

NYIPLA

September/October 2004

Bulletin

BETTER THAN LIVE: EFFECTIVE TRIAL DEMONSTRATIONS

by James M. Wood

Picture this: you are a plaintiff's counsel in the thick of the biggest patent trial of your career. You represent a startup medical device company whose existence is, to a large extent, dependent upon a single product that represents a revolutionary development in the field of pacemaker design and is the subject of the claims of the single patent in suit. You claim that a large, publicly traded company has scooped up the market for your product by selling a device that infringes the claims of your patent.

You are in trial; your first witness is Dr. John Harvey, who formerly worked for your client and who led the research team that developed the defendant's product. He has persuasive presence, and his testimony is crisp. Dr. Harvey's qualifications are beyond compare. The jury likes him, and it feels like the case is slipping away. Until:

You: Tell the ladies and gentlemen of the jury about how your research team discovered the design that is embodied in your company's new pacemaker.

Dr. Harvey: Our team worked on this for years. The latest design was really quite accidental.

You: Have you even seen my client's product design for its pacemaker product?

Dr. Harvey: Not until you showed it to me at my, what do you call it, deposition?

You: About your experience with the product design, did you have any contact with my client's design when you worked for my client?

Dr. Harvey: Actually, no.

No? Everything you know about the development and design of the patented product tells you that Dr. Harvey worked on the project for that product when he worked for your client. Sure, Dr. Harvey only worked on the project for a couple of days, but he had worked on the project. And now he has been with the defendant for years. And best of all: Dr. Rodney Turner, another member of the defendant's research team, admitted in his deposition that Dr. Harvey referred to his experience with the product project at your client.

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PRESIDENT'S CORNER

September 29, 2004

Dear Members:

This afternoon, I was pleased to attend one of our Association's CLE luncheons. The topic was "Patent Claim Construction in View of Phillips v. AWH Corp." The speakers included John Whealan, USPTO Solicitor General, who co-authored the Government's amicus curiae brief in that case, together with NYIPLA members Richard Rainey and Bruce Wexler, who authored the ABA and NYIPLA amicus briefs, respectively. The program was very interesting and attracted nearly 160 people. Alexandra Urban, Chair of our Meetings and Forums Committee, and Peter Thurlow, this event's program chair, deserve much thanks and credit for this successful meeting.

Tomorrow, one of our former presidents, John Sweeney, will chair a meeting of the Association's Past President's Committee that is studying the Federal Trade Commission's Proposals for Patent Reform. The committee includes Tom Creel, Mel Garner, Karl Jorda, Bob Neuner, John Pegram, Pat Razzano, Al Robin, Andrea Ryan and Herb Schwartz. We are grateful to each of these past presidents for agreeing to continue to serve the Association in such an important capacity.

On October 7th, the Association's Continuing Legal Education Committee, chaired by Tom Meloro, and our Meetings and Forums Committee will host a half-day program on the FTC's Proposals. Participants will include moderator Walter Scott and panelists William Cohen of the FTC Office of the General Counsel, John Sweeney, Kevin Arquit, Mark Abate, Jack O'Brien and James Toupin of the USPTO Office of the General Counsel. I hope to see many of you there.

This past summer, our Legislative Oversight and Amicus Briefs Committee, chaired by Charlie Baker, prepared and filed the aforementioned Phillips brief and also an amicus curiae brief in the U.S. Philips Corp. v. International Trade Commission case. David Ryan was the principal author of the latter case brief, and Matt Seidner co-authored both. We are deeply grateful to all involved who worked hard to prepare these briefs with short deadlines during vacation periods.

These are exciting times to be a member of our bar, and I am honored to be your president. I have had the privilege of serving as an officer and board member of this Association for many years. During

that time, I have worked with dozens of talented and accomplished attorneys from many law firms and corporations. The efforts of these individuals have contributed to the continuing education of our members and fostered cooperation and civility in our practice.

Our Immediate Past President, Mel Garner, exemplifies the best of our membership. During Mel's term, the NYIPLA's meetings, programs and Judges Dinner were great successes. As Immediate Past President, he continues to work on the Association's behalf: serving as a member of the FTC Proposals committee and developing, together with Heather Wilde, the NYIPLA outbound e-mail system compliance policy. Thank you, Mel, for all that you have done for the NYIPLA and best wishes as you prepare to lead the AIPLA.

Our Association is fortunate to be served by President-Elect Ed Vassallo, First Vice President Marylee Jenkins, Second Vice President Chris Hughes, Secretary Mark Abate Treasurer Susan McGahan, Board members Bill Dippert, Charlie Hoffman, Jack Slobod, Laura Coruzzi, Dan DeVito, Anthony Giaccio, Dale Carlson, Vince Palladino and Rob Scheinfeld, as well as Executive Director Michael Isaacs and his always helpful colleagues in our Administrative Office. I am grateful for their dedicated commitment to the Association and pleased to continue working with them on your behalf.

Our Association's committees, their current members, chairs, and Board of Directors liaisons are listed hereafter in this Bulletin. The committee chairs met with the Association's officers and board members in June and developed a schedule for work that will be done through next May. We will all meet again on October 19th to consider the progress that has been made thus far. If you have not yet done so, please join a committee and take part in its activities. You will meet talented and interesting practitioners, you will make a contribution to our profession, and I believe that you will enjoy it. I look forward to working with you.



President John D. Murnane

Cordially,
John D. Murnane

NEWS FROM THE BOARD

June 22, 2004 Meeting Of the Board Of Directors

The meeting of the Board of Directors was called to order at the Cornell Club at 12:15 p.m. by President John Murnane. Also in attendance were Board members Edward Vassallo, Christopher Hughes, Susan McGahan, Mark Abate, William Dippert, Daniel DeVito, Dale Carlson, Robert Scheinfeld, and Vincent Palladino

The minutes of the Annual Meeting and Board of Directors Meeting held on May 22, 2004 were approved.

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

Mr. Murnane had invited the Committee Chairs to attend a portion of the Board of Directors Meeting to discuss avenues for greater Committee involvement during the 2004-2005 Association year. The following Committee Chairs were in attendance and committed to provide written reports to Mr. Dippert for publication in the newsletter as follows:

Committee	Chair	Date of Report
Copyright	Ronald Clayton	(periodic short reports on hot topics)
Design Protection	Phillip Shannon	November
Internet Law	Paul Reilly	January
License To Practice Requirements	Dale Carlson	February
Meetings And Forums	Alexandra Urban	no report necessary
Patent Law And Practice	Robert Scheinfeld	May
Trade Secret Law And Practice	Karl Milde	March
FTC Report	John Sweeney	(to be decided after Committee meeting)

Board liaisons were asked to follow-up with their Committees periodically to ensure that the reports are completed in a timely fashion, and to follow-up with Committee Chairs who did not attend the meeting.

The Board approved awarding the Association's Outstanding Public Service Award to Judge Pauline Newman. Mr. Murnane will contact Judge Newman. Messrs. Isaacs and Murnane will send letters to the other Federal Circuit Judges later this summer to advise them of the award to Judge Newman. The Judges' Dinner will be held on Friday, March 18, 2005.

A discussion was had concerning working with the Judges of the Southern District of New York to

develop local rules for patent cases. Mr. Scheinfeld noted that a study on local patent rules in district courts across the country was done last year by Alozie Etufugh on behalf of the Patent Law And Practice Committee. Mr. Murnane will contact the Chief Judge of the Southern District of New York to reopen a dialogue with the Court and to see if there is any interest in having the Association assist in developing local rules for patent cases.

Lists of the Officers, Board Members and Committee Chairs for 2004-2005 and a schedule for Board Meeting for 2004-2005 are available from the secretary.

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

Looking for a phone or fax number? Use the NYIPLA member search engine at www.NYIPLA.org to get the latest contact information for our members"

cont. from page 1

You prepare for the cross-examination of Dr. Harvey's life

The old way:

- You read from your dog-eared," post-ited" deposition transcript where Dr. Turner admitted that Dr. Harvey had spoken of working on your client's project;

- You hold up a 36"x 48" cardboard blowup of a copy of the memorandum from your client showing that Dr. Harvey had attended a meeting regarding work on the project. The corners of the blowup are dented from being packed in your car's trunk, and the pertinent portion of the meeting memorandum (with Dr. Harvey mentioned) is legible only to jurors within a foot and a half of the cardboard blowup;

- You draw the product design on an easel with pens that you hope have not run out of ink.

The new way: you use technology that brings the case to life. Cross-examination comes out of the mouth of the witness. Key exhibits can be seen by all.

Jurors expect trial lawyers to not only be prepared but also to convey their themes and evidence in a persuasive way.

As noted in a recent article:

1. People accept and retain visual evidence more readily. Studies have shown that people retain visual information better than verbal information. Jurors retain up to 80% of what they see and it is as low as 20% without visual input. . . .

2. Technology helps overcome juror bias. An effective presentation highlights the favorable evidence, which reduces the risk that traditional juror biases will affect the result. A juror who may not initially support your case is more likely to change his or her mind based on visual information rather than verbal information. Visual presentation allows you to break down these biases with clear

messages and repetition. The advertising industry has been doing this for years.

3. A well-planned visual presentation dramatically shortens your case. U.S. District Judge Richard M. Bilby, one of the first judges to approve use of digital evidence at trial, estimated that computer technology can reduce trial time by 25-50%. *William B. Smith, R.J. Waldsmith, and Ted Brooks, Winning The Close Case and Increasing Your Damages With Technology, Litigation Tech, <http://www.litigationtech.com/articles.shtml>*

There is a plethora of software available to the trial practitioner, much of which is directed to pre-trial preparation and resources at trial. For example, LIVENOTE™ software provides real time reporting of depositions or trial testimony (www.livenote.com). Others, such as CONCORDANCE® software are directed to document management ("Use Concordance 8 to: Identify Key Documents for Trial, Prepare Witness Kits, Organize Document Responses, Print Chronology Reports, Generate Deposition Digests, Manage Email and Electronic Documents, Maximize OCR Text, Access Information from Anywhere with FYI and Share Data with other Best-of-Breed Products . . ." www.dataflight.com) or providing access to deposition transcripts, documents, and summaries (SUMMATION® software, www.summation.com). A powerful resource for understanding and evaluating available technology is that presented by Law Office Computing at <http://www.lawofficecomputing.com/category/lit-support.htm>.

Other software, such as SANCTION® (www.verdictssystems.com) and TRIALDIRECTOR® (www.legal-lgt.com/trialdirector.htm), provide support to "show your case" to the jury. Unlike POWERPOINT® software, these two trial presentation software are used because they are non-linear. In other words, you can move around from the original order seamlessly. This flexibility is the key difference between traditional methods to the new trial presentation software and could be your winning factor.

SANCTION 2[®] software provides the ability to simultaneously show a videotaped deposition while having the text scroll beneath it. This software has the ability to search for words so that an opening statement or cross-examination can be digitally saved. The clip is saved with a name, and, if needed for impeachment or cross-examination, the name is highlighted and then played to the court or the jury. SANCTION software recently received top honor for Litigation/Trial Presentation by Law Office Computing Magazine.

TRIALDIRECTOR software, recently described as the “Ultimate High Tech” software (Dickson, “The Use of Technology at Trial: Tools, Rules, and Techniques,” ABA Labor and Employment Section, EEO Committee Midwinter Meeting, March 24 – 27, 2004; (<http://www.bnabooks.com/ababna/>), presents one-stop-shopping for the trial management for most phases of trial.

One particularly effective technology to use is TRIAL DIRECTOR SUITE V. 4.5[™] software, created by InData Software LLC (www.indatacorp.com). With this technology, as well as the related DOCUMENTDIRECTOR[®], DEPOSITIONDIRECTOR[®], and TIMECODER[™] software, your cross-examination for the situation above would include:

- Video playback of Dr. Turner’s deposition admission that Dr. Harvey had worked on the project for the patented technology when he was employed by your client;
- Split-screen playback of the deposition transcript running simultaneously on the screen with the video; and
- A video presentation of the log-book with electronic capabilities to blow up and highlight portions that you want the witness to focus on.

DEPOSITONDIRECTOR software lets counsel synchronize text and audio/video deposition transcript clips from common VHS tapes and standard ASCII transcripts. In preparing for cross-examination, counsel searches for key words in DEPOSITIONDIRECTOR software, highlights the selected testimony and clips

it into TRIALDIRECTOR software ready to present to the jury. The program can be linked to most deposition manager tools, including SUMMATION, LIVENOTE, or DISCOVERY software. Its capabilities are not limited to depositions; any conversation on tape can be converted for use through DEPOSITIONDIRECTOR software. Cross-examination is prepared in the usual way: key points are outlined to be made but instead of page and line citations a bar code is taped on the outline. With the wave of a wand across the code impeaching testimony in video and text form is brought to the jury. If an exhibit is referred to in the deposition, the document can be simultaneously displayed to the jury. Counsel has the option of presenting the video testimony alone or in combination with the typed transcript.

About that log: DOCUMENTDIRECTOR software has the capability to contain your complete evidentiary documents in a single file: patents, correspondence, and earnings statements. The program can be linked to most litigation databases, such as SUMMATION, CONCORDANCE, MICROSOFT[®] ACCESS[®], or PARADOX[®] software. Documents in a variety of formats can also be loaded into DOCUMENTDIRECTOR software, including presentations created in ADOBE[®] ACROBAT[®] or POWERPOINT software.

Photos, clips, and audio/video streams can also be used. Each document can be dragged or dropped into preassigned folders for ease in organization, then sorted by type. Folders corresponding to opening statement, specific witnesses, specific issues or closing arguments can be created for easy access. A specific exhibit can be annotated or highlighted in the program to create different versions for different witnesses. For example, with Dr. Turner on the stand you could highlight the meeting memorandum that mentions Dr. Harvey and perhaps refer to Dr. Harvey’s resume. With the scan of a pen reference to Dr. Harvey in the meeting memorandum can be blown up for the jury.

A variety of tools can be used during trial to highlight critical parts
cont. on page 6



James M. Wood

of the report, including boxing out of a segment, yellow highlighting of a line or leading the eyes of the jury to evidence with a variety of pointers. Highlighting tools can be used by counsel or by the witness when talking about a document. If an exhibit has been created for display during the trial, TRIALDIRECTOR software can save it as a separate exhibit. Another benefit is that TRIALDIRECTOR software permits counsel to compare two to four exhibits simultaneously as well as to use a variety of annotation tools. If a document is in a foreign language, two versions of the documents (original and translation) can be displayed simultaneously. Once your exhibit file is completed, DOCUMENTDIRECTOR software can print out exhibit outlines for use in hard copy trial notebooks.

TRIALDIRECTOR software integrates it all. Its technology permits counsel to control where documents or videos appear on the screen in the courtroom as well as to offer tools to markup and highlight key points. If a document is displayed, a portion can be highlighted and extracted while showing its position in the original document. It is also the source for displaying all documents, photos, video transcripts, and clips.

Upcoming Speakers for CLE Programs

**The Honorable Timothy Dyk
The Honorable Richard Linn
Professor Hugh Hanson**



Upcoming Topic for CLE Program

Alternative Dispute Resolution



Dates and Details to Follow

The software comes with a thorough and clearly written Users Manual.

Hardware required for the program (without video capability) includes:

- PENTIUM® III 733 Mhz Processor
- WINDOWS® NT 4.0 / 2000 or XP
- 128 MB RAM
- 4 MB AGP Video Adapter
- Internet Explorer 5 (or higher)
- SVGA Monitor (1024 x 768) at 16-bit Color (High color)
- 250MB Hard Disk Space Available
- CD-ROM Drive

If you want to run the entire system, video and all, you will need:

- PENTIUM 4 2.4 Ghz Processor
(or better)
- WINDOWS XP Professional
- 512 MB RAM
- 64 MB AGP Video Adapter
- Internet Explorer 6.0 (or higher)
- SVGA Monitor (1280 x 1024) at 24-bit Color (True color)
- Dual Monitor Output
- 12GB Hard Disk Space Available
(To Store videos files and document images)
- Sound Card and Speakers
(Required for video functions)
- CD-ROM Drive

InData's Web site is useful to the practitioner who wants to find out more about any of these three programs (www.indatacorp.com/software/trialdirector). The site has concise summaries about the benefits and capabilities of TRIALDIRECTOR,

DOCUMENTDIRECTOR, and DEPOSITION-DIRECTOR software. It includes a user-friendly online tutorial for the first time user of any of the programs. The web site also features a demonstration of the three software packages. Not persuaded? The site has testimonials extolling the virtues of the programs.

Appropriate use of any of this software will facilitate an effective presentation of your case to any trier of fact, jury or judge. You will be able to react to unexpected developments during trial with the ability to identify as well as to prepare new exhibits or to extract pre-trial testimony. Consistent with the trial lawyers' motto that you should "prepare to win and prepare for the worst ...", regardless of whatever software you select you should have a backup mirroring your original trial presentation (e.g., a portable laptop). Other backup extras to bring are: a power supply cable, one or more extension cords, and a light projector. And not to overstate the obvious: visit the trial courtroom well in advance of the first day of trial to evaluate its layout and ability to handle the technology.

Preparing your case for trial begins with the first deposition. Begin by evaluating the software that is available for the presentation of your case to the trier of fact. Then you're ready to deal with even the biggest of surprises at trial and deal with it effectively:

You: About your experience with the product design, did you have any contact with my client's design when you worked for my client?

Dr. Harvey: Actually, no.

You: Let me show you, Doctor, your earlier testimony in deposition....

James M. Wood is a partner in the Oakland, CA office of Reed Smith LLP. Mr. Wood's practice for more than twenty-five years has focused on representing and counselling manufacturers of prescription medicines and medical devices with regard to a variety of issues, including recalls of prescription products, the marketing and promotion of prescription products, first amendment issues in marketing prescription products, preemption, product liability issues, and the reuse of single use medical devices.

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ARTICLES

The Association welcomes articles of interest to the IP bar.

Please direct any submissions by e-mail to:

William H. Dippert, Editor, at

w.dippert@reedsmith.com

Guidelines are set forth at www.NYIPLA.org

Conflicted by Conflicts Rules?

Dale L. Carlson and Elizabeth A. Geschke

A brief discussion of proposed New York Rules of Professional Conduct vis-à-vis the USPTO's proposed ethics rules in terms of impact on patent attorneys in New York.

Recently, the New York State Bar Association (NYSBA) proposed changes to three of the rules of ethics that govern New York lawyers. The three proposed rules, namely, Rules 1.7, 1.9, and 1.10, all relate to conflicts of interest. The proposed rules flow from an initiative by the NYSBA's Committee on Standards of Attorney Conduct (COSAC) to comprehensively review New York's rules of ethics. The NYSBA is seeking public comment. (see www.nybsa.org).

Similarly, within the past year the United States Patent and Trademark Office ("USPTO") has solicited public comment on its proposed changes to its ethics rules that govern attorneys and agents practicing before the USPTO.

Patent practitioners who are admitted attorneys are in the unique situation of being subject to two sets of ethics rules, i.e., those of the state(s) where they are admitted, as well as those of the USPTO. This double obligation can raise a dilemma in the mind of patent practitioners: which rule governs?

Proposed New York Rules of Professional Conduct

In an effort to harmonize the ethics rules of New York with the ABA Model Rules, COSAC has proposed amending Rules 1.7, 1.9, and 1.10 to adopt language used in the ABA Model Rules. Brief overviews of the proposed rules are provided in COSAC's June 29, 2004 letter to the members of the New York Bench and Bar.

For the most part, the proposed changes do not alter the substance and scope of the rules. For guidance, each of the proposed rules is accompanied by a "comments" section analogous to that provided for the ABA's Model Rules. The comments section provides attorneys with examples, case law, and other information helpful in interpreting each rule.

While by no means a substitute for reading the proposed rules in their entirety, brief statements are

offered below regarding the scope of the proposed NY rules, as well as their differences from the NY rules currently in force:

Rule 1.7 Conflict of Interest With Respect to Current Clients

* This proposed rule deals with a lawyer's professional obligation to avoid conflicts of interest based on a lawyer's obligations to other clients or a third party. This rule also deals with conflicts of interest that may arise due to a lawyer's own personal interests.

* As proposed, a client's informed consent to a conflict must be "confirmed in writing."

* The proposed rule combines two concepts that are addressed in two separate rules in the current NY ethics rules: one rule addressing conflicts arising from a lawyer's own interests, and another rule addressing conflicts from simultaneous representation of multiple clients.

Rule 1.9 Duties to Former Clients

* This proposed rule deals with a lawyer's professional obligation to former clients. Briefly, the first paragraph of this rule incorporates the "substantial relationship test" that is in the current NY rule, while the second paragraph prohibits a lawyer from "using" or "revealing" a former client's confidential information.

* In a similar fashion to Rule 1.7, this amended rule requires that a client's informed consent to a conflict be "confirmed in writing."

* Under the proposed rule, a lawyer who has formerly represented a client in a matter, or whose present or former firm has formerly represented a client in a matter, shall not thereafter "reveal confidential information of the former client protected by

Rule 1.6. The current NY rule does not contain the phraseology "reveal confidential information."

Rule 1.10 Imputation of Conflicts of Interest

* This proposed rule deals with the imputation of one lawyer's conflict of interest to all of the other lawyers with whom the personally disqualified lawyer is associated in a firm.

* The proposed rule retains and refines the current NY rule that requires a law firm to implement a conflicts checking system to assist lawyers in determining if there is a conflict of interest.

* The proposed rule implements “screens” for newly associated attorneys to a law firm.

Proposed USPTO Rules of Professional Conduct

In December 2003 the USPTO published over 100 pages of proposed rules and commentary. Proposed rules §§11.100-11.806 relate to the Rules of Professional Conduct. USPTO Rules §§11.107, 11.109 and 11.110 generally correspond to proposed NY Rules 1.7, 1.9 and 1.10.

Overall, the USPTO and NY rules address the same substantive issues and concerns. An obvious difference, however, lies in the fact that the NY rules apply to attorney admitted in NY, while the USPTO rules apply to both attorneys and agents practicing before the USPTO. What is not so obvious is how to deal with a potential conflict arising between the two sets of rules.

A couple of distinctions, between the two sets of rules are worth noting. First, USPTO Rule §11.109 requires a client to give informed consent of a conflict in writing “after consultation”, whereas the proposed NY rule does not explicitly allude to, much less require, such consultation.

A second distinction can be found in comparing USPTO proposed Rule §11.109(c) with NY proposed Rule 1.9(c). The USPTO rule refers to “information relating to the representation” of a client, whereas the NY rule refers to “confidential information” of a client - arguably a narrower set of information. From a practical standpoint, however, the USPTO’s requirement may actually be more focused since the “information relating to the representation” concerns matters pertaining to the representation of the client before the USPTO.

Viva la Difference

To the extent that the NY and USPTO rules, upon implementation, are consistent, a patent attorney admitted in NY should obviously follow the USPTO rules when practicing before the USPTO, i.e., when he or she is preparing a patent application, when he or she is drafting a response to an Office Action, or when he or she is otherwise filing papers with the USPTO.

To the extent that the NY and USPTO rules, upon implementation, are inconsistent, a patent attorney admitted to NY should follow the more stringent rule. If it is not clear which of the two rules are more stringent, the patent attorney should seek the counsel of their firm’s ethics committee, or in the alternative contact the USPTO and/or NY State Bar Association directly.

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.



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Update on C.L.E. Luncheons

George McCray Guest Speaker at June 25, 2004 CLE Luncheon Program

George McCray, Chief of Intellectual Property Rights, US Customs and Border Protection, Department of Homeland Security was the speaker at the June luncheon and CLE program held on June 25, 2004. He spoke on US Border Enforcement of Intellectual Property Rights (IPRs). The first part of his talk focused on entities involved in IPR border enforcement. U.S. Customs and Border Protection (CBP) is responsible for civil administration and US immigration and customs enforcement is responsible for criminal IPR border enforcement. Mr. McCray then spoke about CBP's enforcement of trademarks and copyrights. He described CBP's recordation system for trademarks and copyrights. Copyrights and trademarks must be recorded with CBP for them to be enforced by this entity. With regard to the patent area, Mr. McCray touched on enforcement of ITC exclusion orders. Mr. McCray concluded this most informative talk by briefly



Alexandra Urban, George McCray and Cheryl Agris

discussing recent litigation relating to CBP, *United States v. 10,510 Packaged Computer Towers*, 152 F. Supp. 2d 1189, 59 USPQ 2d 1940; 23 Int'l Trade Rep. 1693, (N.D. Cal. 2001); *U.S. v. 4,352, More or Less Packaged Black and White Television Sets* (Case No. 3:02-cv-1179-J-32MMH) and *United States v. Giles* 213 F.3d 1247, 54 USPQ2d 1919 (10th Cir. 2000). More information about CBP can be obtained at www.cbp.com

Anthony K. Greene Guest Speaker at July 23, 2004 CLE Luncheon Program

Anthony K. Greene, a Director at Herbert L. Jamison & Co., LLC, one of the principal professional liability insurance brokers in the Metropolitan New York Area, was the speaker at the July 23, 2004 luncheon and CLE Program. Mr. Greene is an insurance professional with accreditations that include "Certified Risk Manager" and "Certified Insurance Counselor".

Mr. Greene provided a highly enlightening presentation entitled "Protecting Your Assets - How IP Lawyers Can Mitigate Their Exposure to Professional Liability Claims". Using published statistical information



Anthony K. Greene and Thomas Spath

gathered by the American Bar Association over the last 30 years and from other national organizations, he presented graphically a variety of trends in various categories of professional liability claims brought against IP lawyers.

Patent, trademark and copyright claims have represented a small (but growing) percentage of all the claims analyzed, increasing from about 0.5% to 4% annually since 1983. One study of over 9,100 claims placed all types of claims in the IP area at about 2% of the total, while the value of the dollar losses represented 4% of the total. Another study found that during a recent six year period patent-related matters accounted for more than 70% of the claims, trademarks for 15%, and copyrights for about 3%.

Mr. Greene's discussion included various categories of claims that include subject matter conflict, the problems arising from the so-called mobile client, representation of multiple parties, lateral hires that have previously represented clients with interests conflicting with those of clients of the hiring firm, and problems arising from a firm's acquisition of an interest in a client's business enterprise. He also discussed the relevant fact patterns of several reported decisions (without specifically identifying the IP law firm party) to provide concrete examples of the problems that must be anticipated and addressed by the policy making and management of IP firms. Problems associated with missed filing deadlines, including failure to complete the project or late filing, accounted for over 40% of IP-related claims during one 18-month period analyzed. In one instance, a jury awarded \$30 million to a plaintiff-client when an international patent filing deadline was missed.

It was emphasized that firms need to establish and enforce policies for identifying and handling potential conflicts of interest at a very early stage of representation. In one example, a firm representing two patent clients in a related technical area attempted to withdraw from one representation after learning that a litigation between the parties had been initiated. The ultimate result - after considerable procedural wrangling - was that the firm was sued by both parties under various theories and both sought to avoid payment of prior fees.

Problems associated with representing multiple related parties were also discussed by Mr. Greene in the context of a firm that represented an employee/inventor of one of its corporate clients who wished to pursue the subject of a patent application that the corporation had intentionally abandoned. Thereafter, the firm represented the employer against the inventor who was sued for filing his own patent application on

related technology. Eventually, the inventor sued the firm, the firm lost the corporate client, and its insurer paid out a seven-figure settlement.

Other complex scenarios were described in the context of lateral hires and firms that took an interest in their client's businesses. As these case studies revealed, the IP law firms (and their insurers) are the losers. In addition, while lawyers are often hired by their clients to anticipate, and help avoid, potentially adverse business developments by either wise counsel or written contracts and contingent agreements, they often do not perform this type of analysis in managing their own businesses.

During the question-and-answer session Mr. Greene discussed the advantages of professional liability policies that covered events that occurred prior to the merger of one firm with another or the arrival of a lateral-hire attorney. While such policies can represent a substantial expense, they also provide a tool for managing risk and defining the potential monetary liability for the acquiring firm.

Interested parties can contact Mr. Greene at: agreene@jamisongroup.com.



The Association welcomes articles of interest to the IP bar.
Please direct any submissions by e-mail to:
William H. Dippert, Editor, at
w.dippert@reedsmith.com
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SOUTHERN DISTRICT CASE REVIEW

by Mark J. Abate and Ping Gu¹

Subpoena Of Prosecution Counsel Who Was Also Trial Counsel Quashed

ResQNET.com, Inc. v. Lansa, Inc.,

2004 U.S. Dist. LEXIS 13579

(S.D.N.Y. July 21, 2004)

(Judge Robert W. Sweet)

Jeffrey I. Kaplan, trial counsel to plaintiff ResQNET, moved under Fed. R. Civ. P. 26 and 45 to quash a subpoena served upon him by defendant Lansa. Lansa sought the deposition of Kaplan concerning the prosecution history of the patents-in-suit because Kaplan prosecuted those patents. Specifically, Lansa sought to determine when various prior art references became known to Kaplan.

The court granted plaintiff's motion to quash the subpoena because Lansa did not establish that Kaplan's deposition was either appropriate or necessary.

The court held that Lansa failed to explicitly assert the defense of inequitable conduct, which is subject to the heightened pleading requirements under Fed. R. Civ. P. 9(b). Also, the court rejected Lansa's argument that an inequitable conduct defense could be inferred from indications of patent misuse or the reservation of additional, unspecified affirmative defenses in the pleadings.

The court further held that Lansa failed to establish a sufficient need to depose Kaplan on other grounds, because the relevant inquiry in terms of prior art and claim construction was how one of ordinary skill in the art would interpret and understand the prosecution histories, not what litigation counsel thought about them.

Applying the Friedman factors² to determine whether a deposition of opposing counsel was appropriate, the court held that Kaplan's minimal importance as a fact witness due to Lansa's failure to plead inequitable conduct defense, the risk of encountering privilege and attorney work-product issues, plus the fact that discovery had completed, taken together, counseled against having the deposition.

Action In Another Jurisdiction Provides Reasonable Apprehension To Support Declaratory Judgment Jurisdiction

Mastercard Int'l, Inc. v. Lexcel Solutions, Inc.,

2004 U.S. Dist. LEXIS 10906

(S.D.N.Y. June 16, 2004)

(Judge William H. Pauley III)

Mastercard brought a declaratory judgment action seeking a declaration of non-infringement and invalidity of Lexcel's patents. Mastercard asserted subject matter jurisdiction pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201, and the Patent Laws, and Lexcel moved to dismiss under Fed. R. Civ. P. 12(b)(1) for lack of actual controversy. Prior to this action, Lexcel filed suit against MasterCard in the District of Arizona, claiming misappropriation of trade secrets, unfair competition, and copyright infringement, regarding the same technology and products at issue in the New York case.

The court applied the two-pronged test to determine the court's declaratory judgment jurisdiction. A plaintiff must show that, as of the time the complaint was filed, (1) the defendant's conduct "created on the part of plaintiff a reasonable apprehension that the defendant would initiate suit", and (2) the plaintiff either produced or had taken steps to produce the accused device.

With respect to the first prong, Lexcel argued that its conduct did not create a reasonable apprehension that it would file a lawsuit against Mastercard. Mastercard argued that Lexcel's conduct did create a reasonable apprehension, pointing toward a letter from Lexcel to Mastercard in the ongoing Arizona action which expressly warned of potential patent infringement and mentioned "powerful evidence" of the validity of Lexcel's patents. The court agreed with Mastercard, holding that Lexcel's letter in conjunction with the Arizona action regarding the same technology demonstrated a "willingness to protect that technology" and created a reasonable apprehension of suit in New York. Regarding the second prong,

Mastercard averred in its complaint that it was preparing to release allegedly infringing products.

Since MasterCard had established an actionable case or controversy under the Declaratory Judgment Act, the court held that it had subject matter jurisdiction over this action, and denied Lexcel's 12(b) (1) motion.

Willful Infringement Found Based In Part On A Failure To Investigate Patent Rights

Etna Prods. Co. v. Q Mktg. Group, Ltd.,

2004 U.S. Dist. LEXIS 15323

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

(Judge Shira A. Scheindlin)

Etna sued Q Marketing for infringement of a design patent relating to a magnifying, folding and lighted mirror product and for unfair competition. The court held the patent valid and infringed.

With respect to whether the infringement was willful, Q Marketing argued that it was not on notice of the patent until it received a cease and desist letter in April 2003. Etna responded that, under the "unique circumstances of this case", Q Marketing had a "duty to investigate" Etna's patent rights as early as April 2002. The court agreed with Etna and held that Q Marketing had a "duty to investigate" Etna's patent rights.

The court stated that willfulness can be based on "reckless disregard of the patent holder's rights" and "actual knowledge is not required ... [i]t is sufficient if defendants would have known [of the patent] but for their conscious avoidance of the facts." The circumstances of the case showing disregard of the patent and willfulness were: (1) Q Marketing had knowledge of Etna's mirror product, (2) Etna's mirror product was marked "patent pending," (3) "Q Marketing's blatant copying of [Etna's mirror product]," (4) before distributing its mirror product, Q Marketing did no investigation of Etna's patent rights, (5) Q Marketing accepted its foreign supplier's verbal representation that there was no patent on Etna's mirror product, (6) Q Marketing assured its customer that sale of its mirrors would not give rise to any patent infringement and (7) after receiving the cease and desist letter, Q Marketing did

not offer to take back any mirrors from its customers nor did it advise its customers to stop selling its mirror product.

(Footnotes)

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² Official Comm. of Unsecured Creditors of Hechinger Inv. Co. of Del., Inc. v. Friedman, 350 F.3d 65 (2d Cir. 2003) factors: the need to depose the lawyer, the lawyer's role in connection with the matter on which discovery is sought in relation to the pending litigation, the risk of encountering privilege and work-product issues and the extent of discovery already conducted. ■



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CLE Luncheon -

Speaker: Jonathan Bick, Esq.

Topic: A Practical Guide to SPAM Law:
5 Things Every Lawyer Should Know
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Thursday, November 11, 2004

NSYBA

MCLE Roundtable: "IP Valuation in
Business Transactions and Litigation"
World Financial Center

Friday, November 19, 2004

Yale Club

Fall One-Day CLE Program

Panels: Trade Secrets,
Litigation, Patent Practice,
Transactional Issues

Friday, December 17, 2004

Cornell Club

CLE Luncheon

January 25, 2005

NYSBA

Annual Meeting of IP Law Section
New York Marriot Marquis

January 26-29, 2005

AIPLA

Mid-Winter Institute

Disney Hilton, Orlando

Friday, March 18, 2005

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Dinner in Honor of the Federal Judiciary

Additional Dates will be announced as they are scheduled. Further details will be posted on our website www.NYIPLA.org

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