

LEGAL UPDATE

October 2012 *By: Jeffrey C. Johnson, James R. Klaiber, Benjamin Semel and Leighton Dellinger*

INTERNATIONAL TRADE COMMISSION PROPOSES NEW E-DISCOVERY RULES FOR PATENT CASES

On October 2, 2012, the International Trade Commission (“ITC”) issued proposed rules to reduce the cost of patent-infringement disputes before that body by limiting electronic discovery. The ITC conducts investigations into allegations of certain unfair practices in import trade, as authorized by Section 337 of the Tariff Act of 1930 (19 U.S.C. 1337). Most Section 337 investigations involve allegations of patent or registered trademark infringement.

E-discovery accounts for a significant portion of today’s high litigation costs. Patent cases, involving more e-documents and emails subject to discovery than other cases, are subject to disproportionately high costs. As the rules stand, litigants identify key players in the opposing party – called “custodians” – and request access to all the custodians’ emails and e-documents related to the case. In a patent case involving the development of new technology, the number of custodians working on a project and the number of collected documents can be extremely high. As a result, parties are required to search and produce large volumes of electronically stored data, a small minority of which is actually relevant to the litigation. More and more litigants are experiencing extortion by litigation in the patent space – a patent-holder with a dubious infringement claim is far more likely to receive an unjust settlement when the alternative is long-term litigation and its accompanying excessive costs. In response, courts are promulgating new rules to limit the costs of e-discovery, particularly the production of emails.

In an effort to pare down e-discovery costs and streamline the discovery process for litigants engaged in Section 337 proceedings, the ITC has now proposed rules intended to limit the scope of e-discovery to “foster the speed, fairness and thoroughness” of investigations, according to a recent press release. Based on a year-long study and input from litigants, academics, district court judges and bar associations, the new rules are “flexible, reasonably simple, and easy to administer,” said ITC Chairman Deanna Tanner Okun. They will presumably limit the number of custodians whose files will be searched, the locations of those documents, and the search terms that will be used to identify relevant e-documents.

The proposed new ITC rules track similar developments in other courts around the country. Last year, the Federal Circuit promulgated a Model Order intended to simplify the e-discovery process, particularly in patent litigations. Among other things, the Model Order limits email discovery to the period after the parties have engaged in “core” discovery (concerning the patents at issue, prior art, the accused products, and relevant financials) and imposes presumptive limits on the number of custodians (up to five), keyword search terms for each custodian’s e-documents (up to five), and the relevant time frame for culling purposes. District courts around the country, particularly those that frequently hear

patent litigation cases, have followed suit; the Eastern District of Texas and the District of Delaware both adopted a model orders similar to the Federal Circuit's in February of this year.

In addition to keeping our clients well-informed about the latest rules and procedures governing discovery, Pryor Cashman is committed to using technology to make discovery efficient and cost-effective for our clients. On this front, the firm has brought in-house the leading Nuix® platform for processing data collected from clients. Processing data has historically been one of the most costly phases of discovery, and bringing this phase in-house allows us to offer clients speed, flexibility and enormous savings over the traditional model. Likewise, the document review process is handled by our attorneys on the world's most robust, secure platforms with advanced analytical tools, culling and predictive coding - all of which lead to further gains in efficiency without sacrificing quality.

The foregoing is merely a discussion of the International Trade Commission's proposed new e-discovery rules for patent cases. If you would like to learn more about this topic or how Pryor Cashman LLP can serve your legal needs, please contact Jeffrey Johnson at jjohnson@pryorcashman.com, James Klaiber at jklaiber@pryorcashman.com, Benjamin Semel at bsemel@pryorcashman.com and Leighton Dellinger at ldellinger@pryorcashman.com.

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Jeffrey Johnson is a partner experienced in the transactional aspects of technology and intellectual property exploitation (patents, trade secrets, trademarks and copyright) including, in particular, all aspects of mergers and acquisitions, joint ventures, strategic alliances, joint development and marketing agreements, private placements and licensing in the biotech, entertainment, Internet, pharmaceutical, software and telecommunications industries.

Jeffrey typically focuses on transactional matters principally involving intellectual property or goods and services the value of which are largely attributable to intellectual property. Representative assignments include:

- Representation of Lady Gaga in her investment in The Backplane, as reported in The New York Times on June 6, 2011
- Representation of a private equity fund in connection with the acquisition and disposition of patent portfolios and related assets
- Representation of a public biotechnology company negotiating and documenting numerous strategic alliances, research and development collaborations, co-promotion agreements, patent and know-how licenses, and other agreements relating to the development and exploitation of the company's core technologies
- Representation of a public telecommunications company in connection with a strategic reorganization to maximize the value of its patent portfolio and licensed rights
- Representation of a "file sharing" website operator in connection with the negotiation and documentation of a sale of substantially all of its assets to a foreign file sharing website operator
- Representation of a pharmaceutical company's bioinformatics group negotiating and documenting numerous strategic alliances, software development agreements and software licenses, as well as the group's form agreements for the provision of bioinformatics services and the licensing of genomic and proteomic databases
- Representation of a technology-transfer company in connection with the sale of a portfolio of patents governing web-enabled software updating, active desktop and offline browsing
- Representation of a telecommunications company in connection with its sponsored research agreements with various U.S. and foreign educational institutions
- Representation of a health services company in connection with the purchase of an information management business including a large, proprietary prescription drug database
- Representation of a European-based public company in connection with the negotiation and documentation of a strategic alliance providing for the joint development and commercialization of an ASP-based software application useful for the on-line calculation, reporting and remittance of sales tax obligations
- Representation of a public pharmaceutical company in connection with the disposition of certain patent portfolios and related clinical data and know-how useful in connection with small molecule anti-genomic therapeutics and small molecule anti-bacterial therapeutics
- Representation of a privately held company in connection with the exploitation of a large portfolio of music rights via alternative media including Internet portals, mobile virtual networks and other wireless products and services
- Representation of a public biotechnology company in connection with the negotiation and documentation of agreements providing for the further clinical development and commercialization of a Phase I pharmaceutical compound in collaboration with a Fortune 100 pharmaceutical company

Jeffrey has been an invited speaker and panelist at a variety of public and private events. He is frequently called upon by the press to comment upon intellectual property and other matters.



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Jim Klaiber is a Partner in Pryor Cashman's Intellectual Property Group. He is experienced in all aspects of patent law, including transactions, litigation and client counseling. His experience is concentrated in electrical and mechanical technologies with particular emphasis on telecommunications, high technology, e-commerce, electronic banking, and healthcare. Jim represents a wide range of clients, from startups to multinationals, and has held a lead role in many large patent litigation cases, trials, and IP-related transactions.

Jim has litigated a variety of patent cases before the U.S. District Courts, the International Trade Commission and the U.S. Court of Appeals for the Federal Circuit, including cases involving:

- Wireless and optical fiber telecommunications
- Electronic securities exchanges and financial transaction software
- Semiconductor design and manufacture
- Medical electrodes and prosthetic devices
- Plasma screen and cathode ray tube displays

Recently, Jim was sole Intellectual Property counsel for the bondholders in the Nortel bankruptcy proceedings, which resulted in the largest patent sale in history.

Prior to joining Pryor Cashman, Jim was a member of the Intellectual Property Group at Milbank, Tweed, Hadley & McCloy, which he co-founded. Before that, Jim gained extensive research and development experience as a member of the Technical Staff at Bell Laboratories' Murray Hill and Whippany labs. He was the principal investigator for numerous high-technology telecommunications projects involving fiber optic undersea transmission media and other technologies.

Jim earned his J.D. from Fordham University School of Law while working at Bell Labs, and holds undergraduate and graduate degrees in mechanical engineering from the Massachusetts Institute of Technology, the University of Michigan, and U.C. Berkeley.

Jim is Chapter Chair of the MIT Enterprise Forum of New York, one of the nation's leading technology entrepreneurship organizations. He is a member of the Scientific Advisory Board of the NSF's sensor research program administered by the University of Maine, and also the Chair of the Continuing Legal Education Subcommittee of the New York City Bar Association's Patent Committee.



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Benjamin Semel is Of Counsel in Pryor Cashman's Litigation Group. He handles cases in federal and state trial and appeals courts, as well as arbitrations and mediations before numerous agencies, including AAA and its international affiliate ICDR, JAMS, FINRA and others.

Ben has a broad experience in intellectual property matters, including trademark and trade secret protection, copyrights in film, television, music, software, literature and architectural works, idea theft, and rights of publicity and privacy. He also has an active practice in technology law, managing issues for software, Internet, new media and emerging technology companies.

Beyond IP matters, Ben litigates domestic and international commercial cases in a variety of areas, including contracts, fraud, defamation, real estate, securities, corporate governance and shareholder claims. His matters have involved procedural issues including the scope of eDiscovery, jurisdiction, choice of law, enforcement of foreign judgments and the interplay of international law. Ben has taken cases through jury and bench trials, including *Stone v. C.R. Bard Inc.* (S.D.N.Y.) where he and partner Jamie Brickell obtained a \$58 million verdict for the plaintiffs in a breach of contract and fraud dispute over the sale of a medical program for the treatment of prostate cancer.

After graduating from Brown University as a triple major, Ben wrote for the daily newspaper and worked in jazz radio in New Orleans before moving to law. He graduated in 1998 from Columbia University School of Law as a Kent Scholar, the highest academic honor awarded, and received the Class of 1912 Prize, given to the single top student in the field of contracts.

Ben has combined his legal career with extensive international travel, spending five years on sabbatical from his native New York City, journeying across over 100 nations, engaged in teaching, managing NGOs, disaster relief, and conservation and animal welfare projects, along with eating some extremely unusual dishes.