The State Bar of Georgia

Intellectual Property Law Section NEWSLETTER

A Novel Expression of Confusion

Michael D. Hobbs, Jr. , Chair | FALL 2004 | Alison Danaceau & Hunter Yancey, Edi-

Chair's Comments...

Michael D. Hobbs, Jr.

Looking at the Bar calendar, it is hard to believe that the year is nearly half over. (To be clear for those of you wondering if the Bar calendar I was looking at was in Manuel's Tavern, the State Bar of Georgia runs a July to June calendar year). Over the past several months, the leadership of the Section has been extremely busy planning and hosting events. These include roundtables and seminars covering the spectrum of intellectual property law. By the time you read this, the IP Institute will have been held with over 100 members of the Section attending three days of CLE seminars in Cabo San Lucas Mexico. In the coming months, you can look forward to more roundtables, seminars, social events and a full day CLE presentation at the State Bar of Georgia building in February. Sincere thanks to the leadership of the Section who have given their valuable time to take such an active role in bar activities.

As the year progresses, I encourage each of you to: 1) Come out and attend the legal training events; 2) Support the social events that are being planned; and 3) Volunteer to help the Section leadership plan these events. To elaborate, we are fortunate in Georgia to have a wealth of nationally-renowned intellectual property attorneys who are willing to help the rest of us learn about recent developments in the law, and help train us -- all for no compensation and no cost to State Bar members except for the cost of meals. And you probably had to eat that day anyway. Keep an eye out for announcements of future events and plan to attend them. You can get updates on the IP Section website (www.georgiaip.org) or through e-mail alerts. Please make sure that the Bar has your current e-mail address so that you can get these notices.

Social activities with other Section members help further one of the most important objectives of the Bar – a spirit of community. Personally knowing other members of the Section and fostering this spirit of community reinforces the reality that each of us is personally responsible and accountable for our actions in this relatively small community. If you know another attorney in the Bar through a Section event and can make a phone call to resolve an issue instead of filing a lawsuit, the respective clients are better served and the administration of justice in the state is better served by saving judicial resources for other matters. I encourage you to come out and get to know others in the Section.

Lastly, there are many opportunities for each of you to become active in the Section. Each of the sub-committees in the Section (Copyright, Licensing, Litigation, Patent and Trademark) has volunteer opportunities for members. If you don't like the selection of CLE seminars, get involved and change them. If you want speaking opportunities, get involved and help plan them. If you want a role in the services the Section provides to its members, the solution is easy; send an e-mail to the sub-committee heads and get involved.

Lastly, (and this time I mean it) Alison Danaceau and Hunter Yancey have done a wonderful job producing this top quality newsletter. On behalf of the Section, thanks to them for their selfless donation of time.

The IP Institute
Cabo San Lucas Mexico

CALENDAR OF EVENTS

Online Advertisers Beware...............**Dec. 7, 2004**
Trademark Committee........ *11:30 a.m. - 1:00 p.m.*
.... *State Bar of Georgia*

Panel Discussion in DMCA.............**Jan. 20, 2005**
Copyright Committee...................*Details to Come*

"Dirty Dozen" for Trademark ....**Mar. 17, 2005**
Practitioners ....*Details to Come*
....

St. Patrick's Day Happy Hour ....**Mar. 17, 2005**
Reception ....*Details to Come*
....

Steve Wigmore having a lot fun at Cabo.

EDITOR'S NOTES

by Alison Danaceau & Hunter Yancey

Hello and welcome to the Fall 2005 issue of A Novel Expression of Confusion. In keeping with our great newsletter tradition, this issue includes several great articles and highlights recent section activities.

In this edition are several advertisements from vendors who serve our section members. We want to thank these vendors for placing advertisements in the newsletter. In addition, we would like to thank all of the vendors who sponsored our recent IP Institute in Cabo, Mexico:

Standard & Poor's -- Corporate Value Consulting
Alston & Bird, LLP
Finnegan, Henderson, Farabow, Garrett & Dunner, LLP
King & Spalding, LLP
Needle & Rosenberg, P.C.
Thomas, Kayden, Horstemeyer & Risley, LLP
Troutman Sanders, LLP

We thank all who contributed to this newsletter and welcome any comments or suggestions from our section members. In closing, we wish all of you a happy holiday season and a happy new year.

Hunter Yancey & Alison Danaceau

* * * * *

An Overview Of The New Patent Local Rules In The Northern District of Georgia

by Shane Nichols - King & Spalding LLP

In 1999, the district court for the Northern District of California assembled a Patent Rules Advisory Committee to create a set of patent local rules. Just over a year later, the Committee drafted and obtained approval for a set of local rules, which are now commonly cited as the most comprehensive set of rules pertaining to patent pretrial procedure. The Northern District of California was so pleased with the newly drafted rules that when the rules were put into effect in 2001, it confidently -- and accurately -- predicted that its new rules would be a model for other districts around the nation. Recently, several patent litigators in the Northern District of Georgia followed the lead of the California court and created a set of patent local rules for the Northern District of Georgia using the California rules as a model.

Anthony B. Askew of Kilpatrick Stockton LLP headed the Georgia effort and assembled a committee with several seasoned litigators from the Northern District's patent bar, including Bruce W. Baber, Jim Ewing, Patrick J. Flinn, and William H. Needle. District Judges J. Owen Forrester, Julie E. Carnes, and Charles A. Pannell, Jr. of the Northern District of Georgia provided formal and informal judicial guidance. After drafting was complete, a set of proposed patent local rules were presented to the bar for general comments and recommendations. The proposed rules were then submitted for comment and approval to the district court judges and to the judges of the Eleventh Circuit Court of Appeals and put into effect on July 15, 2004.

The Northern District of Georgia is not the only district that has decided to model its patent practice after that of the Northern District of California. District courts in Arizona and the District of Columbia also have adopted variations of the California rules. In addition, even in districts that have not created a separate set of patent local rules, various district court judges use variations of the Northern District of California Rules in their courtrooms for patent litigation. District Judge T. John Ward of the Eastern District of Texas, for example, created his own set of rules to coordinate patent lawsuits filed in his court that were modeled on the Northern District of California rules. Judge Ward's patent local rules played a principal role in making the Eastern District of Texas an attractive venue for patentees and accused infringers alike.

The stated purpose of the newly adopted local patent rules is to "facilitate the speedy, fair and efficient resolution of patent disputes." L.P.R. 1.2(a). Even a cursory review of the new rules reveals an intent to eliminate or reduce disputes over the information to be exchanged between the parties in discovery. All infringement contentions and invalidity contentions, for example, must be disclosed early in discovery and have the same binding effect on the disclosing party as an interrogatory response. The new rules are not, however, limited to the resolution of discovery-related issues. They also include restrictions, guidelines, and schedules for several other patent suit-related endeavors. Among other issues, the new rules provide a framework for claim construction proceedings, create limitations on the circumstances under which counsel may be disqualified, and govern the exchange of expert witness reports. This paper seeks to provide a concise yet comprehensive overview of the new patent local rules of the Northern District of Georgia.

I. DISCOVERY

The discovery process is the single most critical and expensive aspect of patent litigation. Not surprisingly, the vast majority of the new rules impact discovery in some way. The new rules that most directly affect the parties' discovery rights and responsibilities can be approximately grouped into the general categories of confidentiality, contentions, and willfulness.

New Rules (Continued on page 4)

New Rules (Continued from page 3)

A. Confidentiality

Protective orders designed to protect against the improper disclosure of confidential information during litigation are ubiquitous fixtures in patent litigation. Negotiations regarding the terms of such protective orders are often an onerous and time-consuming undertaking. Patent Rule 2.1 provides for a default protective order to secure the parties' disclosure of confidential information prior to the entry of a case-specific, negotiated protective order. The default protective order enables the parties to begin exchanging confidential information without the delay associated with the negotiation of the terms of a case-specific protective order. Of course, a case-specific protective order may be established to replace or supplement the default protective order. Patent Rule 2.2(a) requires the parties to meet and confer to prepare a stipulated protective order no later than the time of filing the Joint Preliminary Report and Discovery Plan ("Preliminary Report").

The default protective order provides for a single-level confidentiality designation of "Confidential - Subject to Protective Order." L.P.R. 2.1(a). Materials bearing this designation may be disclosed only to the receiving party's outside counsel. L.P.R. 2.1(a). In the case where a party does not employ outside counsel, materials designated as confidential may be disclosed only to a single in-house attorney, following a five-day opposition period after identification of the in-house attorney. L.P.R. 2.1(b). The new rules specifically provide that any papers filed with the clerk, including confidential information designated under a default or case-specific protective order, may be filed under seal. L.P.R. 2.1(d).

B. Infringement and Invalidity Contentions

An often-unpleasant aspect of patent litigation is the inevitable dispute among the parties over when, how, and in what detail a party will reveal its contentions pertaining to asserted claims of infringement or invalidity. Several of the new patent rules attempt to ameliorate these disputes by defining the substance of the disclosures and by putting the parties on a timetable for making the disclosures. Patent Rule 4.1(a) requires that a plaintiff alleging patent infringement shall serve on all other parties a Disclosure of Infringement Contentions within 30 days of filing the Preliminary Report. L.P.R. 4.1(a), 4.4(a). The Infringement Contentions must include (1) the identity of the claims allegedly infringed; (2) the identity of the alleged infringer's accused instrumentality; (3) the identification of where each element of each asserted claim is found in the accused instrumentality; (4) whether each element is alleged to be infringed literally or under the doctrine of equivalents; and (5) the priority date asserted for each claim. L.P.R. 4.1(b)(1)-(5).

The party disclosing its Infringement Contentions also must provide documentary support for its contentions. Patent Rule 4.1(c) requires a party claiming patent infringement to produce: (1) documents related to disclosures of the patented invention prior to the date of application for the patent-in-suit; (2) documents related to the conception, reduction to practice, and development of the claimed invention; (3) a copy of the file history of the patent-in-suit; and (4) a copy of related foreign patents and any prior art cited in related foreign prosecution. L.P.R. 4.1(c)(1)-(5). Accordingly, the party alleging patent infringement must "lay its cards on the table" by precisely defining its infringement contentions and disclosing information that may ultimately reveal areas of infirmity in its patent-in-suit.

This broad disclosure requirement should put the accused infringer on good footing to respond meaningfully patent infringement allegations. Moreover, requiring early disclosure of such information reduces the incentive for a patentee to bring an infringement lawsuit without first doing a diligent analysis of its infringement positions. An accused infringer, however, also must "lay its cards on the table" by responding to the patentee's Infringement Contentions and providing Invalidity Contentions, if it seeks to demonstrate that the patent-in-suit is invalid.

Within 30 days of the disclosure of the plaintiff's Infringement Contentions, a defendant-accused infringer must disclose its Response to Infringement Contentions. L.P.R. 4.2, 4.4(b). A Response to Infringement Contentions must acknowledge and/or deny whether each element of each asserted claim is found within the accused instrumentality. L.P.R. 4.2(b). The Response to Infringement Contentions also must include documentation -- such as source code -- sufficient to show the operation or composition of the accused instrumentality. L.P.R. 4.2(b).

Parties asserting invalidity as a defense to a claim of patent infringement are required to serve Invalidity Contentions. A defendant accused of infringement must disclose its Invalidity Contentions within 30 days after disclosure of the patentee's disclosure of its Infringement Contentions. L.P.R. 4.4(b). Similarly, a plaintiff seeking a declaratory judgment of patent invalidity must disclose its Invalidity Contentions within 30 days of the filing of the Preliminary Report. Like the Infringement Contentions described above, the Invalidity Contentions required by the new rules require an extensive disclosure of information. The Invalidity Contentions must include (1) the identity of prior art that allegedly renders each asserted claim invalid; (2) whether each item of prior art disclosed is alleged to anticipate a claim or render a claim obvious; (3) a chart specifically citing the portions of the prior art in which the elements of the asserted claims are found; and (4) any grounds for invalidity on the basis of any provision of 35 U.S.C. § 112. L.P.R. 4.3(a). The invalidity disclosures must be accompanied by documentary support including a copy of each item of prior art identified in the Invalidity Contentions. L.P.R. 4.3(b).

New Rules (Continued on page 4)

New Rules (Continued from page 4)

For a plaintiff seeking a declaratory judgment of invalidity or non-infringement, and responding to a counter-claim of infringement, Patent Rule 4.4(c) requires the disclosure of the plaintiff's Response to Infringement Contentions within 20 days after the defendant's disclosure of its Infringement Contentions. Patent Rule 4.4(b) requires a defendant alleging patent infringement to serve its Disclosure of Infringement Contentions within 30 days of the plaintiff's disclosure of its Invalidity Contentions. L.P.R. 4.1(a), 4.4(a). The following table provides a quick reference guide as to the service deadlines for the parties' contentions and responses:

Plaintiff Defendant
Patentee Disclose Infringement Contentions within 30 days of Preliminary Report. Disclose Infringement Contentions within 30 days of disclosure of Invalidity Contentions.

Accused Infringer
(1) Disclose Invalidity Contentions within 30 days of Preliminary Report.
(2) Respond to Infringement Contentions within 20 days of disclosure of Infringement ContentionsRespond to Infringement ContentionsanddiscloseInvalidityContentionswithin30 days of disclosure of Infringement Contentions

Because the disclosures of contentions regarding infringement and invalidity are well defined and scheduled, the new rules eliminate the parties' obligation to respond to similar discovery requests outside the context of the contention disclosures described above. In particular, Patent Rule 3.1 excuses the parties from responding to discovery requests seeking to elicit (1) a party's claim construction position; (2) comparisons of the accused product to the asserted claims; (3) comparisons of the asserted claims to the prior art; and (4) the identification of any opinions of counsel upon which the accused infringer intends to rely. L.P.R. 3.1(a)(1)-(4).

Of course, these compulsory disclosures could become meaningless without some means for ensuring that the disclosures are substantive. Patent Rule 4.5 mandates that the disclosures of contentions have the same binding effect on a party as a response

New Rules (Continued on page 6)

New Rules (Continued from page 5)

to an interrogatory under Rule 33 of the Federal Rules of Civil Procedure. Accordingly, all disclosures and responses must be supplemented or amended just as discovery responses must be under the Federal Rules of Civil Procedure. L.P.R. 4.5(c). Moreover, any amendment or modification of the disclosures or responses, required by a claim construction ruling by the court or a modification of an opposing party's disclosure or response, must be made within 30 days of that ruling or modification. L.P.R. 4.5(c).

C. Willfulness Discovery

Even after the Federal Circuit's decision in Knorr-Bremse v. Dana Corp., accused infringers are likely to seek to delay discovery related to willfulness issues until liability has been determined. The new rules provide accused infringers with some relief in this regard. Discovery related to willfulness can delayed under the new rules until the earlier of (1) five days after a ruling on summary judgment identifying a triable issue of fact to which willfulness would be relevant or (2) 30 days prior to the close of fact discovery. L.P.R. 5.2(b). In other words, the new rules provide a means for the accused infringer to delay disclosing an opinion of counsel and related information until after the accused infringer has had an opportunity to dispose of the infringement claim on summary judgment. If the accused infringer fails to obtain a summary judgment of non-infringement, then the obligation arises to provide willfulness information, including any opinion of counsel on which the accused infringer intends to rely to disprove an allegation of willful infringement.

On the day that willfulness discovery becomes available, the party relying on advice of counsel in defense of an allegation of willful infringement must provide the fundamental information underlying the advice, including (1) a copy of all written opinions relied on; (2) a copy of all materials provided to the opining attorney; (3) a copy of all attorney work product that was disclosed to the accused infringer during the preparation of the opinion; and (4) identification of all written and oral communications related to the subject matter of the opinion. L.P.R. 5.2(b). When willfulness discovery becomes available, the party asserting willful infringement is provided the opportunity to take the deposition of the attorney that rendered the willfulness advice and any person that claims to have relied upon that advice. L.P.R. 5.2(c).

For the accused infringer, therefore, there is a quid pro quo for the delay of its obligation to provide willfulness discovery. At the close of the period of delay, an affirmative obligation automatically arises requiring the accused infringer to produce the detailed willfulness information listed above. Notably, if fact discovery closed at the time a summary judgment ruling is entered, Patent Rule 5.2(c) provides a means for taking the depositions of the persons relevant to willfulness inquiry, including the attorney that rendered the advice regarding non-infringement.

II. CLAIM CONSTRUCTION

The new rules provide a highly structured framework within which the parties and the court conduct any necessary claim construction or "Markman" proceedings. Under the new rules, within 90 days of filing the Preliminary Report, the parties must exchange claim terms that they believe should be construed by the court. L.P.R. 6.1(a). The parties are then required to meet and confer for the purposes of refining this list by narrowing or resolving any differences as to what claims should be construed. L.P.R. 6.1(b). Within 20 days of the exchange of the lists of proposed terms for construction, the parties must exchange proposed constructions for each claim term that any party has identified as requiring construction. L.P.R. 6.2(a). With the proposed constructions, each party must identify the extrinsic evidence that purportedly supports its proposed constructions. L.P.R. 6.2(b).

After all parties submitt their proposed constructions, the parties must again meet and confer to attempt a narrowing of the issues and prepare a Joint Claim Construction Statement. L.P.R. 6.2(c). The Joint Claim Construction Statement must be filed with the court within 130 days after filing the Preliminary Report. L.P.R. 6.3(a). The Joint Claim Construction Statement must include: (1) the constructions of claim terms on which the parties agree; (2) each party's proposed construction for each disputed claim term including identification of intrinsic and extrinsic evidence that the party believes supports its proposed construction; (3) the time expected to be needed for a claim construction hearing; and (4) whether the party proposes to call any witnesses at the claim construction hearing and a summary of the witnesses' expected testimony. L.P.R. 6.3(b)(1)-(4),

Discovery related to claim construction must be completed within 15 days after filing the Joint Claim Construction Statement. L.P.R. 6.4(a). Claim construction briefing must begin within 30 days of filing the Joint Claim Construction Statement. L.P.R. 6.5(a). Both parties simultaneously serve and file an opening brief and then simultaneously respond to their opponent's brief within 20 days. L.P.R. 6.5(a), (b). No provision is made for the filing of a reply brief within the claim construction briefing schedule set forth in the new rules. Following briefing, the court may conduct a claim construction hearing if the court believes the hearing is necessary to construe the claims in dispute. L.P.R. 6.6.

III. OTHER PROVISIONS

A. Disqualification

Often the patentee's counsel in an infringement action will seek to disqualify the accused infringer's counsel, where the accused infringer's counsel provided a non-infringement opinion which the accused infringer relies for its defense to a charge of willful infringement. The basis for this disqualification is Rule 3.7(a) of the Model Rules of Professional Conduct ("MRPC"). Under MRPC Rule 3.7(a), trial counsel can be disqualified if a court determines that he or she is "likely to be a necessary witness" at trial. The new patent local rules directly address such

New Rules (Continued on page 7)

New Rules (Continued from page 6)

disqualifications in the context of patent infringement actions.

Patent Rule 5.3(a) prohibits an individual attorney who rendered an opinion in defense of a charge of willful infringement from appearing as an advocate before the jury, where the jury must determine the issue of willful infringement. Similarly, Patent Rule 5.3(b) prohibits an individual attorney involved in the prosecution of the patent-in-suit from appearing as an advocate before the jury, where the jury must determine the issue of inequitable conduct in connection with the attorney's conduct in such prosecution. Notably, however, the rules explicitly preclude most other disqualifications based solely on an individual lawyer's involvement in either preparing an opinion of counsel or in the prosecution of the patent-in-suit. L.P.R. 5.3(c).

B. Bifurcation of Damages and Liability Issues

Under Rule 42(b) of the Federal Rules of Civil Procedure, a court may order separate trials on different issues in a lawsuit. Often, in patent infringement actions, the court will bifurcate the issues of damages and liability. The accused infringer usually advocates such a bifurcation in order to avoid the costs related to the production of damages information and the risks associated with disclosing sensitive financial data to an opposing party. A motion for bifurcation of liability and damages typically asserts that a determination of non-infringement is likely, rendering the issue of damages moot, and that such a result will enhance efficiency by enabling the parties to avoid discovery and trial on damages issues. The new rules, however, reflect the modern trend finding separate trials less efficient. Patent Rule 5.1 creates a presumption against bifurcation of damages from liability issues in patent cases for both discovery and trial.

C. Expert Witnesses

The rules contemplate the exchange of expert reports -- on issues other than claim construction -- to occur in three, scheduled disclosures. L.P.R. 7.1. First, Patent Rule 7.1(b) requires that on the later of 30 days after the close of discovery or 30 days after the close of discovery after claim construction, each party must make its Rule 26 initial expert witness disclosures on those issues for which each party bears the burden of proof. Second, Patent Rule 7.1(c) requires that 30 days later, each party must make its Rule 26 initial expert witness disclosures on those issues for which the opposing party bears the burden of proof. Finally, Patent Rule 7.1(d) requires that rebuttal expert reports are due on or before ten days after the second round of expert disclosures.

Depositions of disclosed expert witnesses must commence within seven days after the service of rebuttal expert reports and must be completed within 30 days after commencement of the expert deposition period. L.P.R. 7.2. Acknowledging the complexity of the issues addressed in expert reports, the new rules create a presumption against supplementation or amendment of an expert report, once the report has been served. L.P.R. 7.3. Supplementation or amendment of an expert report is deemed "presumptively prejudicial" under the rules and will not be permitted, unless (1) the amendment or supplementation could not have been made earlier; and (2) that all reasonable steps are made to reduce prejudice to the opposing party. L.P.R. 7.3.

IV. CONCLUSION

The Eastern District of Texas has experienced an influx of patent infringement actions that is attributable in no small part to Judge Ward's adoption of special patent rules in his federal courtroom in the small East Texas town of Marshall, Texas. The Eastern District of Texas purportedly has the third largest patent docket in the United States, behind only those of the Northern District of California and the Eastern District of Virginia. While the efficient resolution of patent disputes is the immediate goal of the new Patent Local Rules in the Northern District of Georgia, it remains to be seen whether their adoption will help make this district another favorite destination for patent litigants.

Shane Nichols is an associate on King & Spalding's Intellectual Property Team. Shane's practice is primarily focused on patent litigation matters. Shane is registered to practice before the United States Patent and Trademark Office and counsels clients on a wide variety of intellectual property issues.

Document Efficiency
At Work.℠
231 Peachtree St. #200
Atlanta, GA 30303
770.326.4410
OFF-SITE SERVICES AVAILABLE
• Document Imaging / Blowbacks
• Trial Boards
• Large & Small Copy Projects
• Color Digital Printing
• Electronic Bates Labeling
• CD/DVD/VHS Duplication
• 90+ Locations Nationwide
• Electronic Data Discovery

THE KNORR-BREMSE OPINION AND ITS IMPACT ON WILLFUL PATENT INFRINGMENT

BY: JEFFREY C. MORGAN

In September, the Federal Circuit overruled long-standing precedent regarding how willful patent infringement is frequently determined. In *Knorr-Bremse Sys. v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), the Federal Circuit held: "We now hold that no adverse inference that an opinion of counsel was or would have been unfavorable flows from an alleged infringer's failure to obtain or produce an exculpatory opinion of counsel. Precedent to the contrary is overruled." *Id*. at 1341. The Federal Circuit's opinion in Knorr-Bremse represents a significant change in how courts and juries will determine willful patent infringement in light of the attorney-client privilege.

Before Knorr-Bremse, if an accused infringer failed to produce an exculpatory opinion of counsel (i.e., an opinion that they are not infringing the patent or that the patent is invalid), the fact finder was free to draw an "adverse inference" against the accused infringer. *Id.* at 1343. This adverse inference rule amounted to finding either: (a) that the accused infringer obtained an unfavorable opinion of counsel and was therefore willfully infringing the patent; or (b) the accused infringer failed to seek legal advice regarding its alleged infringement, thereby violating the affirmative duty to avoid infringement, which also leads to a conclusion of willful infringement. *Id.* Either way, defendants in patent cases were in a dilemma: waive the attorney client privilege by obtaining and producing an exculpatory opinion of counsel (if one existed), or face the very real prospect of being found a "willful" infringer and with it the prospect of being assessed multiple damages and being ordered to pay the patent holder's attorneys' fees.

In Knorr-Bremse, the Federal Circuit took up this long-standing controversy en banc to address four specific questions: (1) is the adverse inference rule appropriate when an accused infringer relies on the attorney-client privilege to withhold opinion of counsel; (2) is the adverse inference rule appropriate when the accused infringer has not even obtained a legal opinion; (3) if the law should be changed, what are the consequences for this specific case; and (4) is a substantial defense to infringement in the litigation sufficient to defeat a finding of willful infringement? *Id.* at 1344-47. The Federal Circuit answered Questions 1, 2, and 4 "no", and with respect to Question 3 held that, in this specific case, there were sufficient factual issues such that willful infringement may or may not be present. *Id.* The Federal Circuit remanded to the district court for further proceedings. Id. at 1348.

It is too early to tell what long-term effect Knorr-Bremse will have on patent prosecution and litigation practice. On the one hand, patent practitioners no longer need to fear being completely forthright with their clients when issuing written opinions. Now that companies will not feel pressured to disclose written opinions of patent counsel, patent counsel need not couch every potentially infringing act of their client's (or valid claim of a competitor's patent) in the most advantageous light possible for their clients. The societal benefits are obvious and flow directly from the policy underlying the attorney-client privilege. More forthcoming and comprehensive advice from counsel is likely to lead to more informed clients and, by extension, fewer instances of infringement (or, at least, a more informed decision on whether to seek a license). On the other hand, clients can still use favorable written opinions of patent counsel as an affirmative showing that their allegedly infringing acts were undertaken in good faith.

Given the significant change in the law created by Knorr-Bremse, the case will likely be appealed to the United States Supreme Court. Meanwhile, accused infringers now have a more meaningful choice before them: "Should I disclose the written opinion of patent counsel?" as opposed to "Must I?"

Jeffrey C. Morgan is a lawyer in the Intellectual Property Practice Group at Troutman Sanders LLP. He specializes in intellectual property litigation, and patent litigation in particular.

THE LAW FIRM OF
GARDNER GROFF, P.C.

is pleased to announce the start of our 10th year serving clients as a boutique firm and that

R. Stevan Coursey has re-joined the firm this year. Steve is a patent attorney with bachelors and masters degrees in mechanical engineering and has substantial engineering and legal work experience in the fields of software, computer science, and hardware.

We now have eight patent attorneys in our office and look forward to continued growth. As we start our tenth year, we would like to thank all of our colleagues in our community who have referred matters to us over the years. We also wish to thank the truly great clients we are so fortunate to work for. We are blessed to have such support. The Firm Continues to Practice Exclusively in the Area of Intellectual Property Law, Including Patents, Trademarks, and Copyrights, and Related Litigation.

GARDNER GROFF, P.C.
Paper Mill Village, Building 23
600 Village Trace, Suite 300
Marietta, Georgia 30067
www.gardnergroff.com
770.984.2300

Look for our relocation to Northwest Atlanta in early 2005!

Can You Avoid Conflicts of Interest in Patent Practice Using Advance General Waivers?

By: Tina Williams McKeon, D Brian Shortell
Needle & Rosenberg, P.C.

Conflicts of interest in intellectual property practice have become more commonplace as intellectual property practice becomes increasingly complex, as law firms with intellectual property practices become larger, and as intellectual property lawyers move from firm to firm.1 Conflicts of interest can arise in several ways during patent practice, even outside the litigation context. During patent prosecution, patent examiners cite references that patent attorneys must distinguish from their client's claimed invention. As patent attorneys prepare patentability or non-infringement opinions, they frequently must characterize the claims of other patents as narrow in scope or invalid. Client also ask patent attorneys to advise them on how to design around a patented invention. When the patent attorney responds to an office action, provides an opinion, or offers a design-around solution regarding a patent owned by another client, an adverse effect on one or both of the clients may occur. This article explores whether such conflicts can be addressed using advance general waivers.

It is often difficult to identify a potential conflict of interest outside the litigation context.2 Thus, the question that arises first is whether a patent lawyer may render, under the Georgia Rules of Professional Conduct ("the Georgia Rules"), an opinion on, or otherwise argue to limit, the scope or validity of one client's patent on behalf of another client. The Georgia Rules are silent as to patent practice. However, the Georgia Rules address circumstances where an attorney, on behalf of one client, attacks the work product prepared by the attorney or his firm on behalf of a former client. Comment 1 to Rule 1.9 states that "a lawyer could not properly seek to rescind on behalf of a new client a contract drafted on behalf of the former client." It seems likely that a conflict arises when a patent attorney who drafted or prosecuted a patent application subsequently attacks the validity of the patent claims on behalf of a different client. The analysis is the same whether the client for whom the patent application was prepared or prosecuted is a current client or a former client.3 The same

Conflicts (Continued on page 10)

Intellectual property rights infringement is no laughing matter.

What a coincidence –
their product looks exactly like yours…
except your client came up with the idea first.

We investigate, report, value, and testify about economic and financial information to settle IP disputes.

For more information contact Glen Jenkins at 404-365-1412.

FORENSIC ACCOUNTING CONSULTANTS
FRAUD INVESTIGATION • LITIGATION SUPPORT • BUSINESS VALUATION

A Division of Miller Ray & Houser LLP
99 West Paces Ferry Road Atlanta GA 30305
www.forensicaccountingcpa.com

Conflicts (Continued from page 9)

analysis applies whether the same attorney or a different attorney of the firm prepared the original work product.4

The Standing Committee on Legal Ethics for the Virginia Bar has issued an advisory ethics opinion based on a hypothetical set of facts in which a firm is asked to write a validity opinion for Client A regarding a patent owned by Client B, a current client of the same firm. In this hypothetical set of facts, the firm representing Client B is in an unrelated technology as compared to the representation of Client A. The Committee opined that there is a conflict precluding an attorney from preparing, on behalf of one client, an opinion as to the validity of a patent held by a second client, absent consent from both clients.5 The Committee cited Comment 3 of Rule 1.7 of the Virginia Rules of Professional Conduct:

As a general proposition, loyalty to a client prohibits undertaking representation directly adverse to that client without that client's consent. Paragraph (a) expresses that general rule. Thus, a lawyer ordinarily may not act as advocate against a person the lawyer represents in some other matter, even if it is wholly unrelated.6

The analogous Georgia rule includes the same comment,7 and it seems likely that the same analysis would apply in Georgia. Thus, it is likely that consent of both clients is required for the firm to render the opinion for one client regarding the validity of a patent owned by another client.

The nature and form of the necessary client consent is governed by Rule 1.7 of the Georgia Rules:

(a) A lawyer shall not represent or continue to represent a client if there is a significant risk that the lawyer's own interests or the lawyer's duties to another client, a former client, or a third person will materially and adversely affect the representation of the client, except as permitted in (b).

(b) If client consent is permissible a lawyer may represent a client notwithstanding a significant risk of material and adverse effect if each affected or former client consents, preferably in writing, to the representation after:

(1) consultation with the lawyer,

(2) having received in writing reasonable and adequate information about the material risks of the representation, and

(3) having been given the opportunity to consult with independent counsel.8

Because another client's patent may be cited well into the prosecution process or another client's patent discovered well into the opinion writing process, substantial inconvenience and expense can occur when waivers must be obtained or when one client refuses to waive the potential conflict of interest. Consequently, an advance general waiver of conflicts of interest, if sufficient under the ethical rules, would be very useful. An example of advance general waiver follows:

You agree in advance to waive any conflict that might result from our representation of another client on a matter (other than a litigation matter) that is adverse to you, so long as the matter is not substantially related to any matter we have handled or currently handle for you. Thus, you agree that if another client asks us to opine about a patent owned by you or to handle an interference involving a patent owned by you, we can undertake that work without further notice to you, so long as the matter is unrelated to matters we have handled on your behalf.

You also agree in advance that we may represent, on unrelated matters, parties against whom we are adverse on your behalf. For example, if, on your behalf, we prepare an opinion adverse to another party's patent, we may, without further notice to you, handle unrelated matters for the other party.9

Although initially this advance general waiver seems to clear the way for most representations without the need for additional waivers, the waiver probably is not sufficient under the Georgia Rules. Under the Georgia Rules, the consenting clients must receive (1) consultation with the lawyer, (2) a writing providing reasonable and adequate information about the materials risks of the representation, and (3) an opportunity to consult with independent counsel.10 The Georgia Rules define "consultation" as a "communication of information reasonably sufficient to permit the client to appreciate the significance of the matter in question." 11 The general advance waiver, without more, provides no information as to the significance of the matter in question and does not afford the client "consultation" with the attorney seeking the waiver or an opportunity to discuss the specific circumstances through "consultation" with independent counsel.

The Georgia Rules also require that the consenting client must have received in writing reasonable and adequate information about the material risks of the representation. This requirement necessitates some specificity as to the representation of the client's competitor and the work the lawyer has undertaken on behalf of another client. The general advance waiver fails to do this and, in fact, probably seeks to circumvent this requirement. Providing information adequate to disclose the particular material risks actually may violate Rule 1.6, which requires that [a] lawyer shall maintain in confidence all information gained in the professional relationship with a client, including information which the client has requested to be held inviolate or the disclosure of which would be embarrassing or would likely be detrimental to the client, unless the client consents after consultation, except for disclosures that are impliedly authorized in order to carry out the representation, or are required by these rules or other law, or by order of the Court.12

The conundrum of revealing confidential information of one client in order to obtain the consent from another client is specifically contemplated in Comment 5 to Rule 1.7:

[T]here may be circumstances where it is impossible to make the disclosure necessary to obtain consent. For example, when the lawyer represents different clients in related matters and one of the clients refuses to consent to the disclosure necessary to permit

Conflicts (Continued on page 11)

Conflicts (Continued from page 10)

the other client to make an informed decision, the lawyer cannot properly ask the latter to consent.

At least one Georgia court has expressed skepticism about advance general waivers. In *Worldspan, L.P., v. Sabre Group Holdings, Inc.,* 5 F. Supp. 2d 1356 (N.D. Ga. 1998), Judge Moye applied the Georgia Professional Code of Professional Responsibility,13 which pre-dates the current Rules, to disqualify the defendant's attorney in a tort action despite an advance waiver in an standard engagement letter received by the plaintiff over five years prior to the representation at issue in the litigation. Judge Moye reasoned that to weaken the requirement of informed consent so that general letters of standing consent, that is, waivers of professional obligations as set forth in the applicable codes of professional responsibility, suffice would, in this Court's opinion, drastically denigrate the lawyer's unique position of trust with his client and go far towards permitting the relationship to depend merely upon the non-appearance of a more substantial client." *Worldspan*, 5 F. Supp. 2d at 1360. Applying the reasoning of *Worldspan*, advance general waivers are likely to be insufficient in the context of intellectual property practice.

An intellectual property practice that includes patent prosecution, client advice regarding design-around options, or opinion work inevitably will experience potential conflicts of interest between clients. The use of advance general waivers to clear the way for an attorney or firm to provide opinions about another client's patents, however, is not likely to be considered sufficient client consent under the Georgia Rules of Professional Conduct. To avoid all such conflicts, a firm must have only one client and no former clients. Short of this extreme solution, when a potential conflict arises, an intellectual property attorney must (1) consult with his affected clients, without breaching his duty of confidentiality to either client; (2) seek an informed consent from the affected clients by apprising them, in writing, of the risks of the representation; and (3) give the affected clients the opportunity to seek independent counsel on the matter. Advance general waivers simply lack sufficient detail to allow clients to make an informed decision whether to waive the potential conflict.

Acknowledgement: We acknowledge with gratitude the assistance of Clarke D. Cunningham, W. Lee Burge Professor of Law & Ethics, Georgia State University School of Law, with whom we consulted about the sufficiency of advance general waivers.

(Footnotes)

1 For a review of conflicts issues pertaining to intellectual property law practice, see generally Lisa A. Dolak, Conflicts of Interest: Guidance for the Intellectual Property Practitioner, 39 IDEA 267 (1999).

2 See Comment 11 to Rule 1.7 of the Georgia Rules of Professional Conduct ("Conflicts of interest in contexts other than litigation sometimes may be difficult to assess. Relevant factors in determining whether there is a potential for adverse effect include the duration and extent of the lawyer's relationship with the client or clients involved, the functions being performed by the lawyer, the likelihood that actual conflict will arise and the likely prejudice to the client from the conflict if it does arise.")

3 Rule 1.9 applies to conflicts of interest as to former clients and precludes representation of a client whose interests are "materially adverse" to a former client "in the same or a substantially related matter" unless the former client consents. Rule 1.7 applies to conflicts of interest as to current clients as well and does not require that the matters be substantially related, just that the representation of both would "materially and adversely affect the representation."

A conflict, however, does not necessarily arise as a result of representation of one client in matters that are merely generally adverse to the interests of another client. Comment 3 to Rule 1.7 of the Georgia Rules provides that:

As a general proposition, loyalty to a client prohibits undertaking representation directly adverse to that client without that client's consent. Paragraph (a) of Rule 1.7 expresses that general rule. Thus, a lawyer ordinarily may not act as advocate against a person the lawyer represents in some other matter, even if it is wholly unrelated. On the other hand, simultaneous representation in unrelated matters of clients whose interests are only generally adverse, such as competing economic enterprises, does not require consent of the respective clients. Paragraph (a) applies only when the representation of one client would be directly adverse to the other.

That is, the Rules prohibit adverse advocacy with regard to current clients and prohibit adverse advocacy in substantially related matters with regard to former clients.

4 Rule 1.10 states that "[w]hile lawyers are associated in a firm, none of them shall knowingly represent a client when any one of them practicing alone would be prohibited from doing so."

5 Legal Ethics Opinion 1774: Firm Writing Patents for One Client and also for Competitor of the First Client.

6 Comment 3 to Rule 1.7 of the Virginia Rules of Professional Responsibility.

7 Comments 3 and 8 to Rule 1.7 of Georgia Rules of Professional Conduct.

8 It should be noted that consent is not permissible under Rule 1.7(c) if the representation "is prohibited by law or [other ethical] rules," if the representation "includes the assertion of a claim by one client against another client represented by the lawyer in the same or substantially related proceeding," or if the representation "involves circumstances rendering it reasonably unlikely that the lawyer will be able to . . . adequate[ly] represent . . . one or more of the affected clients."

9 This example is modified from a letter one of our clients received from a law firm located outside Georgia.

10 Rule 1.7(b) of the Georgia Rules of Professional Conduct.

11 Georgia Rules of Professional Conduct, Terminology section.

12 Georgia Rule of Professional Responsibility: Rule 1.6(a).

13 The Code provided:

(A) lawyer shall decline proffered employment if the exercise of his independent professional judgment in behalf of a client will be or is likely to be adversely affected by the acceptance of the proffered employment, except to the extent permitted under DR 5-105(C).

***

(C) In the situation covered by DR5-105(A) and (B), a lawyer may represent multiple clients if it is obvious that he can adequately represent the interests of each and if each consents to the representation after full disclosure of the possible effect of such representation on the exercise of his independent professional judgment on behalf of each.

Ga. DR 5-105 (A) and (C).

Happy Holidays

We'll see you in 2005

Standing (from Left to Right): Doug Isenberg,

Hunter Yancey, Griff Griffin, Art Gardner, Michael Hobbs, and Wab Kadaba

Sitting (From Left to Right): Jeri Sute, Steve Wigmore Andrew Crain, and Alison Danaceau

Not Pictured:

The State Bar of Georgia

Intellectual Property Law Section

Executive Committee

Michael D. Hobbs, Jr. (Michael.hobbs@troutmansanders.com)
Troutman Sanders, LLP .... *CHAIR*
600 Peachtree Street, Suite 5200
Atlanta, GA 30308-2216
Tel: 404/885-3330

Douglas M. Isenberg (disenberg@needlerosenberg.com)
Needle & Rosenberg, P.C. .... *CHAIR-ELECT*
999 Peachtree St., Ste. 1000
Atlanta, GA 30309
Tel: 678/420-9300

Griff Griffin (ggriffin@sablaw.com)
Sutherland Asbill & Brennan, LLP .... *VICE-CHAIR*
999 Peachtree Street, Suite 2300
Atlanta, GA 30309-3996
Tel: 404/856-8233

Todd S. McClelland (tmcclelland@alston.com)
Alston & Bird, LLP........ *SECRETARY*
One Atlanta Center
11201 West Peachtree Street
Atlanta, GA 30309-3424
Tel: 404/881-4789

Wab Kadaba (wkadaba@kilpatrickstockton.com)
Kilpatrick Stockton, LLP .... *TREASURER*
1100 Peachtree Street,
Suite 2800
Atlanta, GA 30309-4530
Tel: 404/815-6500

J. Hunt Yancey, Jr. (hunter.yancey@troutmansanders.com)
Troutman Sanders, LLP,........ *Newsletter*
600 Peachtree Street, Suite 5200
Atlanta, GA 30308-2216
Tel: 404/885-3696

Alison P. Danaceau (alisondanaceau@paulhastings.com)
Paul, Hastings, Janofsky & Walker, LLP........ *Newsletter*
600 Peachtree Street, Suite 2400
Atlanta, GA 30308-2216
Tel: 404/815-2337

Steve Wigmore (swigmore@kslaw.com)
King & Spalding, LLP .... *Licensing Committe*
191 Peachtree Street, N.E.
Atlanta, GA 30303-1769
Tel: 404/572-2884

N. Andrew Crain (andrew.crain@tkhr.com)
Thomas, Kayden,........ *Patent Committee*
Horstemeyer & Risley, LLP
100 Galleria Parkway, Suite 1750
Atlanta, GA 30339
Tel: 770/933-9500

John Renaud (jrenaud@kilpatrick.com)
Turner Broadcasting. .... *Copyright Committee*
Turner Entertainment Group, Inc.
1050 Techwood Dr., NW., 3rd Floor
Atlanta, GA 30318
Tel: 404/575-6079

Shane Nichols (snichols@KSLAW.com)
King & Spalding, LLP .... *Social Committee*
191 Peachtree Street, N.E.
Atlanta, GA 30303-1769
Tel: 404/572-2884

Jeri Sute (jeri.sute@us.ing.com)
ING AMERICAS .... *Trademark Committee*
5780 Powers Ferrry Rd. NW
Atlanta, GA 30327
tel: 770/850-7951

Arthur A. Gardner (AGARDNER@GARDNERGROFF.COM)
Gardner Groff, P.C. .... *Litigation Committee Chair*
Paper Mill Village, Bldg. 23
600 village trace, suite 300
Marietta, GA 30067
tel: 770/984-2300