IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

ILLINOIS COMPUTER RESEARCH, LLC, *Plaintiff and Counterclaim Defendant,* v. **FISH & RICHARDSON P.C.,** *Defendant, Counterclaimant, Third-Party Plaintiff, and Counterclaim Defendant,* v. **SCOTT C. HARRIS,** *Third-Party Defendant and Counterclaimant.*	No. 07 C 5081 Judge Rebecca R. Pallmeyer Magistrate Judge Maria Valdez **Submitted Under Seal**

FISH & RICHARDSON'S MEMORANDUM IN SUPPORT OF ITS RENEWED MOTION TO COMPEL PRODUCTION OF DOCUMENTS

Pursuant to Federal Rule of Civil Procedure 37 and Local Rule of the United States District Court for the Northern District of Illinois 37.2, Fish & Richardson P.C. ("Fish & Richardson" or the "Firm") respectfully submits this memorandum of law in support of its Renewed Motion to Compel Production of Documents (the "Renewed Motion") from Scott Harris and Illinois Computer Research, LLC ("ICR"). This motion is prompted by ICR's and Mr. Harris's refusal to respond to repeated offers to meet and confer on these issues.

Although Mr. Harris and ICR separately have asked this Court to permit general discovery to move forward, they have continued to resist producing even the limited expedited discovery that this Court already ordered be produced. The Renewed Motion seeks the immediate production of certain groups of documents at issue in Fish & Richardson's December 11 motion to compel (the "initial motion to compel"), and referred to therein as the Retention and Fee Agreements and the Targeting of Clients Documents. Those documents are responsive

to Fish & Richardson's expedited discovery requests and bear on at least three questions at the heart of this case: (1) who the real parties in interest are and the extent to which each party shares in the financial recoveries flowing from the disputed patents; (2) how Mr. Harris deceived his partners by secretly retaining financial interests in those recoveries, including recoveries against Firm clients; and (3) whether Niro, Scavone, Haller & Niro (the "Niro firm") should be added as a party to the litigation.

Mr. Harris engaged in a pattern of unlawful non-disclosure that dates back several years to when Mr. Harris, without authorization, sought the Niro firm's assistance in bringing claims against Firm clients. Mr. Harris's misconduct was partially revealed in March 2007, when Mr. Harris, through the Niro firm, sued a Firm client, Dell. When his fellow principals at Fish & Richardson protested this breach of his contractual and fiduciary duties, Mr. Harris, with the assistance of others, arranged to continue to profit through claims against Firm clients while concealing that conduct from his partners. For example, Mr. Harris purported to assign the patents to hastily formed shell entities (that exist only to file patent infringement suits), but secretly retained a significant financial interest in the patents and those shell entities, including recoveries from suits against Firm clients. Mr. Harris then falsely represented he had divested himself of an interest in recoveries against Firm clients. Mr. Harris's and ICR's efforts to conceal important information have continued throughout expedited discovery. Therefore, Fish & Richardson brings the Renewed Motion to force ICR and Mr. Harris to produce improperly withheld documents relevant to key issues in this litigation.

Fish & Richardson Moves For Expedited Discovery

Fish & Richardson has sought to determine the extent to which certain entities and individuals, including Mr. Harris, shell entities and the Niro firm, share in recoveries on the

disputed patents. Fish & Richardson also sought to determine whether the Niro firm should be disqualified and/or joined as a party for aiding and abetting Mr. Harris's misconduct. Therefore, in November 2007, Fish & Richardson moved for limited expedited discovery of these issues.

After the Court granted its motion, Fish & Richardson served six expedited discovery requests on Mr. Harris and ICR. (11/21/07 D. Bradford Ltr., Ex. A.) On December 4, 2007, Mr. Harris and ICR purported to produce documents responsive to some of those requests. (12/04/07 P. Vickrey Ltr., Ex. B.) However, Mr. Harris and ICR produced no documents responsive to Expedited Requests Nos. 5 and 6, instead making a blanket objection of attorney client privilege. (*Id.*) Later, ICR and Mr. Harris provided a log of eight documents responsive to Request No. 5, but refused to produce or log documents responsive to Request No. 6.

Fish & Richardson Files Its Initial Motion To Compel

On December 11, 2007, Fish & Richardson filed its initial motion to compel, seeking, among other things, the same categories of documents at issue now: (1) the Retention and Fee Agreements and (2) the Targeting of Clients Documents. (1st Mot. to Compel at 1, Dkt. 62.) Fish & Richardson also sought the production of unredacted versions of certain documents previously produced in redacted form (the "Unredacted Documents"). (*Id.*)

At the December 21 hearing of Fish & Richardson's initial motion to compel, counsel for ICR and Mr. Harris represented to the Court that production of the Retention and Fee Agreements was unnecessary because the Unredacted Documents would "precisely delineate economic interests by percentage." (12/21/07 Hr'g Tr. 37.) Based on that statement, the Court ordered production of the Unredacted Documents and held, "[i]f review of those documents does not provide necessary information, Fish & Richardson will have leave to renew this motion" for production of the Retention and Fee Agreements. (Dec. 21 Ord., Dkt. 80.)

The Unredacted Documents Do Not Show The Economic Interests Of Each Entity

On December 28, 2007, Mr. Harris and ICR purported to produce the Unredacted Documents. (12/28/07 P. Vickrey Ltr., Ex. C.) However, in contrast with the express representations of ICR's and Mr. Harris's counsel, the documents do not establish the precise economic interests of all the parties. The Unredacted Documents are agreements between Mr. Harris and a shell entity, Memory Control Enterprise ("MCE"), regarding six patents, and do not relate to any other shell entities or patents. Thus, the Unredacted Documents do not resolve the question of the economic interests of *all* the shell entities, Mr. Harris or the Niro firm.

Fish & Richardson raised these and other concerns with counsel for Mr. Harris and ICR on January 28, 2008. (01/28/08 E. Sacks Ltr., Ex. D.) ICR and Mr. Harris did not respond substantively. Fish & Richardson again summarized its concerns on February 21, 2008. (02/21/08 E. Sacks Ltr. Ex. E.) In response, ICR and Mr. Harris refused to produce the Retention and Fee Agreements or even address the question of the precise economic interests of the parties. (02/22/08 P. Vickrey Ltr., Ex. F.) Instead, ICR and Mr. Harris offered to produce the Retention and Fee Agreements to the Court *in camera*. (*Id.*) However, the Court has already indicated that *in camera* review is unlikely to resolve Fish & Richardson's questions. (12/21/07 Hr'g Tr. 36.)

Mr. Harris And ICR Fail To Produce An Adequate Privilege Log

Also in January 2008, Fish & Richardson, pursuant to Court order, provided ICR and Mr. Harris a list of nine relevant clients of Fish & Richardson that have been threatened or sued on a Harris-related patent, so that ICR and Mr. Harris could produce, or at least log, the Targeting of Clients Documents. Thereafter, on February 18, counsel for Mr. Harris and ICR provided a privilege log of 28 documents. (02/18/08 P. Vickrey Ltr., Ex. G.) No responsive documents

were produced. In a February 21, 2008 letter, Fish & Richardson detailed several defects in Mr. Harris's and ICR's response to Expedited Request No. 6 and again requested production of *all* Targeting of Clients Documents. (02/21/08 E. Sacks Ltr., Ex. E.) On February 29, 2008, ICR and Mr. Harris produced an amended privilege log, but failed to address all of Fish & Richardson's concerns or produce the Targeting of Clients Documents. (02/29/07 Priv. Log., Ex. H.)

ARGUMENT

"Parties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense." Fed. R. Civ. P. 26(b)(1). Courts "may order discovery of any matter relevant to the subject matter involved in the action." *Kodish v. Oakbrook Terrace Fire Protection Dist.*, 235 F.R.D. 447, 450 (N.D. Ill. 2006). ICR and Mr. Harris have attempted at every turn to conceal information relating to the central issues of this litigation, including what Mr. Harris did with the patents, what interests Mr. Harris maintains in the patents, Mr. Harris's and the Niro firm's relationship with the shell entities, and the Niro firm's role in aiding and abetting Mr. Harris's misconduct. ICR and Mr. Harris should not be permitted to avoid their discovery obligations any longer.

I. Mr. Harris And ICR Must Produce The Retention And Fee Agreements.

In its Expedited Discovery Request No. 5, Fish & Richardson requested the production of what the parties have referred to as the "Retention and Fee Agreements":

> Any agreements to which the Niro firm is a party that reflect the formation of an attorney-client relationship with Harris, ICR, or with any party asserting an interest in any of the Harris patents – including any retainer or other agreement setting forth the terms and conditions on which the Niro firm agreed to represent a party asserting rights in relation to any of the patents.

The Retention and Fee Agreements are plainly relevant and not privileged. And contrary to ICR's and Mr. Harris's representations, no other documents provide the information contained in the Retention and Fee Agreements. Therefore, the documents should be produced immediately.

A. Retention and Fee Agreements are not privileged and are plainly relevant.

Mr. Harris and ICR initially objected to producing the Retention and Fee Agreements only on the grounds of attorney client privilege. (12/04/07 P. Vickrey Ltr., Ex. B.) Later, in response to Fish & Richardson's initial motion to compel, Mr. Harris and ICR argued that the request was not relevant. (Resp. and Cross-Mot. 7, Dkt. 69.) Both arguments fail.

As shown in Fish & Richardson's initial motion, Mr. Harris and ICR cannot establish that the Retention and Fee Agreements are privileged. The attorney-client privilege generally does not protect the identity of clients or production of retention and fee agreements. *See, e.g., Christman v. Brauvin Realty Advisors, Inc.*, 185 F.R.D. 251, 257 (N.D. Ill. 1999) (ordering production of bill and payment information); *Salstone v. Gen. Felt Indus.*, 1986 WL 13738, at *4 (N.D. Ill. Dec. 4, 1986) (ordering production of fee and retainer agreements). Fish & Richardson also showed that at least one of the documents, an agreement between the Niro firm and the shell entity MCE, could not be privileged because it had been disclosed to Mr. Harris. (1st Mot. to Compel at 13 n. 5, Dkt. 62.) Indeed, during the December 21 hearing, the Court expressed disbelief that the Retention and Fee Agreements could be privileged and noted, "[i]n general, for example, in tort litigation we routinely find out what the plaintiff's lawyer is expecting to recover should he or she win." (12/21/07 Hr'g Tr. 35.) Thus, ICR and Mr. Harris cannot now argue the Retention and Fee Agreements are privileged.

Realizing there is no basis for asserting attorney client privilege, Mr. Harris and ICR argued in response to Fish & Richardson's initial motion to compel that the request for Retention and Fee Agreements is "unreasonable" and not relevant. (Resp. and Cross-Mot. 7, Dkt. 69.) However, Mr. Harris and ICR did not raise a relevancy objection when Fish & Richardson served its discovery request, and thus the argument is waived. *Autotech Tech. Ltd. v. Automationdirect.com, Inc.*, 236 F.R.D. 396, 398 (N.D. Ill. 2006) (granting motion to compel: "courts are uniform" in "permitting a finding of waiver where objections are not timely made").

In any event, "[t]he test for relevancy under the Federal Rules is extremely broad and permissive." *Minch v. City of Chicago*, 213 F.R.D. 526, 527 (N.D. Ill. 2003). A discovery request "should be considered relevant if there is any possibility that the information sought may be relevant to the subject matter of the action." *Meyer v. Southern Pac. Lines*, 199 F.R.D. 610, 611 (N.D. Ill. 2001) (internal quotations omitted). In this case, Mr. Harris and ICR cannot meet their heavy burden of demonstrating that the Retention and Fee Agreements are not relevant.

The Retention and Fee Agreements are vitally important to understanding Mr. Harris's misconduct, the Niro firm's role relating to that misconduct, and who the real parties in interest are. It appears that Mr. Harris and the Niro firm created the shell entities (which exist only to file patent infringement suits) and purported to assign to them the disputed patents as a pretense to hide the fact that Mr. Harris retained a significant financial interest in recoveries related to the patents, including lawsuits against Firm clients. The Retention and Fee Agreements are necessary to establish exactly how small an interest – if any – the shell entities actually have in litigation related to the disputed patents. As the Court has noted, Fish & Richardson served this request because it is "concerned about whether the shell entities actually have a stake" in litigation relating to the disputed patents. (12/21/07 Hr'g Tr. 36.) Moreover, the documents

relate to the question of the Niro firm's role in aiding and abetting Mr. Harris's misconduct. Who the Niro firm represented, the scope of that representation and the compensation for that representation are relevant to how the Niro Firm facilitated Mr. Harris's misconduct, such as representing the shell entities in the sham patent assignments. Indeed, after considering Fish & Richardson's relevancy argument during the December 21 hearing, the Court stated, "I think this argument is a valid one." (*Id.* at 35.)

Finally, ICR and Mr. Harris have suggested that *in camera* review of the Retention and Fee Agreements will resolve this issue. However, during the December 21 hearing, the Court indicated ICR's and Mr. Harris's proposal is insufficient, pointedly asking: "Isn't [Fish & Richardson's] counsel entitled to know [the information contained in the agreements] without some kind of representation from the Court that could leave a lot of questions unanswered?" (*Id.* at. 36.) Counsel for ICR and Mr. Harris had no rebuttal then, or now. There is no justification to rely on *in camera* inspection rather than simply producing relevant, non-privileged documents.

B. The Retention and Fee Agreements contain unique information.

In a last ditch effort to withhold the Retention and Fee Agreements, during the December 21 hearing counsel for Mr. Harris and ICR expressly represented that production of the Retention and Fee Agreements was unnecessary. Counsel for ICR and Mr. Harris informed the Court that it would produce certain unredacted documents previously produced in redacted form (the "Unredacted Documents") which would "precisely spell[] out the economic percentages" of the financial interests of all parties and entities. (12/21/07 Hr'g Tr. 37.) In fact, counsel represented "as an officer of the court" that the Unredacted Documents "precisely delineate interests by percentage." (*Id.*) Based on that representation, the Court ordered production of the Unredacted

Documents but held that Fish & Richardson could revisit the production of the Retention and Fee Agreements if the Unredacted Documents did not resolve its questions. (Dec. 21 Ord., Dkt. 80.)

However, counsel's representation proved incorrect—the Unredacted Documents do not address each party's financial interests in the patents, let alone "precisely delineate interests by percentage." The Unredacted Documents relate only to one shell entity, MCE, and thus cannot resolve questions regarding the economic interests of *all* the shell entities, Mr. Harris, and the Niro firm.[1] In addition, although Mr. Harris and ICR previously produced assignment agreements relating to other shell entities, those documents do not address, let alone resolve, the questions raised in Fish & Richardson's initial or present motion to compel.

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All of that information is relevant to determining each person's and entity's true financial interests and thus who the real parties in interest are.

Moreover, the Retention and Fee Agreements will directly address which of the shell entities the Niro firm represented and the terms and scope of that representation. Therefore, the Retention and Fee Agreements will provide important information regarding the Niro firm's role in Mr. Harris's scheme, such as, for example, the extent to which the Niro firm represented shell entities during the sham patent assignments and how much the Niro firm benefited from concealing Mr. Harris's economic interest in these lawsuits. Thus, ICR and Mr. Harris should produce the Retention and Fee Agreements immediately.

[1] Also, the Unredacted Documents are contradictory and incomplete, and thus do not even fully address the economic interests of MCE.

II. ICR And Mr. Harris Have Not Adequately Collected Or Sufficiently Established Privilege Regarding The Targeting of Clients Documents.

Fish & Richardson's Expedited Discovery Request No. 6 requested the production of the so-called "Targeting of Clients Documents":

> All documents created while Harris was at Fish & Richardson that relate or refer to the assertion or possible assertion of the Harris patents against any other client of Fish & Richardson, including but not limited to communications with the Niro firm on those topics.

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Mr. Harris and ICR have refused to produce any documents responsive to this request on grounds of privilege, and initially refused even to produce a privilege log. (12/04/07 P. Vickrey Ltr., Ex. B.) In December 2007, Fish & Richardson moved to compel, articulating numerous reasons why the Targeting of Clients Documents are not privileged. (1st Mot. Compel 7-11, Dkt. 62.) At a minimum, Fish & Richardson requested that ICR and Mr. Harris be required to produce a privilege log so that Fish & Richardson could evaluate ICR's and Mr. Harris's privilege claims. (Reply 1st Mot. To Compel at 10, Dkt. 78.) Pursuant to the Court's order, in January 2008 Fish & Richardson provided ICR and Mr. Harris

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so that that ICR and Mr. Harris could produce responsive documents or at least a privilege log. On February 18, 2008, ICR and Mr. Harris finally provided a privilege log, which it amended on February 29, 2008. (Ex. H.)

However, ICR's and Mr. Harris's privilege log is wholly insufficient. The limited scope of the privilege log demonstrates that ICR's and Mr. Harris's efforts to collect and produce, or log, responsive documents is inadequate. And, the privilege log does not establish privilege.

A. The scope of the privilege log is inadequate.

As an initial matter, the scope of the February 29 privilege log is wholly inadequate, and demonstrates that ICR and Mr. Harris should be ordered to collect and produce, or at the very least log, *all* Targeting of Clients Documents:

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- *Second*, the privilege log contains only documents created or received by Mr. Harris. Fish & Richardson's request, however, is not limited to documents created or received by Mr. Harris, but also includes documents created or received by ICR or the Niro firm.

- *Third*, the privilege log does not include any documents created before July 2006. (*Id.*) However, Mr. Harris began analyzing and preparing claims before that date. In fact, the Niro firm claims its attorney-client relationship with Harris, which exists to facilitate patent suits, began in March 2006. (12/28/07 P. Vickrey Ltr., Ex. C.)

- *Fourth*, Fish & Richardson independently has identified an email exchange between Mr. Harris and a third-party that indicates a possible action against a Firm client. (1st Mot. to Compel 9, Dkt. 62.) ICR and Mr. Harris have not produced or logged this document.

- *Finally*, ICR and Mr. Harris initially objected to production of a privilege log because it "would require an enormous amount of work." (12/04/07 P. Vickrey Ltr., Ex. B.) Yet the privilege log contains only 28 documents. Perhaps there are innocent explanations for this discrepancy, but none are readily apparent.

As a result, Mr. Harris should be required to expand the scope of its efforts to collect and produce, or at the very least log, *all* Targeting of Clients Documents.

B. The ICR/Harris privilege log does not establish privilege.

In addition, Mr. Harris and ICR have failed to establish that the logged documents are privileged. "The burden falls on the party seeking to invoke the privilege to establish all the essential elements." *United States v. White*, 950 F.2d 426, 430 (7th Cir. 1991). The assertion of privilege "cannot be a blanket claim," but instead must be established on a "document by document basis." *Id.* The failure to provide sufficient detail in a privilege log may result in

waiver of the privilege, if any even applied. *See In re Gen. Instruments Corp. Sec. Litig.*, 190 F.R.D. 527, 532 (N.D. Ill. 2000); *see also Allendale Mut. Ins. Co. v. Bull Data Sys., Inc.*, 145 F.R.D. 84, 88 (N.D. Ill. 1992).

Here, ICR and Mr. Harris have failed to meet their burden of establishing the elements of privilege. Six log entries, numbers 23-28, do not even provide a recipient, let alone state that advice was being sought from a legal adviser. (Ex. H.) Still other entries list recipients whose identity is unknown to Fish & Richardson, with no indication that the recipient is an attorney or has an attorney-client relationship with Mr. Harris. (*See, e.g.* entry nos. 2, 3, 10, 14.) Indeed, none of the 28 entries states the grounds for withholding the documents. For these reasons, ICR and Mr. Harris should be compelled to produce the withheld documents, or at the very least provide detail sufficient to establish privilege, if they can.[2]

III. ICR And Harris Should Pay Fish & Richardson's Costs In Bringing This Motion.

For all of the conduct described above, ICR and Mr. Harris should pay Fish & Richardson its expenses incurred in bringing this motion. *See* Fed. R. Civ. Pro. 37(a)(5)(A).

CONCLUSION

For the foregoing reasons, Fish & Richardson's respectfully requests that its motion to compel be granted.

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[2] Fish & Richardson's initial motion to compel also articulated numerous reasons why ICR and Mr. Harris could not make a blanket assertion of attorney-client privilege, including: (i) some of the requested documents were not exchanged with the Niro firm, and thus cannot be privileged; (ii) Mr. Harris waived the privilege due to the Fish & Richardson computer and email policy; (iii) Mr. Harris had a fiduciary duty of disclosure; and (iv) the crime-fraud exception applied. (1st Mot. to Compel 7-11, Dkt. 62.) ICR and Mr. Harris moved for a protective order concerning Fish & Richardson's computer and email policy, which is pending before the Court. By this Renewed Motion, Fish & Richardson renews the arguments provided in its initial motion to compel.

February 29, 2008

Respectfully submitted,

FISH & RICHARDSON P.C.

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was filed with the Court by means of the Court's CM/ECF system, which will send notification of such filing to the following counsel at their email address on file with the Court:

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