

Exhibit 21

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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

FILED

MAR 14 2005 WH

MICHAEL W. DOBBINS
CLERK, U.S. DISTRICT COURT

aaiPHARMA INC.,

Plaintiff,

v.

KREMERS URBAN DEVELOPMENT CO.,
SCHWARZ PHARMA, INC.,
SCHWARZ PHARMA USA HOLDINGS INC.,
SCHWARZ PHARMA MANUFACTURING INC.)
and
SCHWARZ PHARMA AG

Defendants.

Civ. Action No.
05-CV-0537

Judge Amy St. Eve

**aaiPHARMA AND McDONNELL BOEHNEN HULBERT & BERGHOFF'S
REPLY TO DEFENDANTS' OPPOSITION TO ITS MOTION
TO QUASH DEFENDANTS' RULE 45 SUBPOENA**

Defendants have come to this Court for the extraordinary relief of deposing Plaintiff aaiPharma's trial counsel. Having asked for this extraordinary relief Defendants do not address the issues before this Court, the propriety of Defendants' subpoena of plaintiff aaiPharma's trial counsel. Rather, they spend a great deal of their brief expounding on their theories of aaiPharma's inequitable conduct. They spend another portion of their brief with wild charges that MBHB has tried to "cover its tracks" or engaged in "obstructionist discovery tactics" in the underlying action. Besides being unsupported allegations and entirely irrelevant to the issue before the Court, Defendants' misguided theories simply do not support the discovery they seek.

The prevailing law in this district is clear: discovery taken from litigation counsel is extraordinary and will not be permitted except when counsel is the only source of unprivileged information that is crucial to the preparation of a party's case. *Harriston v. Chicago Tribune Company*, 134 F.R.D. 232 (N.D. Ill. 1990). Under the prevailing law of this district, the discovery Defendants so fiercely seek can be and should be sought from plaintiff, aaiPharma. Indeed, Defendants recognize this to be the case as they served aaiPharma with document requests and interrogatories that are substantially identical in the topics they cover and documents they request of MBHB. (Exhibits A and B). As set forth in their brief, Defendants want to know:

- Who at MBHB participated in AAI's patent prosecution strategy
- When they participated
- The extent of their participation
- What prior art and testing they had
- What prior art or "other materials" MBHB provided to the inventors or "attorneys who filed AAI's omeprazole patent applications"
- What MBHB did to "discharge its duty of candor" to the U.S. Patent and Trademark Office.

Plaintiff aaiPharma knows which MBHB attorneys it hired, what they did, the extent of their participation, what prior art was considered, and what (if anything) MBHB provided to them. Even on the last point, Defendants contend that MBHB could have discharged its "duty of candor" in only one way - by "disclosing information to the attorney, agent or inventor" (Def. Br. 11), *i.e.* aaiPharma. Thus, there is nothing Defendants could obtain from MBHB that they could not obtain from aaiPharma.

Defendants' efforts to involve MBHB in these issues are not supported by their brief or the exhibits cited therein. MBHB was not involved in either the preparation or prosecution of the patents-in-suit. MBHB prepared an opinion directed to patentability or patent strategy, but

their efforts ended there. The exhibits Defendants cite are not to the contrary. None of the exhibits indicate MBHB was involved with the preparation or prosecution of the patents-in-suit. None indicate that any analysis of "Form A" was done at MBHB. At most, the exhibits show MBHB worked with aaiPharma on omeprazole. As Defendants are well aware, aaiPharma's involvement with omeprazole far exceeded the patents-in-suit. aaiPharma, not MBHB, is where Defendants should try to obtain the information they now seek.

ARGUMENT

A. Defendants should seek discovery from aaiPharma.

Defendants should be, and are, pursuing the discovery they seek from plaintiff aaiPharma.

In this district, the overwhelming weight of precedent is to follow the rule in *Shelton v. American Motors Corp.*, 805 F.2d 1323 (8th Cir. 1986). As set forth in *Shelton*, before trial counsel should be deposed a party must show "(1) **no other means exist** to obtain the information than to depose opposing counsel...; (2) the information sought is relevant and **nonprivileged**; and (3) the information is crucial to the preparation of the case." *Id.* at 1327 (internal citations omitted). Courts in this district have implemented the *Shelton* standard in most cases. *See, Stalling v. Union Pacific R.R Co.*, No. 01-C-1056, 2004 U.S. Dist. LEXIS 863, at *5 (N.D. Ill. Jan. 22, 2004) ("Numerous federal courts in this district have followed the *Shelton* approach, and this Court will consider the *Shelton* factors in determining whether to bar Fletcher's deposition.");¹ *Ganan v. Martinez Mfg, Inc.*, No. 02-C-50412, 2003 U.S. Dist. LEXIS 13990, at *6-*7 (N.D. Ill. Aug. 12, 2003) ("[I]f 'the discovery sought is unreasonably cumulative

¹ Additional citations include *Computer Assoc.Int'l. Inc. v. Quest Software, Inc.*, No. 02-C-4721, 2002 U.S. Dist. LEXIS 26941 (N.D. Ill. Dec. 9, 2002); *Prevue Pet Prod., Inc. v. Avian Adventures, Inc.*, 200 F.R.D. 413 (N.D. Ill. 2001); *M & R Amusements Corp. v. Blair*, 142 F.R.D. 304 (N.D. Ill. 1992); *Joslyn Corp. v. RTE Corp.*, No. 86-C-2319, 1988 U.S. Dist. LEXIS 10796 (N.D. Ill. Sept. 18, 1988);

or duplicative, or is obtainable from some other source that is more convenient, less burdensome, or less expensive[,]’ then the attorney should not be deposed,” quoting *Marco Island Partners v. Oak Development Corp.*, 117 F.R.D. 418, 419 (N.D. Ill. 1987)); *Hernandez v. Longini*, No. 96 C 6203, 1997 U.S. Dist. LEXIS 18679, at *13-*14 (N.D. Ill. Nov. 13, 1997)(stating that discovery of trial counsel is appropriate only when: "(1) no other means exist to obtain the information other than to depose opposing counsel [citation]; (2) the information sought is relevant and nonprivileged; and (3) the information is crucial to the preparation of the case, citing *Shelton*); *Harriston v. Chicago Tribune Co.*, 134 F.R.D. 232, 233 (N.D. Ill. 1990)("The courts have not looked with favor upon attempts to depose opposing counsel. The practice is disruptive of the adversarial process and ‘lowers the standards of the legal profession,’" citing *Shelton*).

Defendants have not satisfied any of the requirements of the *Shelton* test. Defendants never served any discovery on aaiPharma relating to the information they seek until the very day that they served their subpoena on MBHB. They have not established that the information in their discovery requests on MBHB is either not privileged or relevant, or that it is “crucial” to the preparation of their case. Indeed, Defendants have done nothing in compliance with the *Shelton* requirements for this Court to permit them to enforce their subpoena and take the requested discovery from MBHB rather than aaiPharma.

It is the rare case where courts in this district have declined to follow the *Shelton* rule are distinguishable. In *qad Inc. v. Aln Assoc., Inc.*, Judge Shadur permitted counsel to be deposed subject to particularized objections based on privilege. 132 F.R.D. 492 (N.D. Ill. 1990). However in the *qad* case, the testimony sought concerned communications to third parties that were neither confidential nor privileged. The Court ruled that obtaining the sought-after evidence from the third parties would be even more burdensome, inefficient and costly than from

counsel. In fact, the party seeking discovery did not know the identities of the third parties in question, and would have been required to obtain their identities from counsel who opposed his deposition. However, the *qad* court opined that it would have adopted the view taken by Judge Bua in *Marco Island Partners*, 117 F.R.D. 418, *i.e.* to follow the *Shelton* standard, “[w]here it is really true that information may be derived at least as readily from a source other than the lawyer.” *Id.* at 495.

There is yet another reason why this Court should follow accepted precedent and direct Defendants to obtain its fervently sought-after discovery from plaintiff aaiPharma. As stated by Judge Korcoras in *Haworth, Inc. v. Herman Miller, Inc.*, bringing a subpoena against a third party such as MBHB

not only unnecessarily draws an uninvolved party into the litigation, but also invites this court, which has no other connection to the underlying patent case, to make decisions regarding discovery which may potentially infringe on the decisions and administration of the case by the presiding court . . .”

No. 92-C-4870, 1992 U.S. Dist. LEXIS 13670, at *5 (N.D. Ill. Sept. 9, 1992).

If the evidence demanded by Defendants is as important to their case as they fervently contend in their brief, this Court should direct them to their best source of that information, Plaintiff aaiPharma. Defendants will suffer no prejudice from this outcome, since they are already pursuing this discovery avenue. Defendants have not met their burden to support their subpoena on MBHB, and this Court should quash their subpoena.

B. The discovery sought is privileged.

Defendants mischaracterize both MBHB’s assertions regarding privilege in their motion to quash as well as the nature of the privilege. MBHB has not argued that “everything and anything” an attorney said or did is privileged or issued a “blanket objection.” Rather than voice a blanket privilege objection, MBHB’s position is simply that nothing (or perilously close to

nothing) Defendants' demand is not privileged, and that the privilege is not MBHB's to waive. Indeed, MBHB has specifically and appropriately asserted its privilege objections.

Defendants focus on their discovery requests relating to communications between MBHB and Myers Bigel, the patent law firm that actually prepared and prosecuted the patents-in-suit. Defendants neglect to advise the Court that they deposed the responsible Myers Bigel attorney, who testified that he prepared and prosecuted these patents along with Steven Fontana, aaiPharma's in-house counsel and "perhaps" a senior Myers Bigel lawyer. (Exhibit C). Defendants obtained no testimony that this attorney, Robert Smith, or any other attorney involved in preparing and prosecuting the patents-in-suit had any communications whatsoever with any MBHB attorney. Nor did they obtain any such testimony from Mr. Fontana over the course of three days of deposition testimony. The reason for this is simple: MBHB was not involved in the prosecution of the patent-in-suit and no such communications exist. Defendants' representations of the discovery they now seek from MBHB is disingenuous at best.

Defendants also ignore the remainder of their discovery attempts against MBHB, which include documents that are certainly privileged (such as the patentability opinion identified on aaiPharma's privilege log as item No. 123 (Topic 1)); see *Knogo Corp. v. United States*, 213 U.S.P.Q. 936, 942 (Ct. Cl. 1980) ("There is no longer any question that [opinions of the attorney on patentability and scope of patent claims] are legal opinions.")). Defendants also seek "all communications" between MBHB and aaiPharma regarding the memorandum, the subject matter of the patents-in-suit (Topics 5 & 6), and all "legal services or advice" provided by MBHB to aaiPharma (Topic 7). Defendants justify their demands by asserting that these communications cannot be privileged, because they are "technical" in nature. This view has been resoundingly rejected by the Federal Circuit and courts in this district. In *American Standard, Inc. v. Pfizer*

Inc., the Federal Circuit, citing *Sperry v. Florida*, 373 U.S. 379 (1963) and *Ledex, Inc. v. United States*, 172 U.S.P.Q. 538, 539 (Ct. Cl. 1972), stated that the “view that in-house and outside patent counsels’ patent-validity opinions are never protected by the attorney-client privilege . . . was dealt a fatal blow [by *Sperry v. Florida*] and was administered the coup de grace [by *Ledex Inc v. U.S.*].” 828 F.2d 734, 745-746 (Fed. Cir. 1987). In this district, courts have found that technical information, communicated by a client to her patent attorney for the purposes of obtaining legal advice, is privileged. *Smithkline Beecham Corp. v. Apotex Corp.*, No. 98-C-3952, 2000 U.S. Dist. LEXIS 13607 (N.D. Ill. Sept. 12, 2000). The *Smithkline* Court explicitly cited *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000), that “[a]n attorney cannot evaluate patentability or prepare a competent patent application without knowing the prior art and obtaining relevant technical information from the inventors,” and that such communications are privileged. *Id.* at *17, quoting *Spalding*, 203 F.3d at 803, n3.

This is precisely the information Defendants want to obtain from MBHB. But MBHB does not hold the privilege, and it is not MBHB’s to waive. Because the privilege belongs to aaiPharma, MBHB is incapable of responding to these requests and ethically bound not to. Defendants assure this Court that they would not waste this Court’s time, but it is nothing but a waste of everyone’s time to demand this information from MBHB. While this information is clearly privileged, all the technical information Defendants seek has been produced. It is MBHB’s analysis of that information that Defendants want, and it is this analysis that Defendants are not entitled to. Once again, aaiPharma is the proper source of this information and with whom the privilege issues should be contested, and this Court should quash Defendants’ subpoena.

C. The demanded testimony and documents are not calculated to lead to discovery of admissible evidence.

Defendants admit in their brief that their real goal in this exercise is to obtain evidence that MBHB is guilty of inequitable conduct. Def. Br. 7. They spend an inordinate amount of their brief setting forth their meager evidence and unsupported theories of a conspiracy involving at least aaiPharma and MBHB (and in other contexts, AstraZeneca) to deceive the Patent Office. For example, a fair reading of Defendants' Exhibits 2, 5 and 7 compared with their characterizations of these documents (Def. Br. 5, 9) clearly illustrates the slender reeds upon which Defendants base their meritless allegations against MBHB.

Not only are these contentions meritless, they are irrelevant to the issues before the Court. Defendants' theories are relevant to the underlying action, not whether this Court should enforce their subpoena against MBHB. Defendants accuse MBHB of misapprehending the law regarding the duty to disclose, and set up the strawman that MBHB believes that the duty of candor applies only those who "sign the application papers." (Def. Br. 10). In fact, it is Defendants who are in error, concerning both MBHB's position and the rule of law regarding the duty of disclosure.

There is no support in the plain meaning of Rule 56 (37 C.F.R. §1.56) or in the case law for Defendants' expansive sweep of the duty of disclosure. All the cases cited by Defendants implicate patent agents and attorneys, frequently either foreign or in-house attorneys or both, who prepared and/or prosecuted the applications with knowledge of material information and did not disclose it to the Patent Office. In every case these were individuals who were actually responsible for preparing the applications and directing the prosecution. In *Molins PLC v. Textron, Inc.*, for example, the British patent agent who was guilty of inequitable conduct was responsible for all patent prosecution over a 14-year period. 48 F.3d 1172, 1176, 1179-1182

(Fed. Cir. 1995). In *Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, the party guilty of inequitable conduct was the patentee's in-house patent agent. 326 F.3d 1226, 1230, 1240-1241 (Fed. Cir. 2003), and in *Fox Industries, Inc. v. Structural Preservation Sys., Inc.*, inequitable conduct was committed by the inventor and the patent attorney who filed the applications. 922 F.2d 801, 803-804 (Fed. Cir. 1990). And in *Gemveto Jewelry Company, Inc. v. Lambert Bros., Inc.*, 542 F. Supp. 933, 936, 943-944 (S.D.N.Y. 1982), it was a foreign patent attorney who prepared the original application in French (the English-language translation of which was filed in the U.S.) and directed all prosecution who was guilty of inequitable conduct. In none of the cases cited by Defendants and in no case known to MBHB has a court ever held that the duty of disclosure falls on counsel whose only involvement was to provide an opinion on patentability or prosecution strategy, as Defendants would have this Court believe.

Once again, there is a source of all the information Defendants seek, who are unquestionably subject to the Patent Office duty of disclosure: the attorneys who prepared and prosecuted the patents-in-suit. Unfortunately for Defendants, their counsel have already deposed both aaiPharma's in-house and outside counsel, as well as all the inventors, and found no evidence of inequitable conduct. The evidence they seek from MBHB is not relevant to this inquiry, and as such fails the threshold requirement that their requests be "reasonably calculated to lead to the discovery of admissible evidence." Fed. R. Civ. Pro. 26(b)(1). Accordingly, this Court should quash Defendants' subpoena.

D. Defendants have already obtained most of the documents they seek.

Defendants have obtained previously from aaiPharma all of the documents they now seek from MBHB. In their brief, however, Defendants take the occasion to state (as they have frequently in the New York action) that they are "troubled," here because these documents were produced without being identified as Defendants would now have them identified, *i.e.* as having

been considered by MBHB in providing its patentability opinion. However, Defendants never requested the information they now seek prior to serving MBHB with their subpoena and aaiPharma with substantially identical discovery requests. Not surprisingly, aaiPharma produced documents responsive to earlier requests as kept in their normal course, and were under no obligation to label these documents with regard to whether they were provided to MBHB, or whether MBHB provided any documents to them. Consequently, what Defendants have received has not been the result of any document “shuffling,” but rather has been caused by the nature of Defendants’ document and other discovery requests.

What Defendants really want, of course, is to peer over the privilege wall surrounding MBHB’s patentability opinion using a stepstool comprised of lists of documents provided to or by aaiPharma and considered by MBHB in arriving at its opinion. Defendants are not entitled to any such discovery. As discussed above, any list of documents or other information provided to MBHB by aaiPharma are part and parcel of a client’s request to its attorneys for legal advice and is therefore privileged. Similarly, any list of documents provided to aaiPharma by MBHB is part and parcel of its opinion and is privileged. Defendants have obtained all the properly discoverable technical information they have asked for. They now seek to obtain privileged information beyond the proper scope of discovery by deposing litigation counsel. Defendants should not be allowed to get even a glimpse of aaiPharma’s privileged information to which they are not entitled.

For all of these reasons, this Court should quash Defendants’ subpoena.

Respectfully submitted,

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