EXHIBIT 7

Caution
As of: Aug 17, 2011

ST SALES TECH HOLDINGS, LLC v. DAIMLER CHRYSLER CO., LLC, et al

CIVIL ACTION NO. 6:07-CV-346

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS, TYLER DIVISION

2008 U.S. Dist. LEXIS 107096

March 14, 2008, Decided

PRIOR HISTORY: *ST Sales Tech Holdings LLC v. Daimler-Chrysler Co. LLC, 2007 U.S. Dist. LEXIS 98160 (E.D. Tex., Aug. 22, 2007)*

COUNSEL: [*1] For Plaintiff: Andrew Wesley Spangler of Spangler Law PC, Longview, TX; David Michael Pridham of Law Office of David Pridham, Barrington, RI; John J. Edmonds of The Edmonds Law Firm, PC, Houston, TX.

For Daimler Chrysler Co LLC and Daimler Chrysler Corporation, Defendant(s): Frank C Cimino, Jr of Dickstein Shapiro, LLP DC, Washington, DC; J Thad Heartfield and M. Dru Montgomery of The Heartfield Law Firm, Beaumont, TX.

For Ford Motor Co, Land Rover of North America Inc, and Volvo Cars of North America Inc, Defendant(s): Frank A Angileri, John S Le Roy, and Marc Lorelli of Brooks & Kushman PC - Southfield, Southfield, MI; J Thad Heartfield of The Heartfield Law Firm, Beaumont, TX; Jennifer Parker Ainsworth of Wilson Sheehy Knowles Robertson & Cornelius PC, Tyler, TX.

For Mazda Motor of America Inc, Defendant(s): Andrew S Dallmann of Howrey LLP Irvine CA, Irvine, Ca; Andrew R Sommer and Matthew J Moore of Howrey LLP Washington, Washington, DC; J Thad Heartfield of The Heartfield Law Firm, Beaumont, TX.

JUDGES: JOHN D. LOVE, UNITED STATES MAGISTRATE JUDGE.

OPINION BY: JOHN D. LOVE

OPINION

MEMORANDUM OPINION AND ORDER

Before the Court are Defendants' Motion For Entry of a Protective Order (Doc. No. 88), and a number of [*2] responses and replies. For the reasons that follow, Defendants' motion is **GRANTED.**

BACKGROUND

ST Sales Tech Holdings, LLC (hereinafter "Sales Tech") is a Texas limited liability company in the business of acquiring, licensing, and enforcing patents.

Pridham Decl. P 6. Sales Tech is the owner by assignment of *U.S. Patent No. 6,941,305* (hereinafter "the *'305 patent*"), entitled "Customer management system for automobile sales industry," which it seeks to enforce through the present infringement proceedings. Compl. P 15. Plaintiff Sales Tech is one of many patent holding entities owned and controlled by Erich Spangenberg and represented in some capacity by attorney David Pridham. Spangenberg's business entities, including Sales Tech, are in the business of holding intellectual property for litigation and pre-litigation activities. *See* Trial Transcript at 186:16-19 (May 23, 2007), *Orion IP LLC v. Hyundai Motor Co.*, No. 6:05-cv-322 (E.D. Tex. 2007). *See also* Def.'s Mot. For Entry of Protective Order (Doc. No. 88; Ex. 1). The parties' present dispute regards whether Pridham should be denied access to Defendants' confidential information under a protective order.

Although Sales Tech as an entity [*3] is relatively new, Spangenberg's many other patent holding entities have previously sued these same Defendants a number of times in just over three years. [1] The most recent lawsuits, including this one, involve similar patents and infringing conduct, specifically the operation of "build your own" tools on Defendants' websites and web-based methods for interacting with Defendants' auto dealerships. Def.'s Mot. For Entry of Protective Order at 3. A number of the lawsuits resulted in settlements, though Spangenberg's entities continue to acquire and attempt to enforce other similar patents against these same Defendants, including the *'305 patent* asserted herein.

1 Specifically, this is the third lawsuit brought by entities owned and controlled by Spangenberg against Defendants Hyundai, Ford, Volvo, and Mazda; the second against Land Rover; and the fourth lawsuit brought against Mercedes and Chrysler. *See Orion IP, LLC v. Mercedes-Benz USA, LLC,* No. 6:05-cv-322 (E.D. Tex. 2005); *Orion IP, LLC v. Ford Motor Co. and DaimlerChrysler Corp.*, No. 2:04-cv-313 (E.D. Tex. 2004); *Orion v. Chrysler Holding LLC,* No. 6:07-cv-370 (E.D. Tex. 2006); *Orion IP, LLC v. Mercedes-Benz USA, LLC,* No. 6:07-cv-451 (E.D. Tex. 2007) [*4] ; *Taurus IP, LLC v. Ford Motor Co.*, No. 2:04-cv-313 (W.D. Wis. 2007); *Taurus IP, LLC v. DaimlerChrysler Corp. and Mercedes-Benz USA, LLC, 519 F. Supp. 2d 905 (W.D. Wis. 2007)*; *ST Sales Tech Holdings, LLC v. Daimler-Chrysler Co., LLC, No. 6:07-cv-346, 2007 U.S. Dist. LEXIS 98160 (E.D. Tex. 2007).*

Attorney David Pridham has been heavily involved in Spangenberg's activities since as early as 2003. Prior to working with Spangenberg, Pridham served as general counsel of Firepond, Inc., a Minnesota software company. Def.'s Mot. For Entry of Protective Order at 4. Spangenberg purchased Firepond's patent portfolio while Pridham served as general counsel, though Pridham himself was conflicted out of the negotiations. [2] *See* Trial Transcript at 193:1-14 (May 23, 2007), *Orion IP, LLC v. Hyundai Motor Co.*, 6:05-cv-322 (E.D. Tex. 2007). *See also* Def.'s Mot. For Entry of Protective Order (Doc. No. 88; Ex.1). Though the parties dispute small nuances of Pridham's exact role in Spangenberg's litigation-centered business entities since their acquisition of the Firepond patents, it is undisputed that Pridham has worked and continues to work extensively with Spangenberg entities in their business of acquiring, litigating, [*5] and licensing patents. Pl.'s Sur-Reply to Def.'s Mot. For Entry of Protective Order at 1.

2 Defendants speculate that "the existence of an actual conflict suggests that Spangenberg was either actively negotiating to hire Pridham as of January 2004 or had already hired him." Def.'s Mot. For Entry of Protective Order at 4 n.8.

Based on Pridham's role in the parties' litigation history, Defendants have moved for entry of a protective order pursuant to *Rule 26(c) of the Federal Rules of Civil Procedure*. The proposed protective order would prevent Pridham from viewing confidential information marked for "Attorney's Eyes Only."

ANALYSIS

Under *Rule 26 of the Federal Rules of Civil Procedure*, "for good cause shown...the court...may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense." [3] *FED. R. CIV. P. 26(c)*. Included in *Rule 26(c)(7)* is the power for the Court to enter a protective order to restrict an individual attorney's access to a trade secret or other confidential information. *See FED. R. CIV. P. 26(c)(7)*.

3 The "good cause " requirement of *Rule 26(c)* means the burden is on the movant to show the necessity for [*6] the issuance of a protective order. *In re Papst Licensing, GmbH, Patent*

*Litigation, 2000 U.S. Dist. LEXIS 6374, 2000 WL 554219, at *3 (E.D. La. 2000)*.

In determining whether a protective order should bar one party's attorney access to information, the Court must focus on the risk of "inadvertent or and weigh that risk against the potential that the protective order may impair the other parties' ability to prosecute or defend its claims. *U.S. Steel Corp. v. United States, 730 F.2d 1465, 1468 (Fed.Cir. 1984)*; *In re Papst Licensing, GmbH, Patent Litigation, 2000 U.S. Dist. LEXIS 6374, 2000 WL 554219, at *3 (E.D. La. 2000)*. When conducting the balancing, courts look specifically at "the factual circumstances surrounding each individual counsel's activities, association, and relationship with a party." *U.S. Steel Corp., 730 F.2d at 1468 n.3*; *Infosint S.A. v. H. Lundbeck A.S., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *3 (S.D.N.Y. 2007)*. Other factors to be considered in the balancing include: (1) whether the person receiving the confidential information is involved in competitive decision making or scientific research relating to the subject matter of the patent, (2) the level of risk of inadvertent disclosure of proprietary information, (3) [*7] the hardship imposed by the restriction, (4) the timing of the remedy, and (5) the scope of the remedy. *Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *2*. The ultimate goal of the balancing is to determine whether counsel's access to the confidential information creates "an unacceptable opportunity for inadvertent disclosure." [4] *U.S. Steel Corp., 730 F.2d at 1468*; *In re Papst Licensing, GmbH, Patent Litigation, 2000 U.S. Dist. LEXIS 6374, 2000 WL 554219, at *3*.

4 The inquiry is not directed at the attorney's ethical standards, since "even if the competitor's counsel acted in the best of faith and in accordance with the highest ethical standards, the question remains whether access to the moving party's confidential information would create 'an unacceptable opportunity for inadvertent disclosure.'" *Mikohn Gaming Corp. v. Acres Gaming Inc., 50 U.S.P.Q.2d 1783, 1784 (D. Nev. 1998)*.

Balancing The Interests

Before proceeding to the balancing, the Court begins the analysis by crediting the assurance that Pridham would abide by any "Attorney's Eyes Only" protective order that might be entered. However, as previous courts have noted, accepting that an attorney will abide by a protective order is the starting point of the inquiry, not [*8] the end of the analysis. *Autotech Techs. Ltd. P'ship v. Automationdirect.com, Inc., 237 F.R.D. 405, 408 (N.D. Ill. 2006)* (citing *Brown Bag Software v. Symantec Corp., 960 F.2d 1465, 1471 (9th Cir. 1992))*. Under the relevant analysis, the focus of the inquiry is not the attorney's good faith, but the risk for *inadvertent* disclosure, and "[j]ust as '[i]nadvertence...is no respecter of its victims,' neither is it a respecter of the integrity of those who fall prey to it." *Autotech Techs. Ltd. P'ship, 237 F.R.D. at 408-09* (quoting in part *U.S. Steel Corp., 730 F.2d at 1468*). *See also Andrx Pharms., LLC v. GlaxoSmithKline, PLC, 236 F.R.D. 583, 585-86 (S.D. Fla. 2006)* ("Even if the competitor's counsel acted in the best of faith and in accordance with the highest ethical standards, the question remains whether access to the moving party's confidential information would create 'an unacceptable opportunity for inadvertent disclosure.'"). The Court does not question Pridham's ethics or integrity. However, Pridham's and ST Sales' assurances of compliance with the protective order are not enough on their own to deny Defendants' motion.

A. "Competitive Decisionmaker"

Involvement in "competitive decisionmaking" [*9] is the oft-cited most critical factor weighing in favor of denial of access. [5] *U.S. Steel Corp., 730 F.2d at 1468 n.3*. The Federal Circuit has stated that "competitive decisionmaking" refers to "a counsel's activities, association, and relationship with a client that are such as to involve counsel's advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor." *Id.* Specifically, courts are concerned about the "untenable position" counsel would be in if, after viewing other litigants' technology, counsel would be forced to either refuse his client legal advice on competitive matters or violate the protective order's prohibition against revealing technical information. *In re Papst Licensing, GmbH, Patent Litigation, 2000 U.S. Dist. LEXIS 6374, 2000 WL 554219, at *3*.

5 Determining whether counsel is a competitive decisionmaker is not the sole inquiry the Court must address in the balancing. *MGP Ingredients, Inc. v. Mars, Inc., 245 F.R.D. 497, 501 (D. Kan. 2007)*. However, if counsel is a competitive decisionmaker, most all of the policy concerns underlying the rule allowing courts to deny

attorneys' access to [*10] confidential information typically are present.

Plaintiff and Defendants argue a number of points regarding whether or not Pridham's activities and association with Erich Spangenberg qualify Pridham as a "competitive decisionmaker" in Spangenberg's business enterprise. Defendants argue that Pridham's continued close relationship with Spangenberg and expansive roles in Spangenberg's businesses qualifies Pridham as a competitive decisionmaker, and increases their risk of harm should he inadvertently disclose information. In response, Sales Tech argues Pridham is outside counsel, and that he is not involved in management of Sales Tech or other entities. Sales Tech also argues that Pridham has no role in patent prosecution, which is often a key factor in courts' decisions to grant a protective order to restrict certain counsel's access to confidential information. Since the burden is on the movant to prove the necessity of the protective order, the Court will address Defendants' arguments in favor of the protective order first.

Defendants have presented a bevy of information indicating that Pridham has served in many capacities throughout Spangenberg's many patent-holding entities since [*11] the two first met. In previous litigation, Spangenberg testified that (at that time) Pridham served as "both the general counsel at [IP Navigation Group, LLC] and then in a separate capacity he's outside counsel as well." *See* Trial Transcript at 193:15-22 (May 23, 2007), *Orion IP, LLC v. Hyundai Motor Co.*, 6:05-cv-322 (E.D. Tex. 2007). IP Navigation Group, LLC (hereinafter "IP Nav") is one of the entities owned and operated by Spangenberg, and it provides consulting services to Spangenberg's other patent-holding entities. *Id.* at 184:15-24. Defendants also note that Pridham has appeared in pleadings as affiliated with Orion IP or other Spangenberg entities at least seven times between 2004 and 2006, but since 2006 Pridham has generally identified himself as affiliated with IP Nav. Def.'s Mot. For Entry Protective Order at 5. Perhaps emblematic of the confused mixing of roles within the various entities, during one patent infringement lawsuit, Pridham listed himself as Orion's in-house counsel, but with an @ipnav email address. *See* Complaint at 4, *Orion IP, LLC v. Staples, Inc.*, No. 2:04-cv-297 (E.D. Tex. 2004). Aside from his role as in-house counsel and outside counsel to Spangenberg [*12] entities, Pridham has also served in at least one Spangenberg entity solely in a business capacity. Defendants cite reporting forms indicating Pridham served as a director on the board of In Store Media Systems, a company of which Spangenberg was director, CEO, treasurer, and secretary. Def.'s Mot. For Entry Protective Order at 4; (Doc. No. 88, Exs. 8-9).

In his legal roles, Pridham provides many services to Spangenberg's entities. IP Nav, the entity Pridham most often associates himself with as either general counsel or outside counsel, "manages, acquires and monetizes a diverse group of patents," and involves its attorneys with "a variety of prosecution, licensing and litigation projects." Def.'s Mot. For Entry of Protective Order at 4 (citing IP Nav attorney job posting attached as exhibit); (Doc. No. 88, Ex. 2). Whether within IP Nav or serving as outside counsel, Pridham himself focuses his practice on patent litigation, licensing, and acquisition for Spangenberg's entities. Defendants attached a chart to their motion indicating that Pridham has appeared as counsel (affiliated with IP Nav) in at least 38 different lawsuits on behalf of at least six different Spangenberg entities: [*13] Sales Tech, Orion IP, Phoenix, Polaris, Triton, and Constellation. [6] *See* Def.'s Mot. For Entry Protective Order at 4 n.7 (Doc. No. 88, Ex. 4). Sales Tech does not dispute Pridham's extensive role in its litigation ventures, and also admits to Pridham's role in the licensing of patents in settlement of litigation. Pl.'s Resp. To Def.'s Mot. For Entry of Protective Order at 2. Sales Tech specifically denies that Pridham provided any legal services related to the acquisition of the *'305 patent*, but it makes no denial or mention of Defendants' repeated accusations of his involvement in Spangenberg's acquisition of other patents. [7] Pridham Decl. P 5. Also, despite Spangenberg's previous statements, Sales Tech now claims that Pridham is strictly outside general counsel for patent litigation and the related licensing of patents in settlement, and that he is not an employee or owner of IP Nav or involved in management of any kind. Though Sales Tech claims Pridham is not an employee, Pridham continues to use IP Nav's business mailing address and email address. Pridham claims the address is nothing more than a "a convenient mail stop" in Texas while he works in Rhode Island. Pl.'s Resp. To Def.'s [*14] Mot. For Entry of Protective Order at 2.

6 Defendants also note, and Sales Tech does not dispute, that all of the entities listed the same business address that Pridham and IP Nav were using at the time of the previous lawsuits. Def.'s Mot. For Entry Protective Order at 4.

7 Sales Tech was assigned the *'305 patent* as part

> of a litigation settlement. Pridham represented the entity in that case, though the parties do not discuss the depth of his role in the settlement, and as noted and credited by the Court, Pridham denies any involvement in the acquisition of the *'305 patent* itself.

Aside from outlining Pridham's active role throughout Spangenberg's businesses, Defendants also argue the extent of the potential harm to them if Pridham were to inadvertently disclose confidential information to Spangenberg is apparent by the most recent litigation history among the parties. Defendants note that Pridham represented one of Spangenberg's entities (Orion) in litigation on two patents involving "build-your-own" websites. As a representative of Orion, Pridham took part in extensive discovery of the systems before most of the Defendants settled the *Orion* litigation. Reply in Supp. of Def.'s Mot. For [*15] Entry of Protective Order at 8-9. Shortly thereafter, Taurus, a different Spangenberg entity again represented by Pridham, sued many of these same Defendants in the Western District of Wisconsin for infringement of a different patent on the same accused systems at issue in the *Orion* litigation. *Id.* Finally, in May 2007, Spangenberg acquired the *'305 patent* in a settlement with Symeron Systems, a defendant in litigation with Spangenberg entity Triton (which was also represented by Pridham). *Id.* The *'305 patent* was assigned to Sales Tech, and Sales Tech, again represented by Pridham, promptly filed the present lawsuit, accusing the same systems as those accused in the *Orion* and *Taurus* litigation. *Id.* Defendants argue that Spangenberg's demonstrated willingness to acquire new patents and enforce them on the same systems presents a real danger of continuous litigation if Pridham were to inadvertently disclose confidential information.

Based on the record before the Court, it appears that Pridham's active role in Spangenberg's business makes him a "competitive decisionmaker" as the term is defined by the Federal Circuit. Under the *U.S. Steel Corp.* definition, "competitive decisionmaking" [*16] refers to "a counsel's activities, association, and relationship with a client that are such as to involve counsel's advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor." *U.S. Steel Corp., 730 F.2d at 1468 n.3*. Pridham's involvement in Spangenberg's business enterprise is extensive, and goes well-beyond the typical role of outside counsel, even outside counsel who might work with an entity for years. By Spangenberg's characterization, Pridham is (or was) general counsel of Spangenberg's consulting entity that "manages, acquires, and monetizes" the patents for Spangenberg's many other patent-holding entities. Pridham has also appeared on behalf of Spangenberg's patent-holding entities as general counsel or affiliated counsel at least 38 times in the past couple years. Finally, all sides agree that Pridham is also extremely involved in the licensing of Spangenberg's patents after litigation. Active involvement in these factors have troubled courts in the past. Moreover, Spangenberg's entire business model with his patent-holding companies such as Sales Tech revolves around [*17] the acquisition, enforcement (through litigation), and licensing of patents. Under such a business model, it is difficult to argue that someone such as Pridham, who is so heavily involved in these aspects of the business, is somehow not a competitive decisionmaker.

Another important aspect to consider is that there appears to be no insulation between Spangenberg and Pridham in their business. When asked if Pridham worked for him during a trial less than a year ago, Spangenberg was careful to correct the questioner to reflect that Pridham "works with [Spangenberg]," not for him. *See* Trial Transcript at 193:15-18 (May 23, 2007), *Orion IP, LLC v. Hyundai Motor Co.*, 6:05-cv-322 (E.D. Tex. 2007). To any extent Pridham does not make final decisions himself, he very clearly reports directly to Spangenberg himself, who is the owner and controller of the patent-holding enterprise discussed herein. Indeed, it appears as though there is nobody else but Spangenberg that Pridham even *could* report to, and Pridham's advice affects every aspect of Spangenberg's patent acquisition, litigation and licensing business. In short, Pridham's extremely close relationship with Spangenberg, when viewed in conjunction [*18] with his activity in all of the critical aspects of the patent-holding litigation and licensing business, qualifies Pridham as a competitive decisionmaker under the *U.S. Steel Corp.* definition of the term.

The cases where courts have dealt with analogous situations provide ample support for the Court's determination. *See, e.g., Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *3-4*; *Nike, Inc. v. Adidas America Inc., No. 9:06-cv-43, 2006 U.S. Dist. LEXIS 97109 (E.D. Tex. 2006)* (Doc. No. 58); *Autotech Techs. Ltd. P'ship, 237 F.R.D. at 410-11*; *Intel Corp. v.*

VIA Techs., Inc., 198 F.R.D. 525, 529-31 (N.D. Cal. 2000). In *Infosint*, a defendant manufacturing company moved to have two attorneys representing a patent-holding company screened from viewing highly confidential information under a protective order. *See Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *3-4*. The Court ordered that one of the attorneys be denied access to the information in part because "[f]or nearly seven years, [counsel] has provided [plaintiff] with patent advice, based on his scientific and legal expertise." *Id.* The attorney's role in patent prosecution also played a large role in the *Infosint* court's determination. While Pridham himself is not involved in patent prosecution [*19] for Sales Tech, Pridham's role in IP Nav raises all the same concerns outlined by the *Infosint* court related to an attorney's involvement in patent prosecution after viewing certain confidential information. The concern in *Infosint* was that "[p]rosecuting patent applications 'involves decisions of scope and emphasis' that implicate competitive decision making, as claims may be drafted to 'read on new products and new directions where [a party projects] sales to be most critical.'" *Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *4*. As Defendants point out in their motion, Pridham's involvement in IP Nav, which provides consulting on patent acquisition for Spangenberg's patent-holding entities, also puts Pridham in position to seek out and propose the purchase of patents that read on activities known from Pridham's involvement in confidential discovery during prior lawsuits, and then seek to enforce those patents against the same Defendants. Given Pridham's involvement from patent acquisition through litigation and claim construction, access to highly confidential information would also allow him to seek out certain patents and then propose claim constructions that read on Defendants' known use [*20] of the allegedly infringing systems. The risk of inadvertent disclosure would be high by the very nature of Pridham's duties and his connection to Spangenberg. If allowed to access the information, Pridham would be forced into what other courts have emphasized as the untenable position of having to compartmentalize his knowledge of the confidential information when asked about the acquisition or other use of patents whose claims could arguably be utilized against these Defendants. Courts have continuously determined that attempting to compartmentalize knowledge is an exercise in futility. *Autotech Techs. Ltd. P'ship, 237 F.R.D. at 410-11*. Moreover, Spangenberg and Pridham have demonstrated a willingness to sue these particular Defendants over and over as they acquire new patents, which puts Defendants at an even greater risk of suffering harm from any inadvertent disclosure.

Pridham's active involvement in licensing and litigation, and the lack of any other persons to whom Pridham reports in the business, are also factors that other courts have considered critical to "competitive decisionmaker" analysis. One California court found that an attorney's active involvement "in licensing [*21] through litigation" constituted competitive decisionmaking in part because "advice and counsel necessarily affect licensing decisions," and licensing agreements affected the parties' strength in the marketplace. *See Intel Corp. 198 F.R.D.at 530*. The *Intel* court reiterated the overarching concern that counsel would be placed "in the untenable position of having either to refuse to offer crucial legal advice at times or risk disclosing protected information," and that counsel's close interaction with the immediate supervisors making the critical business decisions exacerbated the potential for inadvertent disclosure of the confidential information. *Id.* Yet another court denied counsel access primarily because counsel took his "ultimate instructions in the litigation from a single individual" who was "for all intents and purposes, the [client] corporation," and there were no "safeguards resulting from a layered managerial hieracrchy." *Autotech Techs. Ltd. P'ship, 237 F.R.D. at 410-11*. Every aspect of Pridham's role has either been a foundation of other courts' decisions in screening attorneys such as Pridham from access to confidential information, or is highly analogous to certain aspects [*22] that have been critical to the decision, and thus, there is ample support to conclude that Pridham himself qualifies as a competitive decisionmaker.

In its response, Sales Tech argues that Pridham cannot be a competitive decisionmaker because Sales Tech does not manufacture products or design automobiles, and is therefore not a 'competitor' to Defendants. Sales Tech pulls this argument from the Federal Circuit's definition of "competitive decisionmaker," which covers counsel's association with a client involving advice or participation in any decisions "made in light of similar or corresponding information about a *competitor." U.S. Steel Corp., 730 F.2d at 1468 n.3* (emphasis added). However, since the *U.S. Steel Corp.* decision, courts have found that a person can still be a "competitive decisionmaker" under the Federal Circuit's definition even when not representing a

competitor. [8] *See, e.g., Infosint S.A. v. H. Lundbeck A.S., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *3-4 (S.D.N.Y. 2007)* (finding that outside counsel was a "competitive decisionmaker" even though he was "neither an officer nor employee of [plaintiff], and [was] not involved in 'business decisions regarding competitors of [his client].'"). [*23] *See also R.R. Donnelley & Sons Co. v. Quark, Inc., 2007 U.S. Dist. LEXIS 424, 2007 WL 61885, at *2 n.2 (D. Del. 2007)* (rejecting the argument that a person cannot be a competitive decisionmaker unless the party that person is a representative of a competitor of the other parties in the litigation since trade secrets and sensitive information could potentially be of value to the plaintiff). Moreover, it is somewhat disingenuous to argue Sales Tech is not Defendants' competitor simply because Sales Tech is in the business of acquiring and enforcing patents, while Defendants manufacture and design automobiles. Plaintiff and Defendants all seek to utilize, in one manner or another, intellectual property as part of a business model for pecuniary gain. The fact that Sales Tech is before the Court seeking to enforce its attained intellectual property, and has sued on similar patents against these same Defendants on the same systems many times before, indicates Sales Tech views Defendants as competitors for the rights to use the accused systems. To the extent Sales Tech and Defendants are not direct competitors in the traditional understanding of the term, competitor status is not the sole relevant inquiry, and it certainly [*24] is not determinative of the matter. *See MGP Ingredients, Inc. v. Mars, Inc., 245 F.R.D. 497, 500-01 (D. Kan. 2007)*. There is little doubt Defendants' confidential information could be of value to an entity such as Sales Tech, whose business model hinges on the ability to acquire intellectual property and enforce it against other entities using the allegedly infringing technology. It is that ultimate potential for damaging use of the confidential information that underlies the concerns of *Rule 26* and the *U.S. Steel Corp.* "competitive decisionmaker" analysis.

> 8 Sales Tech argues the present circumstance is "somewhat similar" to a case decided in the District of Kansas where the fact that the parties' were not competitors played a role in denying a motion for protective order. *See MGP Ingredients, Inc. v. Mars, Inc., 245 F.R.D. 497, 500-01 (D. Kan. 2007)*. However, in *MGP Ingredients* the Defendants grounded their motion on the fact that the parties were competitors, making it a more relevant issue in that case than it is here. *Id.* Here, Defendants have based their motion for the protective order on the notion that Pridham's extensive business relationship with Spangenberg and litigation [*25] history makes him a competitive decisionmaker, and a risk to inadvertently disclose confidential information that Spangenberg could use to harm Defendants. It is also important to note that even though the issue of whether the parties were competitors was placed squarely before the Court in the *MGP Ingredients* case, the court properly noted that "whether [plaintiff] and defendants are, in fact, competitors is not the sole legally relevant inquiry as to whether the [protective order] sought by defendants is warranted," and proceeded to analyze the case under all of the considerations outlined by the Federal Circuit in *U.S. Steel Corp. See MGP Ingredients, Inc., 245 F.R.D. at 501*.

Sales Tech also argues extensively that Pridham cannot be a competitive decisionmaker because his title is now strictly outside counsel to Sales Tech, and he is not an owner or employee of Sales Tech, IP Nav, or other Spangenberg entities. *See* Pridham Decl. PP 2-3. However, Pridham's actual title is irrelevant to the pertinent analysis, as courts have found attorneys to be competitive decisionmakers regardless of whether they are in-house and outside counsel. *See U.S. Steel Corp., 730 F.2d at 1467-68* (rejecting [*26] notion that in-house counsel are more of a risk to inadvertently disclose confidential information, since many outside counsel maintain long-standing relationships with clients). *See also, e.g., Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *4* (finding outside counsel to be competitive decisionmaker); *Nike, Inc. v. Adidas America Inc., No. 9:03-cv-43, 2006 U.S. Dist. LEXIS 97109 (E.D. Tex. 2006)* (Doc. No. 58) (refusing to modify protective order to grant in-house counsel access because of risk for inadvertent disclosure of trade secrets). The risk of inadvertent or accidental disclosure is the focus of the issue, and that must be weighed against the potential harm to all parties, not Pridham's actual title. In *U.S. Steel Corp.*, the Federal Circuit specifically articulated that the "factual circumstances surrounding each individual counsel's activities, association, and relationship with a party, *whether counsel be in-house or retained,* must govern any concern for inadvertent or accidental disclosure." *U.S. Steel Corp., 730 F.2d at 1468* (emphasis added).

In looking at the totality of the facts surrounding Pridham's role in Spangenberg's businesses, from patent acquisition to active involvement in litigation and licensing, [*27] all of the concerns prior courts have found critical in denying certain attorneys access to confidential information are present. The Court finds that Pridham is a competitive decisionmaker, and that his close relationship with Spangenberg presents a high risk for inadvertent disclosure that bears great potential to significantly harm Defendants through continued litigation. While determining whether counsel is a "competitive decisionmaker" is a critical factor for the Court to consider, in itself the factor is not determinative. The Court must also examine and balance the potential for harm on both sides before determining whether a protective order is ultimately necessary.

B. Balancing The Potential Harms and Risks of Disclosure

If counsel is determined to be involved in competitive decisionmaking, the issue then becomes whether there is a demonstrated need for access to the documents sufficient to outweigh the concerns such access gives rise to. *Infosint S.A., 2007 U.S. Dist. LEXIS 36678, 2007 WL 1467784, at *5*. In their motion and replies, Defendants argue that Spangenberg's well-documented willingness to seek out similar patents and assert them against these Defendants on similar technology puts them at risk [*28] of continuous litigation if Pridham is allowed continued access to their confidential information. In response, Sales Tech argues that the infringement claims in this lawsuit are based on publicly available information, and that it would already be apparent if they had misused "Attorneys' Eyes Only" information Pridham had accessed in previous cases as the bases of its claims against Defendants herein. Pl.'s Resp. To Def.'s Mot. For Entry of Protective Order at 9. Sales Tech also argues that Defendants have not sufficiently demonstrated facts showing the competitive harm that would befall them by any inadvertent disclosure of confidential information by Pridham to Spangenberg, and that Sales Tech would in fact be severely harmed if denied Pridham's services during the present proceeding. Finally, Sales Tech notes that it has agreed to include terms in the protective order that would limit the use of any confidential information gained during discovery to use in the present proceeding, and therefore any inadvertent disclosure Pridham makes would subject him to violating the protective order.

As discussed in the competitive decisionmaker subsection above, the Court agrees with Defendants [*29] that the risk that Pridham might inadvertently disclose confidential information to Spangenberg is very high under the circumstances. Pridham and Spangenberg share a close business relationship, and it appears there are no levels of managerial hierarchy to insulate the interaction of the two. Moreover, Pridham's involvement in patent acquisition, litigation and licensing, which is the very core of Spangenberg's business, underscores his importance to Spangenberg's businesses. If Pridham were to gain continued access to confidential material, he would be in a difficult position when advising Spangenberg on everything from patent acquisition to claim construction to licensing. Defendants would ultimately be at a high risk of continued litigation, as Spangenberg has demonstrated a willingness to acquire and enforce patents on the same systems against these same Defendants when he has the capability of doing so.

In comparison, the harm to Sales Tech is relatively minor. Sales Tech has other highly competent counsel that has been involved in the case since the beginning of the present litigation (and even in previous cases). Courts have found time and again that requiring a party to rely [*30] on its competent outside counsel does not create an undue or unnecessary burden. *Brown Bag Software, 960 F.2d at 1471*; *Autotech Techs. Ltd. P'ship, 237 F.R.D. at 413*; *Intel Corp., 198 F.R.D. at 529*. Sales Tech has presented no credible argument for why Pridham absolutely needs access to Defendants' confidential information, or that he is critical to the prosecution of its case.

Sales Tech's other arguments are also unavailing. Sales Tech's argument that it would already be obvious if it had misused information Pridham had accessed in the prior litigation involving these Defendants misses the point of the inquiry. The question is whether the potential for inadvertent disclosure exists on a going-forward basis, and whether the potential harm from such a disclosure outweighs the potential harm to Sales Tech. Likewise, Sales Tech's agreement in its proposed protective order to limit the use of the information to use in the present litigation only also ignores the underlying law, which is the risk of *inadvertent* disclosure going forward. No amount of guarantees to limit the use of the information can ensure against such an inadvertent disclosure. *See U.S. Steel Corp., 730 F.2d at 1468*.

On [*31] the whole, the Court finds that Pridham's relationship with Spangenberg and his role in Spangenberg's business enterprise presents un unacceptable risk of inadvertent disclosure that could significantly harm Defendants. While the Court notes that Plaintiff will be harmed by having one of its counsel screened from accessing certain information in the case, that harm is minor compared to the risk of continued harm to Defendants since Sales Tech has other highly competent attorneys that have been involved since the beginning of the case.

CONCLUSION

For the stated reasons, Defendants' Motion For Entry of a Protective Order (Doc. No. 88) is **GRANTED.**

So ORDERED and SIGNED this 14th day of March, 2008.

/s/ John D. Love

JOHN D. LOVE

UNITED STATES MAGISTRATE JUDGE