

**NYIPLA**

November/December 2004

# Bulletin

## PROPOSED FEDERAL RULES ON ELECTRONIC DISCOVERY MAY HAVE A BROAD IMPACT

by Scott A. Kallander, Esq.

Anticipation of legal disputes increasingly affect how many businesses generate and retain information. Federal civil procedure rules, with a few exceptions, have been widely adopted in state courts. Thus, proposed new federal rules for handling electronic discovery could have a wider impact than might be anticipated. As the February 15, 2005 deadline for public comment on the proposed federal rule changes for electronic discovery approaches, those concerned with issues arising from discovery in federal or state litigation of computerized information should take notice.

### BACKGROUND

Electronic discovery or "e-discovery" concerns the disclosure and handling in litigation of data, including e-mail and other computer-generated documents, that is transmitted, stored, and backed up electronically. As the use of computers has grown, traditional rules and methods for disclosure of paper documents have been applied to computerized data.

Now, however, many observers have concluded that discovery of information stored electronically raises its own unique considerations. Case law over the last few years and rules adopted in several states and in several local federal courts mark the evolution of a current proposal to amend the Federal Rules of Civil Procedure to deal directly with perceived special needs of electronic discovery.

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### THE PROPOSED E-DISCOVERY RULES

Advisory Committees of the U.S. Judicial Conference are accepting public comment on a broad package of proposed rule changes, including those concerning electronic discovery, until February 15, 2005. Comments on the proposed changes also will be accepted from persons requesting at least thirty days in advance to testify at public hearings scheduled in San Francisco, Dallas, and Washington, D.C., during January and February 2005.

Proposed changes to the Federal Rules of Civil Procedure concerning electronic discovery include:

- a new Rule 37(f) to limit when sanctions regarding electronic discovery may be imposed by the court;
- revision of Rules 26 and 45 to limit circumstances when electronically stored information that is "not reasonably accessible" must be produced;
- additions to Rules 26(b)(5) and 45(d) to provide for the return of inadvertently-produced privileged documents without loss of the privilege;

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## PRESIDENT'S CORNER

November 24, 2004

Dear Members:

Last Friday, I attended a portion of our Association's CLE Fall One Day Program at the Yale Club. It was so well attended that the event was sold out and we had to turn people away. Those who were there earned 7.0 New York State CLE credits, including 2.5 ethics credits.

I want to thank former NYIPLA Presidents Ed Filar-di, Herb Schwartz and John Sweeney and former Board member Tom Beck for participating on the Inequitable Conduct panel. I am also grateful to Bryan Schwartz, Mark Koffsky, Henry Kennedy and Fred Zullow who spoke about Recent Trends and Developments from the Courts; to Judge Richard Torczon of the USPTO Board of Patent Appeals and Interferences, Stanley Lieberstein, Maria Palmese, Philip Vorbeck and Theodore Mlyner who provided a Patent and Trade Secrets Practice Update; and to Richard Seltzer and Evan Stewart who discussed Ethics in Patent Prosecution. Moderators Patrice Jean, Keith Zullow, Benjamin Hsing, Israel Blum and Anne Barschall, luncheon speakers Jeanne Hamburg and Tony Fletcher ("Are You Joking? Intellectual Property Can Trump Political Satire"), CLE Committee Chair Tom Meloro, Meetings and Forums Committee Chair Alexandra Urban and CLE Board of Directors Liaison Anthony Giaccio also deserve much thanks and credit for this successful program.

Plans are well underway for our 83<sup>rd</sup> Annual Dinner in Honor of the Federal Judiciary on March 18, 2005. We will be presenting the Association's Outstanding Public Service Award to the Honorable Pauline Newman, Circuit Judge of the United States Court of Appeals for the Federal Circuit. Our guest speaker will be Dr. Ronan Tynan, world renowned Irish tenor, physician and champion disabled athlete. In the meantime, our CLE and Meetings and Forums Committees will continue to offer outstanding programs. We look forward to hearing Federal Circuit Judge Timothy B. Dyk, who will speak on the topic of "The Federal Circuit, Administrative Law and the Patent Office" at a luncheon CLE program on December 10<sup>th</sup> at noon at the Harvard Club. I hope to see many of you there.

As I mentioned in our last Bulletin, this is an exciting time to be an intellectual property attorney. Over the weekend of November 20<sup>th</sup>-21<sup>st</sup>, the U.S. Congress passed an omnibus spending bill that includes funding

to create an "intellectual property czar" whose agency would oversee all IP-related U.S. government programs in this country and abroad. In September, the AIPLA announced that it supports, for the most part, a plan proposed by the National Academy of Sciences to revamp the U.S. patent system. Among the reforms recommend-



President John D. Murnane

ed are the adoption of a first inventor to file policy, the institution of an effective post-grant opposition system and stricter adherence to the nonobviousness standard. On November 20<sup>th</sup> the House passed a bill to amend the 35 U.S.C. §103(c) "owned by the same person" provision to include parties to a joint R&D agreement.

If you have views concerning any of these proposals and are not an active Association member, please join one of our committees and work with us as we consider these developments and educate our members about them. All of our committee chairs will be meeting with the Board of Directors again on February 15<sup>th</sup> to report on their continuing work. Your assistance between now and then will be greatly appreciated.

If you are a solo practitioner or work in a small firm, you may wish to attend a hearing of the Commission to Examine Solo and Small Firm Practice that has been appointed by New York Court of Appeals Chief Judge Judith S. Kaye. The Committee is focusing on Case Processing and Scheduling, Attorney Regulation, Enhancing Professionalism, Technology and Law Office Economics. Further information may be obtained by calling (914) 997-7980.

We are now halfway through our Association's fiscal year, and much has been accomplished. I am grateful to all the NYIPLA officers, board members and committee chairs who have worked so hard to develop programs, reports and articles to assist in educating our members and to foster collegiality in our practice. I offer my best wishes to all members and their families for a very happy holiday season.

Cordially,

John D. Murnane

# NEWS FROM THE BOARD

Meetings Of the Board Of Directors

## — Minutes Of September 21, 2004 —

The meeting of the Board of Directors was called to order at the Cornell Club at 12:30 p.m. by President John Murnane. Susan McGahan, Christopher Hughes, Laura Coruzzi, Daniel DeVito, Bill Dippert, Anthony Giaccio, Charles Hoffman, Dale Carlson, Robert Scheinfeld, Vincent Palladino and Michael Isaacs were also present.

The minutes of the Board of Directors' Meeting held on June 22, 2004 were approved.

Ms. McGahan provided the Treasurer's Report. She reported that the Association's finances are sound and that the Association is in a better financial position than it was last year at this time.

Mr. Murnane discussed the work of the Committees of the Association. The Amicus Committee was very active this summer. With regards to the *amicus curiae* brief filed by the Association in Phillips v. AWH Corp. et. al., Mr. Murnane wrote to every IP association in the country to ask if they wanted to be involved in the Phillips brief. The Tennessee Bar Association and its IP Law Section, State Bar of Michigan IP Law Section, and the Los Angeles Intellectual Property Law Association joined. The Meetings and Forums Committee, chaired by Alexandra Urban, and the Continuing Legal Education Committee, chaired by Tom Meloro, have been extremely active.

The following Board members offered to serve as Board liaisons to the following committees: Copyrights – Robert Scheinfeld; Consonance & Harmonization – Dale Carlson; Trademark Law – Bill Dippert.

Alozie N. Etufugh has been appointed Chair of the Consonance & Harmonization Committee.

Board liaisons were requested to follow up with their committees for the submission of reports to the Publications Committee for inclusion in the Bulletin, in accordance with the schedule distributed, as well as to follow the general work of the committees.

Mr. Murnane expressed appreciation to the Amicus Committee members for their hard work, and specifically to Bruce Wexler and David Ryan for their work on the *amicus* briefs, and to Matthew Seidner for his valuable assistance.

Mr. Dippert reported that the next Bulletin is anticipated to be prepared by the end of the month. The Publications Committee will have two subcommittees, one for the Bulletin and one for the Greenbook. The target date for the Greenbook is early December.

Mr. Murnane discussed the issues which have arisen due to the new law prohibiting USPTO from receiving reimbursement

of travel expenses from organizations that are not 501(c)(3) non-profit organizations. It was noted that other associations are having the same challenge getting USPTO participation in their programs. It was also noted that there is USPTO participation in NYIPLA CLE programs, and the CLE committee was not overly concerned. The Board discussed the Association's status as a 501(c)(6) organization and the possibility of co-sponsoring certain programs with the JPPCLE, Inc. (Joint Patent Practice Continuing Legal Education, Inc.), which is a 501(c)(3) organization. Anthony Giaccio volunteered to discuss co-sponsoring certain NYIPLA programs with the Board of the JPPCLE, Inc.

Mr. Isaacs reported on the Annual Dinner in Honor of the Federal Judiciary. He provided background information – attendance has been growing each year, and the 2004 Dinner exceeded 3300. Revenues have also increased over the past several years. The Association has maintained its reputation for impeccability, high quality and a feeling of personal service for Honored Guests and others attending. He reported that several meetings have already been held with Marylee Jenkins, Dinner Chair, and that the planning process is well under way. The concerns of last year, including elevator and EMT, have been addressed with the Waldorf. The invitation list is being updated. Ms. Jenkins will have a full report and discuss key items at the October Board meeting.

Ms. McGahan discussed the possibility of developing an audio-visual presentation for the Dinner. It was noted that there is a projected cost of \$10,000 for equipment at the Waldorf plus the production and development costs for the program, which may possibly be substantial. These will be explored. There may or may not be enough time to prepare an appropriate program for this year.

The following Board members volunteered to serve on a subcommittee to explore the production options and to see if any of the current providers to law firms would provide the production complimentary: Christopher Hughes, Susan McGahan, Dan DeVito, Anthony Giaccio, Bill Dippert.

Anthony Giaccio reported on upcoming CLE programming. Programs are currently planned for September 29 (CLE Luncheon), October 7 (Fall Half Day Program), October 22 (CLE Luncheon), November 19 (Fall One Day Seminar), December 17<sup>th</sup> (CLE Luncheon), January 14 (CLE Luncheon Program Part 1), February 10 (CLE Luncheon Program Part 2), March 18 (Day of Dinner CLE Program), and April 21 (21<sup>st</sup> Joint Patent Practice Seminar). Congratulations were extended to Committee Chairs Tom Meloro (Continuing Legal Education) and Alexandra Urban (Meetings and Forums) for their excellent work.

Looking for a phone or fax number? Use the NYIPLA member search engine at [www.NYIPLA.org](http://www.NYIPLA.org) to get the latest contact information for our members”

Mr. Isaacs reported on the ongoing operations of the Association. Membership dues receipts were being processed and are slightly ahead of pace, compared with the prior year. Outbound broadcast e-mail is now operational. Careful attention is being paid to format and content to make sure NYIPLA e-mail is meaningful when sent. The website home page has been upgraded with a focus on CLE programs. The commit-

tee process is being actively supported, including support of the Continuing Legal Education and Meetings and Forums Committees. Mr. Murnane expressed his appreciation to Mel Garner, Immediate Past President, and Heather Wilde, of his firm, for their work in developing the NYIPLA outbound e-mail compliance policy.

The meeting was adjourned at 2:00 p.m.

## Minutes Of October 19, 2004

The meeting of the Board of Directors and Committee Chairs was called to order at the Cornell Club at 12:30 p.m. by President John Murnane. Edward Vassallo, Susan McGahan, Mark Abate, Mel Garner, Daniel Devito, Bill Dippert, Charles Hoffman, Dale Carlson and Robert Sheinfeld and Michael Isaacs were present. Also present were Committee Chairs John E. Daniel, Alozie Etufugh, Thomas J. Meloro, Philip T. Shannon, Paul J. Reilly, Charles P. Baker, Alexandra B. Urban, Allan A. Fanucci, W. Edward Bailey, Jeffrey M. Butler, Karl F. Milde, Howard J. Shire, Thomas E. Spath, and John F. Sweeney.

Each of the Committee Chairs present reported about the activities of their Committees, which included the following:

Thomas Spath reported on behalf of the Committee on U.S. Inter-Bar EPO Liaison Representative. He stated that Samson Helfgott attended an EPO meeting in September and will prepare a report of the discussion for publication.

John Daniel reported on behalf of the Committee on Alternative Dispute Resolution (ADR). Mr. Daniel reported that the Committee had an organizational meeting and is working on an article regarding international providers of ADR, discovery and ADR proceedings, and Section 294 of the Patent Code relating to reporting of ADR decisions to the Patent Office. The ADR Committee is also looking into having guest speakers at Committee meetings.

Alozie Etufugh reported on the activities of the Committee on Consonance and Harmonization In The Profession (Young Lawyers Committee). The Committee is planning a reception for young lawyers and law students. The Committee is also considering recommending to the Board that the Association institute a scholarship program for students and a mentorship program for newly admitted attorneys. Messrs. Carlson, Etufugh, Garner and Isaacs will confer on providing a scholarship program and report back to the Board. The young lawyers/law students reception will occur before the new year and Past Presidents, Board Members and Committee Chairs will be invited to attend.

Thomas Meloro reported on the activities of the Committee on Continuing Legal Education. The Committee hosted a program concerning the FTC report in October. There were about 70 attendees at the program. A Fall One-Day CLE Program was planned to be held on November 19 at the Yale Club. The Committee is also in the early planning stages for a February program relating to a non-patent topic and a CLE program on the day of the Judges' Dinner.

Alexandra Urban reported on behalf of the Committee on Meetings and Forums. Ms. Urban reported that Judge Dyk will be speaking at the December Luncheon Meeting, Professor Hansen will be speaking at the February Luncheon Meeting and Judge Lynn will be speaking at the April Luncheon Meeting. Ms. Urban also reported that an ADR program is being planned for January and that a keynote speaker is still needed for the November Fall One-Day CLE Program.

Philip Shannon reported on behalf of the activities of the Committee on Design Protection. The Committee is looking into the issue of whether design patents are the proper subject for Markman hearings and also ITC enforcement. The Committee will provide a report in the form of an article for publication in next month's newsletter.

Paul Reilly reported on behalf of the Committee on Internet Law. The Committee is preparing an article concerning "hot" topics relating to internet law for publication in the February newsletter.

Charles Baker reported on behalf of the Committee on Legislative Oversight and Amicus Briefs. With respect to legislative oversight, the Committee is involved in coordinating the activities of the substantive committees and presenting their views in a proper format. The Committee organized efforts to file amicus briefs in a number of recent cases including Phillips and Knorr-Bremse.

John Sweeney reported on behalf of the Committee on the FTC report. The October 2003 report of the FTC is being studied by the members of this Committee, who are a number of the NYIPLA past presidents. The basic tenor of the report is to make it more difficult to get and enforce patents by having, for example, a post-issue opposition procedure and changing the law relating to the presumption of the validity and obviousness. The Committee has had one meeting and intends to have a draft report to the Board by the Judges' Dinner in March.

Dale Carlson reported on behalf of the Committee on License to Practice Requirements. This Committee wrote an

The Association welcomes articles of  
interest to the IP bar.

Please direct any submissions by e-mail to:

Ashe P. Puri, Bulletin Editor, at  
asheesh.puri@ropesgray.com

Guidelines are set forth  
at [www.NYIPLA.org](http://www.NYIPLA.org)

article which was published in the most recent newsletter. The Committee is looking at proposals to require recertification of patent attorneys admitted to the Patent Office bar and to loosen the background requirements of attorneys sitting for the Patent Office bar.

Allan Fanucci reported on behalf of the Committee on Membership. This Committee is continuing its efforts to increase membership from general practice firms having intellectual property law departments.

Rob Scheinfeld reported on behalf of the Committee on Patent Law and Practice. The Committee is discussing recommending and preparing New York local rules in patent cases and also will work with the Committee on the FTC concerning FTC's suggested changes to the patent law. The Committee will prepare a draft letter for President Murnane to consider sending to the Chief Judge of the Southern District of New York concerning topics that could be discussed at a meeting with the leadership of the Association; for example, the desirability of local patent rules.

Ed Bailey reported on behalf of the Committee on Public and Judicial Personnel. This Committee will look into the issue of the ABA's suggested changes of the ethical rules relating to reimbursement of judges for attendance at meeting and conferences.

Jeff Butler reported on behalf of the Committee on Public Information, Education and Awards. Mr. Butler noted that there is a perennial problem with respect to receiving nominees for the Inventor of the Year Award. The Committee is also considering whether other types of awards in addition to the Inventor of the Year would be desirable. As in the past, the Committee will oversee the Connor Writing Competition.

Bill Dippert reported on behalf of the Committee on Publications. The Committee has two sub-committees, one relating to the Bulletin and the other related to the GreenBook, which has a December 1 publication date. For the newsletter, Mr. Dippert would like to get more member news. For example, accomplishments or achievements of members and their firms.

Karl Milde reported on behalf of the Committee on Trade Secret Law and Practice. This Committee is preparing an article for publication in the March Newsletter.

Howard Shire reported on behalf of the Committee on Trademark Law and Practice. This Committee had its first meeting and is interested in the issue of using computer forensics in trademark and trade dress cases and proposed laws relating to dilution.

After all the Committee Chairs had provided their reports, the meeting of the Board continued.

The minutes of the Board of Directors' Meeting held on September 21, 2004 were approved.

Ms. McGahan provided the Treasurer's Report. She reported that the Association's finances are sound.

Ms. McGahan reported on the Annual Dinner in Honor of the Federal Judiciary. Ms. McGahan discussed the development of an audio-visual presentation at a cost of \$6,000.00. Ms. McGahan is looking at the pricing of the dinner and whether it should be increased, and obtaining some additional

insurance. Congratulatory notices in the back of the Bulletin for the Outstanding Public Service Award recipient will be priced at \$1,250.00, the same as in prior years. During the CLE Program on the day of the dinner, coffee and tea will be provided at a break prior to the beginning of the program by the Association.

Mark Abate reported on preparations for the Annual Meeting and Dinner. Chris Hughes has planned a meeting with Marylee Jenkins to discuss preparations for the event. Mr. Isaacs provided Mr. Hughes with a binder containing materials needed for the Annual Meeting and Dinner. Mr. Hughes has given some preliminary thoughts to the potential speakers but no one has been invited.

Mr. Isaacs reported on the ongoing operations of the Association. Membership dues receipts were being processed and are slightly ahead of pace compared with the prior year. An e-mail follow-up regarding dues will be sent out. Mr. Isaacs will attend a CLE providers conference given by the NY State CLE Board on November 4 on behalf of the NYIPLA.

Mr. Murnane reported that Mel Garner is planning the Past Presidents' Dinner for February 15, 2005. All Board Members and Past Presidents will be invited.

The meeting was adjourned at 3:00 p.m.

The next meeting of the Board is scheduled for Thursday, November 18, 2004 at 12:00 Noon at the Cornell Club.

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- addition of topics to Rules 16(b), 26(f), and Form 35 regarding scheduling and planning of disclosure or discovery of electronically stored information; and
- amendments to Rules 33, 34, and 45 to include references to electronically stored information.

## NEW RULE 37(F) -- A "SAFE HARBOR" LIMITATION ON SANCTIONS

The evolution of systems for preserving and tracking data has led to an ever-increasing accumulation of discoverable information. Technological limits remain, however, regarding the volume of such information that can be maintained in an organized and useful fashion. Thus, backup tapes are recycled periodically and systems regularly are cleared of data that meet criteria for age, lack of use, or redundancy.

Proponents of a new Rule 37(f) contend that court-imposed sanctions are an unwarranted risk arising from application of traditional rules for maintaining discoverable information to systems now evolving for storing mass quantities of data. The proposed new Rule 37(f) thus would bar imposition of sanctions on a party for failing to provide electronically stored information if the party took "reasonable" steps to preserve the information and loss of the information occurred due to "routine" operation of the party's electronic information system.

The proposed new sub-paragraph for Rule 37 provides:

- (f) Electronically stored information. Unless a party violated an order in the action requiring it to preserve electronically stored information, a court may not impose sanctions under these rules on the party for failing to provide such information if
- (1) the party took reasonable steps to preserve the information after it knew or should have known the information was discoverable in the action; and
  - (2) the failure resulted from loss of the information because of the routine operation of the party's electronic information system.

Some proponents of a "safe harbor" would go further and have courts barred from imposing sanctions unless the court first finds that the party being sanctioned "intentionally or recklessly failed to preserve the information..." Public comment on this additional proposal also is being sought.

## LIMITATIONS ON DISCOVERY OF DIFFICULT TO RETRIEVE ELECTRONIC INFORMATION

Technology for storing mass quantities of data may be outpacing capabilities for assimilating that data. In response to concerns over difficulties in retrieving discoverable data from storage, a new two-step process for discovery of electronically stored information is being proposed through an amendment to Rule 26. The two-step process would depend on how "accessible" the information is.

First, a party would be required to turn over relevant, non-privileged electronic information responsive to a discovery request if the party finds that the information is "reasonably accessible."

Second, other electronic information would not have to be disclosed unless ordered by the court. The court's order would be based upon failure of the responding party to show the information is not reasonably accessible or upon a demonstration by the party requesting the discovery of good cause for disclosure of the information.

The proposed amendment to Rule 26 states:

A party need not provide discovery of electronically stored information that the party identifies as not reasonably accessible. On motion by the requesting party, the responding party must show that the information is not reasonably accessible. If that showing is made, the court may order discovery of the information for good cause and may specify terms and conditions for such discovery.

Rule 45, regarding duties in responding to a subpoena, would be amended similarly by adding the following limiting provision for electronically stored information:

A person responding to a subpoena need not provide discovery of electronically stored information that the person identifies as not reasonably accessible. On motion by the requesting party, the responding party must show that the information sought is not reasonably accessible. If that showing is made, the court may order discovery of the information for good cause.

## NEW PROVISIONS WOULD PROTECT PRIVILEGE FOR INADVERTENTLY DISCLOSED INFORMATION

Inadvertent waiver of privilege is another concern raised as data storage technology outpaces data organization capabilities. As huge volumes of data are turned over within deadlines for discovery, parties are concerned that information protected by the attorney-client privilege may be disclosed by mistake or inattention. The concern is compounded by the common law rule applied in some jurisdictions that such disclosure results in a waiver of privilege, even as to documents that were not disclosed.

Amendments to federal discovery rules now are proposed to respond to this perceived dilemma not only with regard to electronically stored information but also apparently with regard to any privileged information, regardless of its form.

Provisions would be added to Rules 16 and 26 and Form 35 to refer in scheduling orders and proposed discovery plans to an agreement that the parties presumably would enter into to protect against waiving privilege.

Also, new provisions are proposed for Rules 26 and 45 that

would allow a party to notify other parties that it has inadvertently produced information that is privileged. Parties receiving the notification would be required to “promptly return, sequester, or destroy the specified information and copies.” New Rule 26(b)(5)(B) would provide:

(B) Privileged information produced. When a party produces information without intending to waive a claim of privilege it may, within a reasonable time, notify any party that received the information of its claim of privilege. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies. The producing party must comply with Rule 26(b)(5)(A) with regard to the information and preserve it pending a ruling by the court.

The amendment to Rule 45 is substantially identical to the Rule 26 amendment.

### ADDITIONS TO RULES 16 AND 26 AND FORM 35 FOR ELECTRONIC DISCOVERY SCHEDULING

Rule 16, providing for pretrial scheduling and planning orders, and Rule 26(f), regarding discovery planning of the parties to take place before the Rule 16 pretrial conference, would be amended to include provisions referring specifically to “disclosure or discovery of electronically stored information...” Form 35 would be changed to add a provision to the model discovery plan describing how disclosure or discovery of electronically stored information “should be handled...”

According to Committee notes, parties would be expected to seek agreement on various electronic discovery issues that have prompted concern in the past. Those issues include:

- What the scope of electronic discovery should be within the context of the case;
- What discoverable information is retrievable and at what cost or burden to the parties; and
- In what form the electronic discovery should be produced.

### ADDITIONS TO RULES 33, 34, AND 45 OF REFERENCES TO ELECTRONICALLY STORED INFORMATION

A proposed amendment would add an explicit reference to “electronically stored information” as business records referred to in Rule 33 that may be produced in response to an interrogatory. The reference to “electronically stored information” also would be added to Rule 34 regarding production of documents and to Rule 45 concerning documents that may be subpoenaed.

The references to “electronically stored information” apparently would serve to confirm that electronic documents truly are “documents” and that information that did not exist before the development of electronic storage is now discoverable if relevant. For example, “meta data” that discloses information such as versions or edits of an electronic document would be potentially discoverable. Relevant system-generated data and copies of documents would be discoverable even if generation and maintenance of the data or copies occurred in the background and without the knowledge of the computer user.

Such discovery of additional electronically available information presently takes place based upon the assumption that the traditional notion of “documents” under the federal rules includes electronic documents. However, amending the Rules to include references to “electronically stored information” would expressly include that assumption in the Rules.

### CONCLUSION

The proposed electronic discovery amendments to the Rules are significant. They provide important modifications to the process for discovery sanctions and enhance measures to protect privileged information from disclosure.

However, adoption of the amendments in their present form or at all is not a foregone conclusion. Those who are concerned with electronic information in the discovery process have an opportunity until February 2005 to review the proposed amendments and to submit comments. Such comments may shape the extent to which federal rules and state rules to follow will impact the generation, handling, and storage of electronic information that has become so fundamental to doing business today.

*Scott Kallander is Senior Consulting Attorney for LexisNexis® Applied Discovery®. In this role, he leads the Company's Consulting Services Group which is focused on providing electronic data management services to corporations and attorneys. Prior to joining Applied Discovery, Mr. Kallander was General Counsel and Corporate Secretary for Unigard Insurance Company. He is a member of the Washington State and American Bar Associations.*



If you are an NYIPLA member and are interested in a particular committee, please contact the respective committee chair as listed on

[www.nyipla.org/public/2004chairs.htm](http://www.nyipla.org/public/2004chairs.htm)

# Fostering Research Collaborations: The CREATE Act of 2004

*Dale L. Carlson and Elizabeth A. Galletta*

The patenting of inventions resulting from research collaborations between individuals, between two or more companies, and between universities and companies all stand to gain from the support provided by both Houses of Congress for the Cooperative Research and Technology Enhancement (“CREATE”) Act.

On November 20, 2004, the House passed S. 2192 (which is identical to the previously-passed H.R. 2391) to strengthen the chances that valid patents will emerge from joint R&D collaborations. Before this Act, only subject matter that was commonly-owned by the same individual, company or university was entitled to an exclusion from being asserted as prior art against new inventions made by, or within, the same entity.

From its origin, CREATE was a proposal with bi-partisan support. It is intended to promote and to protect patents arising from collaborative research between researchers employed by different entities, such as a university and a company engaged in a common research effort, as well as independent researchers. The Act was proposed in response to a 1997 U.S. Court of Appeals for the Federal Circuit case. In this case, *OddzOn Products v. Just Toys, Inc.*, 122 F. 3d 1396 (Fed. Cir. 1997), the Federal Circuit held that confidential information derived from another, e.g., one collaboration partner, can be considered prior art, and may serve as evidence of obviousness, against patents for inventions made under the collaboration. The Court concluded that 35 U.S.C. 103(c) of the patent statutes excludes from “obviousness-type” prior art the efforts of employees working for the same employer, but does not provide such exclusion to workers for different employers collaborating under a joint research agreement (“JRA”).

The Federal Circuit’s holding in *OddzOn* presented a very real threat to collaborative research efforts among researchers employed by different companies or universities. The holding risked stifling the sharing of confidential, non-public information between such researchers. In short, the Court’s ruling discouraged collaborative research arrangements.

CREATE amends 35 U.S.C. §103 of the patent statutes to provide that patentability is not prevented when the patent is a result of research conducted between more than one entity and is done pursuant to a JRA. The Act defines a JRA as “a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.”

The Act imposes three basic requirements upon any JRA to entitle inventions thereunder to qualify for the prior art preclusion:

1. the JRA must be in effect on or before the date the claimed invention is made;
2. the claimed invention must be made as a result of activities within the scope of the JRA; and
3. the relevant patent application must disclose, or be amended to disclose, the names of the parties to the joint research agreement.

CREATE will apply to an invention made on or after the date of enactment. Additionally, CREATE might apply to pending patent applications claiming inventions made under a qualifying JRA if certain other requirements are met.

## Implications

It goes without saying that individuals, universities and companies pursuing, or wishing to pursue, collaborative research programs should execute a written JRA that complies with the enumerated requirements prior to exchanging confidential information. Oral arrangements will not suffice.

After CREATE, drafters of JRAs will do well to carefully consider the scope of subject matter to be encompassed by the Agreement. If the subject matter is defined broadly, e.g., joint research in the field of “biotechnology” or “nanotechnology”, it will decrease the likelihood that new inventions arising out of the collaboration will be deemed outside the scope of the Agreement, and therefore not protected from the prior art preclusion offered by CREATE. The downside risk of such a broad definition, however, is that it may result in a more expansive bundle of rights being given to the collaborating partner than might otherwise be desired, which may limit future collaboration opportunities with others.

When signed into law by President Bush<sup>1</sup>, CREATE will allay the fears of the collaborative scientific community who have been concerned that sharing confidential information will compromise the patentability of their inventions. Thankfully, parties to a JRA can now share confidential information with each other without fear that the confidential information that is passed can later be considered prior art against inventions arising out of the joint effort.

(Footnotes)

<sup>1</sup> Since the completion of this article, President Bush signed the CREATE Act into law on December 10.

*Dale A. Carlson, a partner at Wiggin & Dana, is the Chair of the Committee on License to Practice Requirements. Elizabeth A. Geschke, a member of the committee, is an associate at Wiggin & Dana.* ■





## Update on C.L.E. Luncheons

### John Whealan, Bruce M. Wexler, and Richard L. Rainey Panel Members at September 29, 2004 CLE Luncheon Program

John Whealan, Solicitor, U.S. Patent and Trademark Office; Bruce M. Wexler, partner, Fitzpatrick, Cella, Harper and Scinto; and Richard L. Rainey, partner, Fish & Neave, were members of a panel that discussed Patent Claim Construction in view of *Phillips v. AWH Corp.* at the CLE luncheon program held at the Harvard Club on September 29, 2004.



From Left to Right: Peter Thurlow, Esq., John Whealan, Esq.,  
Bruce Wexler, Esq. And Richard Rainey, Esq.

Mr. Whealan co-authored the amicus brief that was submitted to the Court of Appeals for the Federal Circuit (CAFC) on behalf of the U.S. Department of Justice, U.S. Federal Trade Commission and U.S. Patent and Trademark Office. Mr. Wexler authored the amicus brief that was submitted to the CAFC on behalf of the New York Intellectual Property Law Association, in which the Tennessee Bar Association and its IP Law section, State Bar of Michigan IP Law Section and Los Angeles Intellectual Property Law Association joined.

Mr. Rainey co-authored the amicus brief that was submitted to the CAFC on behalf of the American Bar Association.

Each one of the speakers discussed the process of preparing the amicus briefs and obtaining the required approvals to submit the amicus brief on behalf of the government or respective bar association. Mr. Whealan noted, for example, that the Solicitor General must approve the governments participation

in the case and also approve what the amicus brief says. A number of government agencies including the U.S. Patent and Trademark Office, Antitrust Division of the U.S. Department of Justice and U.S. Federal Trade Commission, to name just a few, contributed their input to the content of the amicus brief.

Each one of the speakers also discussed the substance of the amicus briefs, in particular, the sources

of claim construction. Mr. Wexler noted that the NYIPLA took the position that the primary source of claim construction should be the intrinsic evidence, namely the patent claims, the patent specification and, if in evidence, the patent prosecution history. Extrinsic evidence, including dictionaries, expert testimony and prior art, Mr. Wexler noted, should be considered after or at the same time as the reading of the patent as an aid to the court's understanding of the patent and prosecution history. Mr. Whealan noted that the government took a position similar to the NYIPLA, namely that the primary source of claim construction should be the intrinsic evidence, not the extrinsic evidence. Mr. Rainey pointed out that the ABA rejected a hierarchical approach to claim construction and noted that both intrinsic and extrinsic evidence are important sources of information that should be considered when construing claims.

### Jonathan Bick, Esq. Guest Speaker at October 22, 2004 CLE Luncheon Program

Jonathan Bick, counsel at WolfBlock Brach Eichler in Roseland, NJ and adjunct professor of Internet Law at Pace Law School and Rutgers Law School, was the speaker at the October luncheon and CLE Program. His presentation was entitled "A Practical Guide to SPAM Law: Five Things Every Lawyer Should Know About Spam."

Mr. Bick began with a general discussion of spam and illustrated how profitable it can be. He gave an overview of the CAN-SPAM Act, which became effective January 1, 2004, and highlighted the requirements for compliance with the Act and its enforcement by the FTC and state attorneys general. He also discussed recent litigation in California and Virginia in which traditional laws were used to stop spam, including claims for trespass to chattels, false designation of origin, dilution under the Lanham Act, violation of the Computer Fraud and Abuse Act, and even claims

under statutes designed to stop unsolicited facsimile transmissions, in cases where technology allows faxes to be sent and received by computers instead of fax machines.

Mr. Bick offered tips on how to advise a client to lawfully use spam to promote its business and gave jurisdictional pointers for initiating a private action against a spammer. He briefly addressed how your client should respond if it receives an action under a state Consumer Protection Act or a Civil Investigative Demand from the FTC.

In summary, according to Jonathan Bick, the five things every lawyer should know about spam are: (1) spam is legal, (2) spammers can be stopped with existing laws, (3) compliance with the CAN-SPAM Act is easy and inexpensive for the spammer; (4) private actions against spammers are jurisdictionally dependent, and (5) governmental actions against a spammer are actually invitations to negotiate.



Left to Right: Alexandra Urban, Jonathan Bick

# SOUTHERN DISTRICT CASE REVIEW

by Mark J. Abate and Ping Gu<sup>1</sup>

## Motion To Dismiss Counterclaim And Strike Affirmative Defense Of Patent Misuse Granted

**Takeda Chem. Indus., Ltd. v. Alphapharm Pty., Ltd.**

2004 U.S. Dist. LEXIS 16584

(S.D.N.Y. August 19, 2004)

(Judge Denise Cote)

In a patent infringement action, Takeda moved to dismiss Alphapharm's counterclaim of patent misuse and to strike Alphapharm's affirmative defenses of patent misuse and unclean hands.

In its Answer, Alphapharm asserted as an affirmative defense that Takeda's patents are unenforceable "as a result of unclean hands and/or patent misuse." In addition, Alphapharm interposed a counterclaim alleging patent misuse, stating:

Upon information and belief, Plaintiffs' action in asserting the use patents were not taken in good faith, but rather were taken with the specific intent of extending patent rights beyond statutory limits.

Plaintiffs' action in asserting the use patents against [defendants] have had, and will have, an anti-competitive effect and in addition imposes an improper restraint on competition.

The court found that Alphapharm's "merely parrot[ing] of the elements of a claim for patent misuse, without alleging even general facts to support that claim" and "conclusory references to an 'anti-competitive effect' and 'improper restraint on competition' contained in the defendants' pleadings are not sufficient to give Takeda notice of the misconduct alleged."

Since Alphapharm's allegations failed to meet the Fed. R. Civ. P. 8(a) pleading requirements, plaintiff's motion to dismiss the counterclaim and to strike the affirmative defense of patent misuse was granted.

## Claims Interpreted Consistent With The Intrinsic Evidence

**Medinol Ltd. v. Guidant Corp.,**

2004 U.S. Dist. LEXIS 19705

(S.D.N.Y. September 30, 2004)

(Judge Shira A. Scheindlin)

A Markman hearing for claim construction was conducted in a case where the patentee, Medinol, alleged infringement of patents directed to balloon-expandable stents.

In construing the term "meander" or "meander pattern", the parties agreed that there was no customary meaning for these terms and that the inventors, in using them, had acted as their own lexicographer. Accordingly, the court looked to the patent specification and file history to interpret those terms. Defendant's proposal to use a dictionary definition to interpret those items was rejected.

With respect to the terms "spaced apart" or "longitudinally spaced from", the court rejected defendant's argument as an attempt to contradict the customary meaning of those terms. The claim language made it clear that the term "spaced apart" meant separated and the prosecution history cited by defendant failed to contradict this conclusion.

The court also agreed with Medinol that the term "enclosed spaces" should be interpreted according to its ordinary meaning. The court rejected defendant's proposal to construe the term as identifying only a "cell". The court pointed out that defendant's proposed definition was improper for at least two reasons: first, the specification specifically distinguished the term from "cell" and second, the language cited by defendant as supportive of its definition did not amount to an unambiguous disavowal of the claim scope, justifying a departure from the plain meaning.

In construing other claim terms, the court accepted a narrow definition for "loop" because claim language made it clear that the inventors imparted special meaning to that term, excluded a definition for "cell" that would have read the preferred embodiment out of the claim, and applied a particular meaning to the terms "flexible cells" because of arguments made during prosecution of the patent.

## Rule 11 Motion That Would Require Claim Construction Before Markman Denied

**Wald v. Inv. Tech. Group, Inc.,**

2004 U.S. Dist. LEXIS 22449

(S.D.N.Y. November 4, 2004)

(Magistrate Judge Debra Freeman)

Defendant moved for monetary sanctions under Rule 11 for plaintiffs' alleged assertion of a baseless patent infringement claim without an adequate prelitigation investigation. The motion was filed before a Markman hearing had occurred.

The patent claimed "a method [to] determine the optimal execution price at which the limit order (or similar order) should be placed." Defendant contended that a reasonable investigation would have revealed that the claim applies only to "market orders" and therefore that plaintiffs knew or should have known that its patent could not cover one of defendant's accused products prior to filing suit. Plaintiffs disputed this claim interpretation, alleging that the claim was broad enough to cover a product like defendant's which assisted a trader in choosing whether to make a "limit" or a "market" order.

In support of sanctions, defendant advanced the legal theory that "Rule 11's requirement of pre-suit, reasonable inquiry" in the patent infringement context requires an affirmative showing by plaintiffs that an inquiry into the scope of the claims was made. Plaintiffs charged defendant with "a ploy to obtain a favorable ruling on an issue of patent claim construction – without discovery and in advance of a Markman hearing".

The court denied defendant's motion because both the parties and the court would benefit from the development of the record before having to address the construction of the claims and defendant would not suffer undue prejudice from having to engage in discovery and renew the motion at the close of discovery.

**Motion To Stay Hatch-Waxman Act Case Pending Completion Of FDA Reevaluation Granted**  
**Novartis Corp. v. Dr. Reddy's Labs., Inc.,**  
2004 U.S. Dist. LEXIS 21094  
(S.D.N.Y. October 21, 2004)  
(Judge Shira A. Scheindlin)

Novartis sued Dr. Reddy's Labs. alleging patent infringement with regard to an abbreviated new drug application (ANDA) seeking approval to market a drug. Defendant moved for a stay pending the completion of an FDA reevaluation of the ANDA, which prohibited defendant from marketing its product until after the reevaluation.

The court stayed the proceedings because a stay would promote judicial economy and conserve the resources of the parties. The court reasoned that if the FDA stay remained in effect or if the FDA withdrew its approval of defendant's drug, defendant would not be permitted to market its drug. Thus, the FDA's decision may moot the case before the court. Therefore, a stay at this early stage of litigation could save the parties from potentially needless and expensive discovery. To avoid prejudice to plaintiff, the court tolled the 30 month stay of FDA approval of defendant's drug during the pendency of the stay of the proceedings.

**(Footnotes)**

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### NYIPLA Calendar

Tuesday, January 25, 2005

NYSBA

Annual Meeting of IP Law Section  
New York Marriot Marquis

Thursday-Sunday, January 26-29, 2005

AIPLA

Mid-Winter Institute  
Disney Hilton, Orlando

Friday, February 11, 2005

Tentively Scheduled  
CLE Program

Friday, March 18, 2005

Noon: CLE Program

“Doctrine of Equivalents After Festo” and  
“Federal Circuit Rules to Remember”

Waldorf Astoria

6:30 PM Reception for Honored Guests

8:00 PM Dinner in Honor of the  
Federal Judiciary

Friday, April 15, 2005

CLE Program  
Harvard Club  
Honorable Richard Linn  
Topic to be announced

Thursday, April 21, 2005

JPP Seminar  
Topics to be announced

Wednesday, May 25, 2005

NYIPLA Annual Dinner  
Details to follow

*Additional Dates will be announced as they are scheduled. Further details will be posted on our website [www.NYIPLA.org](http://www.NYIPLA.org)*

## THE NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION, INC.

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