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Duty of Disclosure: Citation of Non-Patent References

All individuals involved in the prosecution of a patent in front of the United States Patent & Trademark Office (“PTO”) have a duty of candor covering their interactions with the PTO. The Code of Federal Regulations (“C.F.R.”) sets out this “duty to disclose information material to patentability” in 37 C.F.R. § 1.56 (“Rule 56”). Rule 56 explains that material information is that which either establishes a *prima facie* case of unpatentability or runs counter to a position taken by the applicant in asserting patentability. 37 C.F.R. § 1.56(b). The penalty for failing to abide by this duty of disclosure—a failure known as committing inequitable conduct—is having all of the claims of what would be an otherwise valid patent rendered unenforceable. Manual of Patent Examining Procedure (“M.

P.E.P.”) § 2016; *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984).

It is established practice to disclose patents and printed publications to the PTO through the use of an Information Disclosure Statement (“IDS”), see M.P.E.P. § 609, and for practical reasons, the PTO tends to focus its examination of prior art on such printed references. However, the statutes and regulations governing patent prosecution are not so limited, and any litigator will acknowledge that the scope of prior art involved in an intense patent infringement action is likely to extend beyond those categories. This discrepancy between the practical universe of prior art in prosecution

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Trademark Infringement by the Sale and Use of Search Engine Keywords

The Internet has matured into a thriving medium for commerce, extending so far as to be the sole center of business for many companies. As Internet commerce has grown, so too has the use of trademarks in Internet advertising, both by mark-holders and by their competitors. In our May 2007 *snippets* article, “Trademark Infringement by Web Page Metadata,” we explored trademark infringement issues with respect to one such use: encoding the mark of another in web page metadata. In this article, we treat the more currently used practice of the sale of keywords by search engines.

Internet search engines are generally free of cost and rely on advertising to support their operations. Instead of indiscriminately presenting ads to its users, search engines generally target their

ads to the search terms inputted by a user. For example, a user who searches for the keyword “guitar” might be presented advertisements for products offered by competitors such as Fender and Gibson. Trademark doctrines are implicated when the keyword is itself a trademark. Many search engines, such as Google (through its AdWords program) and Yahoo! (through its Sponsored Search program), allow advertisers to pay the search engines to use the trademarks of others as keywords. For example, Gibson could pay Yahoo! to use Fender’s mark STRATOCASTER as a keyword, in order to have Gibson advertisements presented to a user who searches for “Stratocaster.” In such situations, trademark holders have brought suit both against the search engine and the advertiser.

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and the corresponding universe of prior art in litigation presents an issue for patent practitioners: given the looming specter of unenforceability, how can the obligations of the duty of disclosure be efficiently and accurately determined during prosecution, and how are those obligations best met?

The answer to this question is necessarily guided by the law of inequitable conduct. Though patent prosecutors may not have much experience in defending against allegations of inequitable conduct, these allegations are increasingly common, and it is the collective responsibility of patent prosecutors to produce patents that will withstand such challenges. Therefore, we turn to some Federal Circuit case law to explore the current boundaries of the duty of disclosure, and we examine that case law in conjunction with the M.P.E.P. and the C.F.R. to advise patent prosecutors as to how they might efficiently and effectively fulfill that duty.

The Federal Circuit has shown its willingness to hold a patent unenforceable based on the failure to disclose a variety of material, not merely the failure to disclose the standard types of printed publications. Consequently, a broad conception of the duty of disclosure—one that has the advantage of comporting with Rule 56's exhortation of "good faith in dealing with" the PTO—is more likely to produce a patent that can withstand the allegations of inequitable conduct that may arise during litigation. Therefore, we recommend that patent prosecutors consider disclosures that extend beyond lists of printed publications, and we explain some of the procedural mechanisms that may be used to make these disclosures.

I. Copending Applications

The Federal Circuit recently analyzed a frequently-overlooked aspect of the duty of

disclosure: the duty to disclose information relating to copending applications. M.P.E.P. § 2001.06(b) explains that applicants have "a duty to bring to the attention of the examiner . . . information within their knowledge as to other copending United States applications which are 'material to patentability' of the application in question"; however, the M.P.E.P. only goes on to identify (i) the fact of copendency and (ii) the prior art disclosure from the copending application as being potentially material information that ought to be disclosed.

A few months ago in *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*, the Federal Circuit elaborated on this rule in a way that implies a prosecutor's obligations encompass more than the two examples provided by the M.P.E.P. No. 06-1517. 2007 WL 1452731 (Fed. Cir. May 18, 2007). There, the Federal Circuit upheld a district court's finding of unenforceability due to inequitable conduct. The case involved three distinct instances of inequitable conduct, each in the form of nondisclosure of material information originating from the prosecution of related applications. The prosecuting attorney did not disclose (1) a reference uncovered by the examiner in the prosecution of a related application, (2) two rejections made by the examiner in the prosecution of the related application, or (3) the allowance of claims in a continuation-in-part application ("the continuing application"). The patent-in-suit and the related application were in front of different examiners, but the patent-in-suit and the continuing application were in front of the same examiner. The patent-in-suit, the related application, and the continuing application were all prosecuted by the same attorney for the entirety of their pendencies. Interestingly, the mere disclosure of the copendency of the related application did not fulfill the duty to disclose information that arose during the prosecution of the related



The Federal Circuit has shown its willingness to hold a patent unenforceable based on the failure to disclose a variety of material, not merely the failure to disclose the standard types of printed publications.

application; according to the Federal Circuit, the burden fell to the prosecuting attorney to realize which aspects of the prosecution of the related application were material and to specifically disclose those.

The Federal Circuit relied on the similarity between the claims of the copending applications, and the overlap in the prior art disclosures from those applications, as indicators that information from the prosecution of one application was material to another, copending application. Additionally, the Federal Circuit looked beyond printed publications when defining material information; for example, the court expected an applicant to disclose an Office Action from a copending application, not just the references underlying the Office Action. Further, as the notice of allowance in a continuation-in-part could conceivably have formed the basis of a double-patenting rejection, that notice of allowance should have been disclosed, and the fact that the patent-in-suit and the continuation-in-part were already formally related did not erase that duty.

Practice Tips:

- Do not rely on a disclosure of copendency to fulfill the duty of disclosure as to the entire prosecution of a related application.
- Do not limit disclosures from copending applications to references that arise during prosecution.
- For copending applications with similar claims, consider disclosing documents produced by the PTO (rejections, notices of allowance, etc.) on an IDS (providing copies of those documents).
- Disclosures should be made in writing (M.P.E.P. § 2002.02).
- Do not rely on an examiner's personal awareness of another application—make the same disclosures regarding copending applications for those cases that are in front of the same examiner as you would for those

in front of different examiners (M.P.E.P. § 2004, (9)).

II. Products

The Patent Act makes it clear that an invention warrants patent protection only if it has not been “used by others in this country” prior to an applicant's date of invention. 35 U.S.C. § 102(a). Therefore, a physical product can be invalidating prior art to a patent, and the Federal Circuit has made it clear that the failure to disclose such prior art devices can constitute inequitable conduct. *Baxter Int'l, Inc. v. McGaw Inc.*, 149 F.3d 1321 (Fed. Cir. 1998). Last year, the court reaffirmed that devices are proper subjects for disclosures to the PTO, though it declined to make a finding of inequitable conduct where no evidence of an intent to deceive was offered. *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co.*, 439 F.3d 1335 (Fed. Cir. 2006). As the Federal Circuit provided no guidance in these decisions as to how an applicant might go about bringing prior art devices to the attention of an examiner, we offer some suggestions as to how a patent practitioner might fulfill the duty to disclose devices.

First of all, although the PTO discourages the submission of models or exhibits during prosecution, it allows for the possibility. See 37 C.F.R. § 1.91; M.P.E.P. § 608.03(a). A submission of a model or exhibit may be made if it is accompanied by a fee, an explanation as to why that model or exhibit is necessary to demonstrate patentability, and photographs of the object from multiple views. 37 C.F.R. § 1.91(a), (c). However, such a submission comes with the obligation to pay for the return of the exhibit to the applicant after the PTO has finished with it and to maintain the actual exhibit during the enforceable life of the patent. 37 C.F.R. § 1.94(a), (b). If the relevant features of an object can be fully described through

photographs, a set of photographs that comply with the requirements of 37 C.F.R. § 1.84 can be submitted as an exhibit without the inclusion of the object itself. 37 C.F.R. § 1.91(a)(1). If the relevant features of an object can be shown on a video, that video may be submitted as a video cassette, a DVD disc, or a CD, as long as that submission otherwise comports with 37 C.F.R. § 1.91, and if it is accompanied by still photographs of the content of the video. M.P.E.P. § 608.03.

Additionally, the applicant may request an in-person examiner interview so as to demonstrate the structure and operation of a relevant prior art device. M.P.E.P. § 713.08. Such a demonstration would then be followed by a submission of the exhibit according to 37 C.F.R. § 1.91 so that the substance and import of the interview may be properly recorded in the file wrapper of the application. M.P.E.P. § 608.03.

Finally, the standard avenue of using an IDS should not be discounted as a means to disclose a relevant device. Many devices may correspond to printed publications that can be submitted in an IDS. For example, if the prior art device is marked with a patent number, that patent may be adequate to disclose the relevant features of the device. Also, a user's manual or brochure for a device may explain the device in sufficient detail and be included in an IDS.

Practice Tips:

- Consider what products or devices might be relevant to the prosecution of your application when making disclosures to the PTO.
 - If a physical object is important enough, submit the object to the PTO with pictures, and make provisions for the object to be returned at your expense and to be maintained
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during the enforceable life of the patent.

- Consider demonstrating the object to the Examiner during an in-person interview.
- Consider taking photographs or video of the object and submitting that material.
- Consider what printed publications, such as user's manuals or related patents, disclose relevant aspects of the object, and submit those printed publications in an IDS.

III. Conclusion

Rule 56 requires that all individuals make a good faith effort at disclosing all known material information to the PTO during prosecution. Although the practical limitations of patent prosecution and patent examination often translate into practitioners only disclosing printed publications, the realities of patent litigation underscore the fact that the duty of disclosure is being interpreted more broadly than that by courts. Therefore, the prudent prosecutor must be willing to consider disclosures beyond the standard IDS to comply with the duty of disclosure and to protect a patent against later allegations of inequitable conduct. As discussed above, two examples of such disclosures are the submission of relevant PTO documents from related applications and the disclosure of relevant prior art devices.

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...the prudent prosecutor must be willing to consider disclosures beyond the standard IDS to comply with the duty of disclosure and to protect a patent against later allegations of inequitable conduct.

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Trademark Infringement by the Sale and Use of Search Engine Keywords

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Courts have attempted to determine whether the use of a mark in keyword-based advertising constitutes infringement by considering two questions: (1) use — whether selling keywords that are the trademarks of others and the subsequent display of sponsored ads constitute a “use” protected by the Lanham Act; and (2) likelihood of confusion — whether there exists a likelihood of confusion to consumers if it is a protected use. This analysis is somewhat more complex than the analyses used in the metadata cases discussed in our May 2007 article; in these earlier cases, “use” was presumed, often *sub silentio*, and the analysis focused on the likelihood of a special type of confusion known as “initial interest confusion.” In the keyword context, some courts have shortcut the thorny issue of initial interest confusion and its attendant complex factual inquiries, by focusing instead on whether the defendants have even made a protected “use.”

Trademark Keywords As “Use”

There is currently a sharp divide among courts as to whether the selling of keywords that are the trademarks of others and the use of a mark as a keyword to serve advertisements is a “use” protected by the Lanham Act. Courts within the Second Circuit generally find such use to be unprotected. These courts concede that the purchase is a “use” in the commercial sense, but recognize a distinction between a commercial use and a use protected by the Lanham Act. For example, in *Merck & Co. v. Mediplan Health Consulting*, the court determined that because the marks are used internally only (*i.e.*, to trigger the display of an ad), the use of Merck’s marks as keywords did not constitute a use under the Lanham Act. 425 F. Supp. 2d 402, 415-16 (S.D.N.Y. 2006), *motion for reconsideration denied*, 431 F. Supp. 2d 425 (S.D.N.Y. 2006). “The key question is whether the defendant

placed plaintiff’s trademark on any goods, displays, containers, or advertisements, or used plaintiff’s trademark in any way that indicates source or origin.” *Site Pro-1, Inc. v. Better Metal, LLC*, 82 U.S.P.Q.2d (BNA) 1697, 1700 (E.D.N.Y. 2007); *see also RescueCom Corp. v. Google, Inc.* 456 F. Supp. 2d 393, 400 (N.D.N.Y. 2006). Only when a keyword purchaser included the mark in the advertisement itself has a Second Circuit court found protected “use.” *See, e.g., Hamzik v. Zale Corp./Delaware*, 2007 U.S. Dist. LEXIS 28981, at *10-12 (N.D.N.Y. Apr. 19, 2007).

The logo for 'snippets' features the word 'snippets' in a lowercase, sans-serif font. The letter 'i' is stylized with a square dot. The entire logo is set against a light green rectangular background.

The doctrine of initial interest confusion appears to be losing favor among courts.

Courts in other circuits tend to have a broader view of what can constitute a protected “use” under the Lanham Act. For example, on Google’s motion to dismiss, the court in *Gov’t Employees Ins. Co. v. Google, Inc.* determined that Google’s sale of keyword-linked advertising constituted a commercial use of GEICO’s marks. The court cited McCarthy on Trademarks in observing, “[w]here keyword placement of . . . advertising is being sold, the portals and search engines are taking advantage of the drawing power and goodwill of these famous marks. The question is whether this activity is fair competition or whether it is a form of unfair free riding on the fame of well-known marks.” 330 F. Supp. 2d 700, 704 (E.D. Va. 2004); *see also Buying for the Home, LLC v. Humble Abode, LLC*, 459 F. Supp. 2d 310, 323-24 (D.N.J. 2006); *Gov’t Employees Ins. Co. v. Google, Inc.*, 77 U.S.P.Q.2d (BNA) 1841,

1848 (E.D. Va. 2005). Some courts have held that a mark need only be used “in commerce” without regard for the character of the use. For example, the *Edina Realty, Inc. v. TheMLSOnline.com* court found, without further discussion, that the mere purchase of keywords containing a mark which then resulted in the triggering of an ad was sufficient to constitute a “use.” 80 U.S.P.Q.2d (BNA) 1039, 1042 (D. Minn. 2006); *see also Google, Inc. v. Am. Blind & Wallpaper Factory, Inc.*, 2007 U.S. Dist. LEXIS 32450, *21 (N.D. Cal. Apr. 18, 2007).

Other commentators have justified the use of trademark keywords under the rubric of nominative fair use. *See, e.g., Misha Gregory Macaw, Google, Inc. v. American Blind & Wallpaper Factory Inc.: A Justification for the Use of Trademarks as Keywords to Trigger Paid Advertising Placements in Internet Search Engine Results*, 32 RUTGERS COMPUTER & TECH. L.J. 1, 19-21 (2005).

Likelihood of Confusion Arising from the Use of Trademarks in Keywords

After finding that a use of a mark as a keyword is protected, a court must then decide whether the use causes a likelihood of confusion to consumers. Unlike the case for the “use” prong, the likelihood of confusion prong is rarely decided on summary judgment.

In contrast to the metadata cases discussed in our May 2007 article, modern courts are not predisposed to consider the use of trademark keywords to be likely to cause confusion. The *GEICO* court, for example, found that the use of the mark in Google’s code and the display of Sponsored Links that did not themselves use GEICO’s mark were not likely to cause confusion. It also suggested that because consumers can easily retrace their steps online, the danger of initial inter-

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est confusion is reduced. While not deciding the issue, the court in *Fragrancenet.com, Inc. v. FragranceX.com* noted that:

In the world outside the Internet, individuals in search of a company or product are not blinded to competitive products. In other words, it is not unlawful to strategically place billboards or even store locations next to billboards or store locations of competitors. . . . When these same marketing strategies are performed on the Internet, [they] are not transformed into a “passing off” situation simply because the strategy is electronic.

2007 U.S. Dist. LEXIS 48373, *19-20 (E.D.N.Y. June 12, 2007).

However, when the display of the advertisements is itself confusing, courts appear much more prone to find a likelihood of confusion. The court in *Playboy Enters. v. Netscape Communications Corp.*, for example, held that the banner ads served by the Excite database in response to a search for “playboy” were likely to confuse because they only said “Click Here,” and were demonstrated in survey results to mislead consumers into thinking they were about to enter a Playboy-affiliated site. 354 F.3d 1020, 1026 (9th Cir. 2004). Notably, while the *Playboy* court name-checked the initial interest confusion doctrine, it actually applied a more traditional multifactor likelihood of confusion test. Zachary J. Zweihorn, *Searching for Confusion: The Initial Interest Confusion Doctrine and Its Misapplication to Search Engine Sponsored Links*, 91 CORNELL L. REV. 1343, 1365-66 (2006). Similarly, the *GEICO* court found that Sponsored Links that *did* use the GEICO mark in their headings or text were likely to confuse consumers, and therefore were a violation of the Lanham Act. While it performed its

analysis based on initial interest confusion, the *GEICO* court could have reached the same result using a traditional confusion analysis. The Fourth Circuit has since repudiated the initial interest confusion doctrine. *Lamparello v. Falwell*, 420 F.3d 309, 318 (4th Cir. 2005).

Modern courts appear to have heeded the warnings of commentators and backed away from the initial interest confusion doctrine as announced in *Brookfield Communications*. Instead, they appear to recognize a value in comparative advertising and consumer information, and allow advertisers to attempt to lure consumers away from the mark holder’s products and toward their own. By doing so, an advertiser uses the mark to provide information to potential consumers, which may ultimately benefit the marketplace by reducing informational asymmetries. Courts now seem ready to find infringement only in cases where the consumer is truly likely to be confused, such as when the advertisement itself is misleading. The machinations of the initial interest confusion doctrine do not appear to be required to enjoin such sharp practices; traditional likelihood of confusion analysis seems sufficient. See generally Niki R. Woods, *Initial Interest Confusion in Metatag Cases: The Move from Confusion to Diversion*, 22 BERKELEY TECH. L.J. 393, 404-05 (2007).

Conclusion

As the Internet has matured, so has the treatment of the trademark infringement issues it presents. The doctrine of initial interest confusion appears to be losing favor among courts. Accordingly, careful use of a competitor’s mark to trigger a clearly labeled advertisement is generally unlikely to ultimately constitute trademark infringement. However, most courts outside the Second Circuit still consider the use of trademark keywords to be a “use” protected

by the Lanham Act, and likelihood of confusion is rarely decided on summary judgment. Thus, in all but the cases clearly lacking in likelihood of confusion, plaintiffs will likely survive summary judgment motions, forcing defendants to incur the expense of discovery, expert opinion, survey results, and eventually trial. As the case law progresses, courts should develop some per se rules, either for the “use” prong or the “confusion” prong, to provide further guidance to Internet entrepreneurs.

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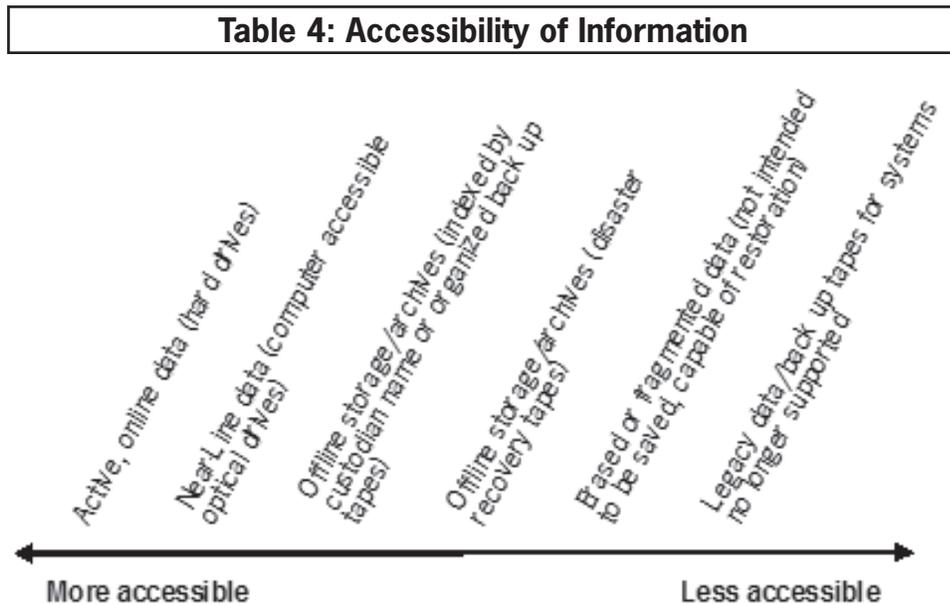
In Part 1¹ of this series, we detailed a brief FAQ regarding the impact of the amendments on pre-litigation planning. In Part 2, we detail issues relating to the conduct of discovery, including initial case management, discovery requests, forms of production of ESI, and inadvertent disclosure of privileged information and sanctions.

I. Initial Case Management

As emphasized in Part 1, parties should institute a litigation hold as soon as they reasonably anticipate litigation. Hand-in-hand with implementing a litigation hold, parties will want to assess the state of their ESI relevant to the litigation, including meeting with IT and learning the routine destruction policies in place to determine to what extent intervention with those policies is appropriate.² This investigation will be instrumental in meeting a party's ESI obligations.

Such an immediate investigation will also play a key role in preparing for the initial meet and confer, as an amendment to Rule 26(f) requires that the parties discuss "any issues relating to disclosure or discovery of electronically stored information, including the form or forms in which it should be produced." A party should use this initial meet and confer, now more than ever, as an opportunity to work with opposing counsel to seek agreement and prevent ESI disputes.³ Counsel should be armed with knowledge of the status of their ESI prior to any meet and confer and be prepared to discuss form of production of ESI, duty of preservation, categories of ESI and whether the ESI is accessible or inaccessible, search terms, privilege issues, and the extent cost sharing may be appropriate (discussed herein).

Further, the revisions to Rule 26(a)(1) (which governs initial disclosures) includes ESI as information that a party must describe by category and location. Therefore, the par-



ties should educate themselves about the available electronic systems, the existence of documents in paper and/or electronic form, retention/destruction policies, and the identity of a qualified person who could discuss the state of the ESI for a possible 30(b)(6) deposition.

One key issue now central to the initial case planning steps is determining which information in a party's possession is "reasonably accessible." The amended rules provide that a party need not provide discovery of ESI from sources identified as not "reasonably accessible" because of undue burden or cost.⁴ As seen in Table 4, although the rules do not define reasonable accessibility, generally a continuum exists, with the data on the left being accessible and the data on the right viewed as less accessible.⁵

Courts have explained the difference between "accessible" versus "inaccessible" data as that while accessible data is not necessarily readily obtainable, it need not "be restored or otherwise manipulated to be usable....'Inaccessible' data on the

other hand, is not readily usable."⁶ The inaccessible nature of the data also means that restoring and retrieving the data takes significant costs and/or efforts to restore and retrieve.

II. Resolving Disputes & Cost Shifting

ESI that is not "reasonably accessible" because of undue burden or costs will be ordered to be produced only upon a showing of good cause. The initial burden to establish that ESI is not reasonably accessible due to burden or cost is that of the producing party.⁷ Once inaccessibility is established, the burden shifts to the requesting party, who may still obtain the ESI if they prove good cause for its production. Good cause may exist in situations in which the only copy of such data is inaccessible or in which the producing party has been involved with multiple discovery infractions. Courts will weigh the benefit of retrieving the data against the burden and costs, including whether such burdens and costs are justifiable in a given case. The Advisory Committee Notes set forth seven factors to aid courts in determining

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ing whether “good cause” exists:

7 Factor Test to Determine Whether Inaccessible ESI Should Be Produced⁸

1. Specificity of discovery request;
2. Quantity of information available from other and more easily accessed sources;
3. Failure to produce relevant information that seems likely to have existed but is no longer available on more easily accessed sources;
4. Likelihood of finding relevant, responsive information that cannot be obtained from other, more easily accessed sources;
5. Predictions as to the importance and usefulness of information⁹;
6. Importance of issues at stake in litigation; and
7. Parties’ resources.

Further, even if a court determines that good cause exists, it may also impose at its discretion conditions on the production of inaccessible ESI, such as requiring independent consultants restore the ESI or cost shifting.¹⁰ While the Committee Notes suggest that cost of restoration can be cost shifted, it remains unclear whether a court may impose cost shifting for attorney review time. The Committee Notes do point out that a producing party’s burden in reviewing information for relevance and privilege may be weighed by a court when determining good cause, but do not comment on whether this review time is appropriately cost-shifted as well.¹¹ Courts have taken both approaches, although it seems that the trend is towards cost-shifting restoration and retrieval time, but not attorney review time.¹²

III. Revisions to Discovery Requests, Including Form of Production

The revised rules governing discovery requests (Rules 33, 34, 45) now include ESI as a category of information that a party may request and that the opposing party must produce. ESI will most commonly come into

play in conjunction with Rule 34 requests. In response to such a request, not only should the responding party produce reasonably accessible ESI, but they should “also identify, by category or type, the sources containing potentially responsive information that it is *neither searching nor producing*.”¹³ A party must sufficiently detail such disclosure so the opposing side can evaluate the burdens, costs, and likelihood of relevance of the ESI to assess whether pursuing the data is



Courts have taken both approaches, although it seems that the trend is towards cost-shifting restoration and retrieval time, but not attorney review time.

appropriate.¹⁴

The new rules also require that the parties discuss at the outset the intended forms of production for ESI at the meet and confer.¹⁵ If parties do not reach agreement on a form of ESI, the requesting party is entitled to specify the preferred form of production in its document requests (*i.e.* tiffs, PDF, native files, OCR, *etc.*). In response to the form specified, the responding party must state whether they object to that form, and if so, what form they intend to produce. They must also disclose if other forms are available, even if the requester only asks for one form.¹⁶ Alternatively, if the requesting party fails to specify the desired production form, the responding party may produce the ESI in any form that is “reasonably usable” OR “in that which ESI is ordinarily maintained.”¹⁷ For ESI, “reasonably usable” generally

includes being searchable and may include maintaining document characteristics, such as metadata.

Absent agreement, parties that intend to produce ESI in paper or other similar forms that strip the searchable nature of the ESI should reconsider, as courts have cautioned against such conduct. In some instances, courts have deemed tiff images alone as not “reasonably usable.”¹⁸ While reasons abound as to why a completely native file production is undesirable, certainly the form of production is one area in which agreement among the parties would assist in relieving conflict and disputes in the future. In any event, one proper form under the rules is all that is required.

Finally, because the revisions to Rule 34 also specify that a party may “inspect or test” ESI, the revisions raise questions as to whether the opposing side should be allowed direct access to ESI, such as hard drives or back-up tapes. While this will occur in some cases, this is the exception and not the rule. The revisions do not entitle a party to “a routine right of direct access to a party’s electronic information system, although such access may be justified in some circumstances.”¹⁹ One instance in which direct access may be more likely is under Rule 33(d) (reliance on business records to respond to interrogatory). As parties may now rely on ESI to answer an interrogatory, parties should be aware that a court might grant direct access under Rule 33(d), but only “if that is necessary to afford requesting party an adequate opportunity to derive or ascertain an answer to the interrogatory.”²⁰

IV. Inadvertent Disclosure of Privileged Material

The only revisions to Rules 26(b)(5) & 45(d)(2)(B) establish new procedures for addressing inadvertent disclosure of privi-

leged materials. Importantly, these rules do not change substantive privilege law (i.e., whether production results in waiver), as this is still dependent on the jurisdiction. The new procedure for retrieving inadvertently produced material protected by privilege or work product is as follows:

- Privilege holder notifies receiving party immediately upon becoming aware of disclosure;
- After being notified, receiving party must return, sequester, or destroy the privileged material;
- Receiving party cannot use or disclose the privileged information (if already used or disclosed, must take reasonable steps to retrieve); and
- Receiving party may promptly present information to court under seal for determination of claim of privilege.

V. Sanctions and the New Safe Harbor

The revisions add a new “safe harbor” provision to FRCP in section 37(f). The rule states: “Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide ESI lost as a result of routine, good-faith operation of an electronic information system.” The rule prevents courts from sanctioning parties for ordinary computer use that results in routine alteration and deletion of information for reasons unrelated to litigation.

To fall under the safe harbor, “good faith” clearly requires a litigation hold. If a party does not put a hold into place, it will not be able to avail itself of the safe harbor for inadvertent deletion. Further, intervention with destruction/automatic deletion programs is likely required if those programs target information subject to the duty of preservation.²¹ In any event, parties should investigate their destruction policies at the outset of litigation and determine whether such materials are available elsewhere and

whether such policies target potentially relevant information.

Situations in which courts have imposed sanctions against parties relating to ESI include willful destruction of evidence; failure to preserve information on backup tapes; unreasonably or inconsistently enforced document retention policy; failure to impose a litigation hold²²; negligence in production; purposeful sluggishness in production; and incomplete and inaccurate Rule 26 disclosures. As sanctions can range from a fine,²³

exclusion of evidence,²⁴ an adverse instruction,²⁵ or dismissal altogether, the proper handling of ESI is essential.

In sum, it is advisable that both in-house and general counsel learn what systems and types of information are involved in the litigation as soon as possible, put in place plans and guidelines now to streamline the electronic discovery issues in the future, and be prepared to address all e-discovery issues very early in the litigation process. Demonstrable good faith is extremely important, so documenting steps taken to comply with these obligations is valuable. Finally, just like with a retention policy, these considerations are not “one size fits all.” Instead, each party should take thoughtful care for its own circumstances.

snippets.

To fall under the safe harbor, “good faith” clearly requires a litigation hold.

Footnotes

1. This article was adapted from a continuing legal education seminar entitled “ESI: Electronically Stored Information, e-Docs and Forensics in the ‘New’ e-Discovery Era,” presented at the offices of McDonnell Boehnen Hulbert & Berghoff LLP on November 1, 2006 and subsequently to the Association of Patent Law Firms on February 8, 2007. The presentation materials and a recording of the APLF presentation are available at www.mbhb.com/snippets. Part 1 of this article was published in *snippets*, May 2007, Volume 5, Issue 1.

2. See *Disability Rights Council v. Wash. Metro. Transit Auth.*, No. 04-498, 2007 WL 1585452, at *6 (D.D.C. June 1, 2007) (citing Defendant’s failure to intervene with a policy that destroys emails after sixty days “indefensible”).

3. See *O’Bar v. Lowe’s Home Ctrs., Inc.*, No. 5:04-cv-00019-W, 2007 WL 1299180 (W.D.N.C. May 2, 2007) (describing appropriate topics for parties to discuss in preparation of their joint discovery plan).

4. Fed. R. Civ. P. 26(b)(2)(C).

5. See *Zubulake v. UBS Warburg LLC*, 217 F.R.D. 309, 311 (S.D.N.Y. 2003); Fed. R. Civ. P. 26 advisory committee’s notes at 42.

6. *W.E. Aubuchon Co. v. Benefirst, LLC*, No. 05-40159-FDS, 2007 WL 1765610, at *4 (D. Mass. Feb. 6, 2007) (citing *Zubulake*, 217 F.R.D. at 311).

7. *Report of the Civil Rules Advisory Committee to the Committee on Rules of Practice and Procedure of the Judicial Conference of the United States*, at 14 (May 27, 2005).

8. Derived from Committee Notes to Proposed Amendments at 17; see also *Disability Rights Council v. Wash. Metro. Transit Auth.*, No. 04-498, 2007 WL 1585452, at *6 (D.D.C. June 1, 2007) (applying seven factor test to determine whether good cause existed); *W.E. Aubuchon Co.*, 2007 WL 1765610, at *4 (same).

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9. Sampling of the “inaccessible” ESI may come into play under this factor, i.e., “predictions as to the importance and usefulness of information.” Courts sometimes instruct the parties to restore a portion of the ESI to make a determination as to the likelihood that the rest of the ESI contains relevant information. A court may order such sampling costs to be paid by the responding party or shifted to the requesting party, depending on the circumstances of each case.

10. Committee Notes to Proposed Amendments at 17; see also *Zubulake*, 217 F.R.D. at 322.

11. Committee Notes to Proposed Amendments at 17.

12. For one of the most widely adopted analysis on cost shifting, see *Zubulake*, 217 F.R.D. at 324 (excluding attorney time from cost-shifted amount); see also *Hutchens v. Hutchens-Collins*, No. CV-04-281-ST, 2007 WL 319990 (D. Or. Jan. 30, 2007) (holding that cost shifting does not apply to accessible ESI); *Quinby v. WestLB AG*, No. 04 Civ. 7406, 2007 WL 38230 (S.D.N.Y. Jan. 4, 2007) (addressing cost shifting in restoration of backup tapes); cf. *Delta Fin. Corp. v. Morrison*, 819 N.Y.S.2d 908 (N.Y. Sup. Ct. 2006) (ordering plaintiff to do sample searches to determine whether relevant information existed on backup tapes and cost-shifting entire test run, including review, to defendant).

13. Committee Notes to Proposed Amendments at 14.

14. If a dispute does arise, parties should confer regarding burdens and costs of accessing/retrieving information, needs to support a good cause showing, and limitations that should be imposed. Either a motion to compel or protective order is ripe after this stage.

15. Fed. R. Civ. P. 26(f)(3); Fed. R. Civ. P. 34(b).

16. *In re Bristol-Myers Squibb Secs. Litig.*, 205 F.R.D. 437 (D.N.J. 2002); *Storch v.*

Ipco Safety Prods. Co. of Penn., No. Civ. A. 96-7592, 1997 WL 401589 (E.D. Pa. Jul. 16, 1997).

17. Fed. R. Civ. P. 34(b)(iii).

18. *In re Payment Card Interchange Fee and Merchant Disc.*, No. MD 05-1720, 2007 WL 121426, at *4, (E.D.N.Y. Jan. 12, 2007), the court denied the request that plaintiff reproduce documents (produced in tiff images and request that they be produced with metadata), but criticized the conversion of these electronic documents into a form that was not as usable as the form in which it was ordinarily maintained. See also *3M Co. v. Kanbar*, No. C06-01225, 2007 WL 1725448, at *3 (N.D. Cal. June 14, 2007) (requiring the producing party to reproduce 170 boxes of paper in electronically searchable form).

19. Fed. R. Civ. P. 34 advisory committee's notes; see also *Calyon v. Mizuho Secs. USA Inc.*, No. 07CIV02241RODF, 2007 WL 1468889, at *3 (S.D.N.Y. May 18, 2007) (summarizing case law on whether direct access to hard drives is justifiable and denying plaintiff's request for direct access).

20. Committee Notes to Proposed Amendments at 28.

21. *Disability Rights Council v. Wash. Metro. Transit Auth.*, No. 04-498, 2007 WL 1585452, at *7 (D.D.C. June 1, 2007) (quoting Advisory Committee Notes “Good faith [pursuant to Rule 37(e)] in the routine operation of an information system may involve a party's intervention to modify or suspend certain features of that routine operation to prevent the loss of information, if that information is subject to a preservation obligation.”).

22. See, e.g., *de Espana v. Am. Bureau of Shipping*, No. 03 Civ. 3573, 2007 WL 210018 (S.D.N.Y. Jan. 25, 2007) (affirming sanctions when litigation hold was not implemented until six months after the commencement of the litigation and one year after the casualty).

23. *Cache La Poudre Feeds, LLC v. Land O'Lakes, Inc.*, No. 04-cv-00329-WYD-CBS, 2007 WL 684001 (D. Colo. March 2, 2007) (imposing small monetary sanction for failure to implement litigation hold at the outset, but also finding lack of bad faith).

24. *Lorraine v. Markel Am. Ins. Co.*, 241 F.R.D. 534 (D. Md. 2007) (ruling exhibits inadmissible because of failure to observe evidence rules concerning ESI).

25. *In re NTL, Inc. Securities Litigation*, No. Civ. 3013, 2007 WL 241344 (S.D.N.Y. Jan. 30, 2007) (granting adverse instruction, costs and fees for failure to properly implement litigation hold).

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