that TASER has suffered serious or potential serious injury.

With respect to fraud and misrepresentations, Standard 6.11 provides that disbarment is appropriate when a lawyer, with the intent to deceive the court, makes a false statement, submits a false document, or improperly withholds material information, and causes serious or potentially serious injury to a party, or causes a significant or potentially significant adverse effect on the legal proceeding. Standard 6.12 provides that suspension is appropriate when a lawyer knows that false statements or documents are being submitted to the court or that material information is improperly being withheld, and takes no remedial action, and causes injury or potential injury to the legal proceeding, or causes an adverse or potentially adverse effect on the legal proceeding. Again, here, there was an intentional filing of false documents with the USPTO and serious or potential serious injury.

"An attorney's professional responsibility is to assist his or her client in defining [their] invention to obtain, if possible, a valid patent with maximum coverage. An attorney performing that role should not be a competitor of the client, asserting inventorship as a result of representing his client." *Solomon v. Kimberly Clark Corporation,* 216 F.3d 1372 (Fed. Cir. 2000). Given the clear violations of duties owed to TASER, the ever present intent to benefit from his claimed invention, the blatant attempt to profit from his actions after leading TASER, for years, down the primrose path to patentability, without disclosing the clear and obvious problem he perceived with the documents he prepared and filed, and his filing of an interference with the very patent applications he filed, it appears that the plain language of the ABA standards mandate a disbarment.

DATED this 11 day of September, 2006.

Martin Lieberman /cs

Martin Lieberman
Hearing Officer 7W

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