

UNITED STATES DISTRICT COURT
Northern District of Indiana
South Bend Division

HEARTLAND RECREATIONAL)	
VEHICLES, LLC,)	
Plaintiff,)	
)	CASE NO.: <u>3:08-cv-490 TLS - CAN</u>
v.)	
)	
FOREST RIVER, INC.,)	JURY DEMAND
Defendant.)	

(MOTION FOR REVIEW OF) FOREST RIVER’S OBJECTIONS TO MAGISTRATE’S ORDER (DE#107)

Pursuant to Fed. R. Civ. P. 72(a), Forest River objects to the Magistrate’s Order of March 22, 2010, Docket Entry No. 107 (“DE#107) in this case entered on March 24, 2010. That Order denied Forest River’s Motion to Compel, DE#88.

Relevant Factual Background:

Prior filings in this Court have set forth the general background of the legal issues remaining for resolution. In particular, Forest River commends to the Court DE#74 at pages 2-4. In specific connection with subject motion to compel to which these objections to the Order are directed, the following information is set forth.

Prior to June 27, 2005, Heartland had two different law firms engaged to protect its “invention” of the ‘650 patent: Barnes & Thornburg and Baker & Daniels. On or about June 27, 2005, Heartland consolidated that responsibility into a single law firm, Baker & Daniels. Exhibit A. The events in issue by the subject motion are primarily those which took place prior to June 27,

2005.

Prior to June 27, 2005, on March 29, 2004, specifically, Barnes & Thornburg had prepared and filed the provisional patent application which led to the '650 patent. Exhibit B, under heading "Related U.S. Application Data." After representing Heartland in connection with prosecution of that provisional patent application, Barnes & Thornburg filed a corresponding utility patent application for Heartland on March 28, 2005. Exhibit C. During this same time period, Baker & Daniels represented Heartland in bringing patent infringement claims against its competitors based upon the patent applications filed by Barnes & Thornburg. Exhibit D, under 2/22/2005, 5/27/2005, 6/01-03/2005, 6/20-22/2005 time entries.

Thus, the patent "prosecution" function (representing Heartland in getting the patent application approved by the U.S. Patent and Trademark Office ("USPTO")) was separate from the "infringement" function (enforcement of prospective patent rights) until June 27, 2005.

It is undisputable that under 37 C.F.R. §1.56 Heartland had an affirmative duty to disclose material and relevant prior art to the USPTO. Heartland did disclose 14 prior patents to the USPTO. Exhibit B, under heading "References Cited." That disclosure took place on June 27, 2005, by Baker & Daniels. Exhibit E. However, during discovery in this lawsuit, it was revealed that the 14 patents cited by Heartland to the USPTO had mysteriously appeared in Barnes & Thornburg's files for the patent application. The attorney responsible for patent prosecution prior to June 27, 2005, Greg Cooper, testified that he did not know how those patents got into his files. Someone, most likely an attorney or professional searcher found those prior patents and somehow "put" them into Mr.

Cooper's files.¹

The subject motion to compel arose because the existence of those 14 patents appears to be the tip of the iceberg in terms of the treatment of knowledge about prior art by Heartland and those persons acting on its behalf. The discovery inquiries with respect to those 14 patents focuses on two aspects: who found those patents and what else should have been found. As to the latter, the landmine of the '841 patent, for example, is discussed in DE#88 at pages 2-3. As to the former issue, the problem is more complex.

The legal basis for Forest River's counterclaim against Heartland for fraud in obtaining the '650 patent is discussed in detail in DE#99 at pages 3-8. In regard to the secret identity of the person who discovered the 14 patents, it comes down to the "cultivating ignorance" rule of *FMC Corp. v. Hennessy Ind., Inc.*, 836 F. 2d 521, 526 (Fed. Cir. 1987) ("As a general rule, there is no duty to conduct a prior art search ... However, one should not be able to cultivate ignorance . . . merely to avoid actual knowledge of that information or prior art"). It is undisputed that Heartland did conduct a prior art search. We know that for a fact because some of the prior patents, the "14," were revealed to the USPTO. But was that all that was discovered, and did the search have intentional and specific limits put on it so as to avoid finding the closely related '841 patent and similar invalidating prior art? At the same time, it was obviously unusual for the "14" to just appear in Mr. Cooper's files with no explanation as to how they got there. Accordingly, was there a deliberate plan to keep the prosecuting attorney from knowing what the infringement attorneys knew?² Moreover, as has been

¹ This event has been discussed and documented by Exhibits in several prior Court filings: DE#99 pages 2 and 8-12, DE# 93 at page 2, DE#88 at pages 1-2, DE# 86 at page 7.

² Even though Baker & Daniels did not conduct the prosecution of the '650 patent until June 27, 2005, Mr. Gallagher of that firm was previously aware of prior art to be disclosed to the

explained in more detail in DE#88 and DE#99, the 20 year term of the “14” is suspicious in and of itself since it suggests that someone was parsing through the prior patents to find inventions that Heartland may infringe (an infringement search), but stopped short of going into prior art that would take away Heartland’s patent (a validity or patentability search).

Accordingly, Forest River sought relevant information related to whether or not Heartland cultivated ignorance by segregating knowledge of the prior art. In doing so, Forest River served two production requests, Nos 9 and 32, requiring disclosure of documents relating to:

9. . . any investigation by or on behalf of Heartland into the patentability of the invention(s) of the patent in this lawsuit or the validity of the patent in this lawsuit, and

32. . . the application for the patent in this lawsuit or the invention of that patent, including, but not limited to, patentability, infringement, state of the art, or prior art searches and reports thereof, and billing statements therefor.

See, Exhibits H and I of DE#88. **It is important to note that these requests were not limited to prior art searches or investigations conducted only as part of patent “prosecution.”** Any search for prior art which related in any way to the ‘650 patent or the invention described in that patent was literally covered. If an attorney responsible for enforcement of the patent conducted a prior art search to see if the invention was patentable or if that invention was an infringement of anyone

USPTO from his June 22, 2005 time entry (“preparation of information disclosure statement” - see 37 CFR §1.97). Further, it would be extremely unusual for an Indiana law firm to not conduct some sort of prior art investigation akin to that of Fed. R. Civ. P. 11 prior to accusing someone of patent infringement. See Rule of Professional Conduct 3.1 (“a lawyer shall not . . . assert . . . an issue, unless there is a basis in law or fact for doing so”). Since the Heartland’s patent application had not been approved by the USPTO, Baker & Daniels would have no basis in knowing if the invention of that application was even patentable and would support any claim for infringement at all unless some sort of prior art search was done.

else's patent, or even to understand the general state of the art into which that attorney was making claims, such an investigation would have to be revealed.

The Magistrate's Order:

One of the two law firms, Barnes & Thornburg, fully complied with the production requests. Heartland itself and Baker & Daniels, however, refused compliance. Accordingly, Forest River ended up having to file a motion to compel the missing documents from those two parties. On March 24, 2010, Forest River was served with the Order of March 22 denying that motion.³

However, the Order states explicitly that the motion to compel was denied because "it seeks financial documents that do not exist" (DE#107 at page 4) and denied because "most convincingly to this Court, Baker & Daniels asserts that the fourteen prior patents were already contained in the patent case file when the file was given to them by Barnes & Thornburg. Accordingly, . . . it is chronologically impossible for its time records to reveal any information about the fourteen patents" (DE#107 at page 6). Summarizing, the Order does not conclude that the requested documents are not relevant or that production would be unduly burdensome. Instead, it states "because Forest River's discovery request seeks documents that do not exist or seeks documents that have already been disclosed" the motion is denied (DE#107 at page 7).

However, the Magistrate's conclusion that the documents sought do not exist was based upon

³ Three types of documents were addressed in the motion: Heartland's financial records showing an invoice for or payment of the prior art search, Baker & Daniels' time and billing records showing such a search being conducted, and Baker & Daniels policy records. Since Baker & Daniels agreed to produce the existing policy documents, Forest River's motion was denied in that regard (DE#107 at page 5), and those documents are not in issue here. The former two types of documents, showing who did the search that produced the 14 are in issue here.

the Surreply (DE#101-1). Heartland filed a Motion (DE#101) for leave to submit that Surreply on March 12, 2010. Without waiting for Forest River's response (as it was permitted to file under Local Rule 7.1) to that Motion, on March 16, 2010 the Magistrate issued an Order granting that motion (DE#103). The Order denying Forest River's motion issued shortly thereafter, on March 22, 2010. The Surreply contained a representation to the Court that Heartland could not locate "a bill for research services related to the prosecution of the '650 patent." Heartland made no representation that it did not issue payment for such research services and has no record of such payment. Such payment would obviously point to the person(s) who did the search services.

Further, and more importantly there is no representation by Heartland or by Baker & Daniels that they have no records relating to any searches for prior art in connection with the invention of the '650 patent (as the production requests would require disclosure of). The only representations they made are as to searches incident to the "prosecution" of the patent application.⁴ Careful wordsmithing. If Forest River had been permitted to respond to the Surreply, it would have opposed the Surreply by explaining that the representation was incomplete as to the files and documents which did exist. Any documents showing a prior art investigation which was conducted incident to threats of litigation or showing payment of bills no longer in existence for a prior art investigation incident to prosecution should still have been compelled.

The Standard of Review of this Objection:

Rule 72(a) requires that the Court "must consider timely objections and modify or set aside

⁴ As explained in DE#99 at page 4, the duty of disclosure under 37 CFR §1.56 extends to Baker & Daniels even if they are not the attorneys actually prosecuting the patent application at the time the prior art is discovered.

any part of the order that is clearly erroneous or contrary to law.” Obviously, this is a deferential standard, not merely de novo. At the same time, however, when the reviewing Court examines the entire record and is left with a definite and firm conviction that a mistake has been made or when the magistrate judge has misinterpreted or misapplied applicable law, the order must be overturned. *Marks v. Struble*, 347 F. Supp. 2d 136, 149 (D.N.J. 2004).

A objection is timely under Rule 72(a) when it is filed within 14 days of service of the order objected to. That has been done in the present case (considering the three day extension of Fed. R. Civ. P. 6(d)), so this Objection is timely.

In regard to whether the Order is contrary to law, it should be noted that L.R. 7.1(a) permits a party to respond to a motion within 14 days of being served with that motion. Accordingly, Forest River should have been given until March 29, 2010 in which to contest the Surreply (considering also the three days of Rule 6(d)).

Further, with respect to any motion seeking to block discovery, the scope and purpose of discovery is to obtain information “regarding any non-privileged matter that is relevant to any party’s claim or defense” and relevance is defined as that which is “reasonably calculated to lead to the discovery of admissible evidence.” Fed. R. Civ. P. 26(b)(1). Generally, broad discovery is available under the Federal Rules of Civil Procedure. *See Blancha v. Raymark Industries*, 972 F. 2d 507, 514 (3d Cir. 1992)(“Thus the rule, while giving judges great freedom to admit evidence, diminishes substantially their authority to exclude evidence as irrelevant”). Privileges excluding relevant evidence are to be construed narrowly because they constrict the fact-finding process. *Ryan v. Commissioner of Internal Revenue*, 568 F. 2d 531, 542-3 (7th Cir. 1977), *cert. denied*, 439 U.S. 820 (1978).

Analysis of the Present Objections:

Unquestionably, as a matter of due process, Forest River should have been permitted to respond to the motion for leave to file a Surreply prior to that motion being granted. Had Forest River been permitted to do so, the new “evidence” being submitted by Heartland could have been exposed for what it is: a carefully worded and easily misunderstood slight of hand. At the very least, since the Surreply presented new evidence which the Magistrate placed heavy reliance upon, the Order granting the motion for leave to file the Surreply should have given Forest River leave to respond to that evidence.⁵

Since either opportunity did not happen, it was plainly a violation of due process for the Magistrate to rely upon the new and un rebuttable evidence presented in the Surreply. As indicated in the Order of DE#107, the Magistrate relied so heavily upon Heartland’s representation that documents relating to a prosecution search did not exist, that the word “prosecution” was plainly ignored and the Magistrate assumed no search documents existed, whether prosecution related, infringement related, or otherwise.

Further, as to Baker & Daniels’s time records, the Court relied upon Baker & Daniels assertion “that it has already complied with the original discovery requests and have provided all relevant time records of attorneys involved in the prosecution of the patent.” DE#107 pages 5-6. Again, that is not enough. Clearly Baker & Daniels was also involved with the patent application and invention of the ‘650 patent *prior to and otherwise than in conducting in its “prosecution.”* Prior art discovered in the context of litigation preparation, which Heartland was clearly doing during

⁵ Since the impact of the Surreply could not be known until the Order of DE#107, an objection to the Order of DE#103 was premature. After service of DE#107, the effect of DE#103 was subsumed within the latter order.

the pendency of the patent application, is still prior art that must be disclosed, both to the USPTO and to Forest River.

The Magistrate's Order somehow got the chronology mixed up with regard to the mysterious 14 patents. The Order asserts that since Baker & Daniels did not take over the files until after the 14 were already found, it was "chronologically impossible" for Baker & Daniels time records to contain any indication about the origin of the 14. That conclusion is either:

1. The result of clearly erroneous factual analysis, since a prior art search by Baker & Daniels could (and should) have been conducted prior to any assertion of infringement (that law firm was doing infringement work prior to June 27, 2005), and the results of that search could easily have been passed on to Barnes & Thornburg for use in patent prosecution before Baker & Daniels took over the patent prosecution,⁶ or

2. The result of misinterpreting the law of inequitable conduct to suggest that if Heartland directly or indirectly obtains relevant and material information about prior art from attorneys who are not directly responsible for patent prosecution, there is no obligation by those attorneys or Heartland itself to pass that information on to the USPTO. As explained in detail in DE#99 starting at page 4, that is not correct under 37 C.F.R. §1.56.

In either event, however, the discovery requests were explicitly NOT limited to searches or investigations that were conducted only with respect to patent prosecution. There was no finding by the Magistrate that the requested documents were not relevant if they do exist. There was no finding by the Magistrate that such documents were overly burdensome to produce. There should

⁶ Indeed, the cryptic time entry of May 25, 2005 suggests that some search or investigation in connection with the patent was conducted, the "results" of which were discussed with Mr. Brotherson, the attorney responsible for administration of the Heartland account.

only have been a finding that the documents relating to a prosecution search do not exist and that time records relating to prosecution have already been produced. By leaving a “hole” for non-prosecution prior art searches, the order is clearly erroneous as a matter of law and of factual analysis.

As for the Heartland’s oft repeated complaint that Forest River is merely on a “fishing expedition,” not all fishing expeditions are precluded by the fact-finding process of discovery. The fishing analogy is apt if one considers that the 14 patents found to have been mysteriously deposited in Mr. Cooper’s files are the “bones” of the prior art search that was conducted. What remains to be known is who caught the fish and what they did with the rest of it. That information is directly relevant to knowing what Heartland’s intent was with respect to full disclosure of prior art to the USPTO.

Conclusions:

The Order of DE#107 should be modified to require disclosure of:

1. Records of payment by Heartland of *any* investigation into prior art during the pendency of the patent applications which issued as the ‘650 patent, and
2. Any records of Baker & Daniels and Heartland relating to *any* investigation into prior art relating to the invention of the ‘650 patent.

On the other hand, the representations of Baker & Daniels and of Heartland that no such records exist for “bills for research services related to the prosecution of ‘650 patent” and of any other “time records for attorneys involved in the prosecution of the patent” apart from those already disclosed should be made a finding of fact in this case, so as to be part of the law of the case.

Dated: April 13, 2010

Respectfully submitted,

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Certificate of Service

I certify that on April 13, 2010, I electronically filed the foregoing document with the Clerk of the Court using CM/ECF system, which sent notification of such filing to all of the parties through at least the following counsel of record:

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s/Ryan M. Fountain

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INDEX OF EXHIBITS

- Exhibit A Revocation of Power of Attorney form filed with the '650 patent application
- Exhibit B Cover page of the '650 patent
- Exhibit C Barnes & Thornburg form Transmittal Sheet for the '650 patent application
- Exhibit D Time diaries of Gerard Gallagher, attorney of Baker & Daniels
- Exhibit E Information Disclosure Statement filed by Baker & Daniels in the '650 patent