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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA

Helferich Patent Licensing, LLC, an Illinois
limited liability company,

Plaintiff,

vs.

Suns Legacy Partners, LLC, dba Phoenix
Suns, a Delaware Limited Liability
Company,

Defendant.

Lead No. CV-11-02304-PHX-NVW

CONSOLIDATED WITH

Helferich Patent Licensing, LLC, an Illinois
limited liability company,

Plaintiff,

vs.

Phoenix Newspapers, Inc., dba the Arizona
Republic, an Arizona Corporation,

Defendant.

No. CV-11-02476-PHX-NVW

1 Helerich Patent Licensing, LLC, an Illinois
2 limited liability company,

3
4 Plaintiff,

5 vs.

6 Nissan Motor Co., Ltd., a Japanese
7 Corporation; Nissan North America, Inc., a
8 California Corporation; and Midway
9 Holdings, Inc., dba Midway Nissan, an
10 Arizona Corporation,

11 Defendants.

No. CV-12-00060-PHX-NVW

12 Helerich Patent Licensing, LLC, an Illinois
13 limited liability company,

14 Plaintiff,

15 vs.

16 NBA Properties, Inc., a New York
17 Corporation; and National Basketball
18 Association, Inc, a New York Corporation,

19 Defendants.

No. CV-12-00100-PHX-NVW

ORDER

20 Before the Court is Defendants' Motion for a Protective Order (Doc. 122),
21 Plaintiff's Response, and the Reply. For the following reasons, the Motion will be
22 denied.

23 This is a consolidated case consisting of four actions which collectively assert that
24 Defendants have infringed a number of claims of Helerich's patents. Counsel for
25 Helerich in each of these actions also represents Helerich before the United States
26 Patent and Trademark Office ("PTO"). All of the actions before this Court and the
27 proceedings before the PTO at issue here arise from seven of Helerich's patents, which
28 have been pending since 1997. From those original patents, Helerich has pursued a large
number of patent claims before the PTO, and is currently pursuing additional claims
there. In addition, Helerich is participating in seven patent reexamination proceedings

1 before the PTO, in each instance represented by counsel that also represents Helferich in
2 this lawsuit. All of the parties have agreed to a proposed protective order (Doc. 122-2)
3 that would govern the discovery process with the exception of one provision that would
4 establish a patent prosecution bar. Defendants seek, and Helfreich objects to, such a
5 prosecution bar.

6 **I. Legal standard**

7 Despite protective orders that limit the use of confidential information only for
8 purposes of current litigation, courts recognize that in patent litigation “there may be
9 circumstances in which even the most rigorous efforts of the recipient of such
10 information to preserve confidentiality in compliance with the provisions of such a
11 protective order may not prevent inadvertent compromise.” *In re Deutsche Bank Trust*
12 *Co.*, 605 F.3d 1373, 1378 (Fed. Cir. 2010). In order to protect against such inadvertent
13 compromise, a court may issue a patent prosecution bar as part of a protective order.
14 Such a prosecution bar can operate to prevent any individual who has access to highly
15 confidential information as part of patent litigation from also participating in the patent
16 proceedings before the PTO.

17 The determination of whether a protective order should include a patent
18 prosecution bar is governed by Federal Circuit law. *Deutsche Bank*, 605 F.3d at 1378.
19 The party seeking a protective order has the burden of showing good cause for its
20 issuance. *See* Fed. R. Civ. P. 26(c). The same is true for a party seeking to include a
21 patent prosecution bar in a protective order. *Deutsche Bank*, 605 F.3d at 1378.

22 **A. Unacceptable Risk of Inadvertent Disclosure**

23 In 2010, the Federal Circuit clarified the standards for imposing a prosecution bar
24 in *Deutsche Bank*. The party seeking a patent prosecution bar bears the burden to first
25 show that there is an “unacceptable” risk of inadvertent disclosure of confidential
26 information. *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984).
27 To determine whether there is such an unacceptable risk, courts examine the extent to
28 which counsel is involved in “competitive decisionmaking” with its client. *Id.* The

1 Federal Circuit has defined competitive decisionmaking as “a counsel's activities,
2 association, and relationship with a client that are such as to involve counsel's advice and
3 participation in any or all of the client's decisions (pricing, product design, etc.) made in
4 light of similar or corresponding information about a competitor.” *Id.* at 1468, n. 3.

5 Not every patent prosecution attorney is necessarily involved in competitive
6 decisionmaking. *Deutsche Bank*, 605 F.3d at 1379. The *Deutsche Bank* court
7 distinguished administrative and oversight duties, which pose a less significant risk of
8 inadvertent disclosure, from activities in which counsel play a “significant role in crafting
9 the content of patent applications or advising clients on the direction to take their
10 portfolios,” which poses a more significant risk. *Id.* at 1379–80. In order to determine
11 the risk, courts must “examine all relevant facts surrounding counsel's actual preparation
12 and prosecution activities, on a counsel-by-counsel basis.” *Deutsche Bank*, 605 F.3d at
13 1380.

14 **B. Balancing Risks**

15 If a party seeking a prosecution bar meets its burden to show there is unacceptable
16 risk of inadvertent disclosure, courts must then balance that risk against the potential
17 harm to the opposing party from being denied its choice of counsel. *Id.* (citing *U.S. Steel*,
18 730 F.2d at 1468). To evaluate this potential harm, a court must consider factors such as
19 the extent and duration of counsel's past history in representing the client before the PTO,
20 the degree of client's reliance on that past history, and the potential difficulty the client
21 might face if forced to rely on other counsel for the pending litigation or engage other
22 counsel to represent it before the PTO. *Id.* at 1381.

23 In that balancing, a court must “be satisfied that the kind of information that will
24 trigger the bar is relevant to the preparation and prosecution of patent applications before
25 the PTO.” *Id.* at 1381. As a result, a party seeking a prosecution bar also has the burden
26 to show that the proposed bar “reasonably reflect[s] the risk presented by the disclosure
27 of proprietary competitive information.” *Id.* at 1381. Such a showing requires that the
28 information said to trigger the bar, the scope of activities prohibited by the bar, the

1 duration of the bar, and the subject matter covered by the bar all reasonably reflect the
2 risk presented by disclosure. *Id.* A district court has broad discretion to determine the
3 degree of protection that is required in balancing these conflicting interests. *Id.* at 1380.

4 **II. Analysis**

5 Defendants contend that Helferich's counsel participates in competitive
6 decisionmaking by prosecuting new patent claims and patent reexaminations, and adding
7 new claims to existing patents. Because of that participation, Defendants argue that a
8 prosecution bar is necessary to ensure that confidential information is not misused by
9 Helferich's counsel to craft new patent claims. Helferich does not contend that its
10 counsel is not involved in competitive decisionmaking, and there is ample evidence that
11 Helferich's counsel does play a significant role in crafting patent applications. Helferich
12 is prosecuting new patent applications arising from its original disclosures with the
13 assistance of Mr. Kappes and Mr. Lisa, both of whom are counsel that also represent
14 Helferich in this case. Further, Mr. Lisa is involved in pricing decisions regarding
15 Helferich's licenses and negotiates the terms of those licenses. As a result, under the
16 *Deutsche Bank* standard, there is an unacceptable risk that counsel for Helferich might
17 misuse Defendants' confidential information to file new patent claims based on that
18 information.

19 But the unacceptable risk of disclosure is itself not enough to justify the issuance
20 of a patent prosecution bar: Defendants also bear the burden of demonstrating that risk
21 outweighs the potential harm to the opposing party in denying it the counsel of its choice.
22 To weigh the risk of inadvertent disclosure of proprietary competitive information, a
23 court must evaluate whether the kind of information to be protected is relevant to the
24 patent prosecution proceedings. In this case, Defendants do not identify any specific
25 confidential information that could be misused, apart from broad allegations of potential
26 harms. As a result, Defendants have not met their burden of showing good cause for the
27 issuance of a prosecution bar.

28

1 In order for a court to evaluate whether the information is related, a party seeking
2 a prosecution bar “must present a particular and specific demonstration of fact, as
3 distinguished from stereotyped and conclusory statements.” *AmTab Mfg. Corp. v. SICO*
4 *Inc.*, No. 11 C 2692, 2012 WL 195027, at *2 (N.D. Ill. January 19, 2012) (citation and
5 internal quotation marks omitted). In order to justify a prosecution bar, in other words,
6 the moving party must identify “specific information that would cause it injury if
7 disclosed.” *Id.*

8 The confidential information allegedly at risk in this case is vague and speculative.
9 Defendants contend that information to be produced in discovery “could be reviewed by
10 a good patent lawyer to inspire him or her to draft new patent claims targeted on
11 Defendants’ systems and plans for future systems (if any).” (Doc. 131 at 5.) But the
12 information Defendants identify is merely broad “categories of information [that] are
13 non-public and confidential.” (*Id.*) These broad allegations of speculative harm are not
14 sufficient to establish good cause: nothing in the Defendants’ Motion identifies a “clearly
15 defined and serious injury.” *AmTab*, 2012 WL 195027 at *2. Defendants argue that
16 Helferich’s counsel could add new patent claims based on services currently in use, but
17 do not identify any specific information that would cause injury if disclosed. All of the
18 examples of the alleged risk to Defendants are highly speculative. (Doc. 131 at 9-10.)
19 These examples are not enough to warrant the unnecessary hardship that would result
20 from the issuance of a patent prosecution bar.

21 Against that speculative risk, the Court must weigh the potential injury to
22 Helferich from restricting its choice of litigation and patent prosecution counsel.
23 Helferich “clearly has a strong interest in choosing its own counsel—particularly in the
24 complex and technical realm of patent litigation.” *Xerox Corp. v. Google, Inc.*, 270
25 F.R.D. 182, 185 (D. Del. 2010). Counsel for Helferich, including Mr. Kappes and Mr.
26 Lisa, have represented Helferich both in litigation and before the PTO for many years and
27 are deeply familiar with the patents at issue here. Depriving Helferich of the specialized
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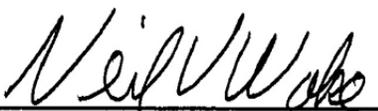
1 representation that its counsel can provide in this case would force them to rely on less
2 knowledgeable counsel, either in this litigation or before the PTO, and “thus increase
3 costs and duplicate effort.” *Xerox*, 270 F.R.D. at 185. Because that harm outweighs the
4 speculative risk of inadvertent disclosure, Defendants have not met their burden of
5 establishing good cause for a patent prosecution bar.

6 Further, the prosecution bar that Defendants seek in this case is unnecessarily
7 broad in scope given the narrow risk of inadvertent misuse. The risk that any confidential
8 information could be used in future patent claims or reexamination can be mitigated
9 without the harm of a prosecution bar by adding specific protection against such use in
10 the protection bar in this case. To that end, the protective order will be modified to
11 include a specific requirement that Helferich not rely on highly confidential information
12 disclosed by Defendants in this litigation in any proceeding before the PTO. As a result,
13 if Plaintiff misuses any confidential information to pursue claims before the PTO,
14 inadvertently or otherwise, the Court can remedy such misuse as it arises without
15 depriving Plaintiff of its choice of counsel. Counsel shall confer about language to effect
16 such modification. If they cannot agree, Defendants may file a motion requesting a
17 specific modification.

18 IT IS THEREFORE ORDERED that Defendants’ Motion for Protective Order
19 (Doc. 122) is DENIED without prejudice to Defendants’ opportunity to move for a
20 prosecution bar as appropriate in the future.

21 IT IS FURTHER ORDERED that the parties submit a revised joint proposed
22 protective order or, lacking agreement on a proposed order, that Defendants file a motion
23 requesting specific modification by December 14, 2012.

24 Dated this 5th day of December, 2012.

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27 _____
28 Neil V. Wake
United States District Judge