UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

ISLAND INTELLECTUAL PROPERTY LLC, LIDS CAPITAL LLC, DOUBLE ROCK CORPORATION, and INTRASWEEP LLC,

Plaintiffs,

v.

DEUTSCHE BANK TRUST COMPANY AMERICAS, and TOTAL BANK SOLUTIONS, LLC,

Defendants.

Civil Action No. 09 Civ. 2675 (VM) (AJP)

DEFENDANTS' EMERGENCY MOTION TO STAY NOVEMBER 18, 2009 ORDER PENDING THEIR PETITION FOR A WRIT OF MANDAMUS IN THE FEDERAL CIRCUIT

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Defendants Deutsche Bank Trust Company Americas and Total Bank Solutions, LLC (collectively, "Defendants") respectfully submit this emergency motion to stay this Court's November 18, 2009 Order (Dkt. No. 78) and lifting of the Interim Protective Order (Dkt. No. 82) pending Defendants' petition for a writ of mandamus to be filed with the Federal Circuit.

I. INTRODUCTION

The Court issued an Order on November 18, 2009 adopting Magistrate Judge Peck's September 23, 2009 Order refusing to bar Plaintiffs' lead litigation counsel—Charles Macedo, who will have access to Defendants' confidential and competitively sensitive information through the litigation—from being directly involved in prosecution of patent applications directly related to the patents-in-suit. Defendants plan to immediately file a petition for a writ of mandamus in the Federal Circuit on this issue. As such, Defendants respectfully request that the Court order a stay of the November 18, 2009 Order until the Federal Circuit's decision on this issue.

The stay is appropriate in this case because first, Defendants are likely to succeed on the merits on their petition for a writ of mandamus. The Federal Circuit will likely grant the petition because without such a remedy, Defendants' confidential, competitively sensitive and proprietary information will already have been exposed and compromised before an appeal following a final judgment. Further, despite best intentions, there is a substantial risk that Mr. Macedo will use, even if inadvertently, the confidential information learned during litigation in prosecuting Plaintiffs' nineteen (19) patent applications that relate to the same technology at issue. Second, without an immediate stay of the November 18, 2009 Order, the interim Protective Order will be lifted causing Defendants irreparable harm because Defendants' competitively sensitive and proprietary information would already have been exposed and compromised before the Federal Circuit rules on the petition, *i.e.*, there is a high likelihood the very damage that Defendants seek to avoid in the petition would already have been done. Third, the Court's imposition of a stay would cause little, if any, harm to Plaintiffs because the Interim

Protective Order that is in place gives Mr. Macedo the option to either refrain from reviewing patent prosecution bar materials (while continuing his patent prosecution activities) or be barred from patent prosecution. Indeed, such interim solution was proposed by Plaintiffs themselves. Further, Plaintiffs have another law firm—Foley & Lardner LLP—handling their prosecution matters. Fourth, public interest is not affected by a stay.

Accordingly, Defendants respectfully request that the Court grant this motion and stay the November 18, 2009 Order until the Federal Circuit makes a decision on Defendants' petition for a writ of mandamus. In the alternative, Defendants respectfully request that at a minimum, the Court stay the November 18, 2009 Order until the Federal Circuit makes a decision on an emergency motion to stay pursuant to FED. R. APP. P. 8(a).[1]

Because Magistrate Judge Peck ordered that the November 18, 2009 Order would become effective and the Interim Protective Order would be lifted after 5 p.m. on Wednesday, November 25, 2009 regardless of whether Defendants file an emergency motion to stay, Defendants request that the Court grant Defendants' requested relief immediately.

II. FACTUAL BACKGROUND

The parties are direct competitors in the deposit-sweep-services industry. Plaintiffs have at least nineteen (19) patent applications directly related to the patents-in-suit still pending before the U.S. Patent and Trademark Office. On at least fifteen (15) of these patent applications, Plaintiffs have invoked a special procedure to ensure that the applications remain unpublished while they are being prosecuted, precluding the public and Defendants from knowing what is being claimed in these unpublished applications. Plaintiffs' lead litigation counsel, Charles Macedo, acts as in-house counsel to supervise prosecution of these pending patent applications

[1] Magistrate Judge Peck indicated at both the October 21, 2009 and November 19, 2009 Status Conferences that it is highly unlikely that this Court will grant any emergency motion to stay pending petition for a writ of mandamus. (*See* Dkt. No. 74, 10/21/09 Conf. Tr. At 12:4-13:1.) Defendants have filed this motion to this Court first before filing an emergency motion to stay to the Federal Circuit because under FED. R. APP. P. 8(a), "[a] party must ordinarily move first in the district court" for a motion to stay an order of a district court pending appeal.

and also as licensing and general intellectual property counsel for Plaintiffs. Plaintiffs have a separate outside law firm—Foley & Lardner LLP—to prosecute their patents. Not only does Foley have at least twenty-two (22) attorneys authorized to prosecute patent for Plaintiffs, a partner at Foley, William T. Ellis, "handles the day-to-day matters" with regards to Plaintiffs' patent prosecution and has worked with Plaintiffs since at least 2004. (*See* Dkt. No. 75 at 6.)

On August 19, 2009, Magistrate Judge Peck orally denied Defendants' request for a patent prosecution bar to be imposed on Mr. Macedo. (Dkt. No. 46, 08/19/09 Conf. Tr. at 39.) Defendants filed a Motion for Reconsideration of the oral ruling. (Dkt. Nos. 47-48.) On September 23, 2009, Magistrate Judge Peck issued an Opinion and Order denying Defendants' Motion for Reconsideration of the oral ruling. (Dkt. No. 58.) Defendants filed an Objection to Magistrate Judge Peck's Opinion and Order. (Dkt. No. 63.) Magistrate Judge Peck issued an Interim Protective Order, giving Mr. Macedo a choice to either not review patent prosecution bar materials or be barred from involvement in patent prosecution after reviewing such materials, pending this Court's decision on Defendants' Objections. (Dkt. No. 82 at § III.32.) On November 18, 2009, this Court adopted Magistrate Judge Peck's Opinion and Order in its entirety. (Dkt. No. 78.)

During the November 19, 2009 Status Conference with Magistrate Judge Peck, Magistrate Judge Peck clarified that although Defendants are given seven calendar days to apply for an emergency stay after the November 18, 2009 Order issued, after the seven days, the November 18, 2009 Order will take effect and the Interim Protective Order imposing an interim patent prosecution bar on Mr. Macedo would no longer apply in this case regardless of whether any emergency motion to stay is pending. (*See* Dkt. No. 74, 10/21/09 Conf. Tr. At 12:4-13:1.) Accordingly, if this Court or the Federal Circuit[2] were not to grant Defendants' motion to stay the Order before 5 p.m. on Wednesday, November 25, 2009, Mr. Macedo would from that

[2] If the Court does not grant the emergency relief requested in this motion by Monday, November 23, 2009, Defendants are planning to file an emergency motion to stay in the Federal Circuit pursuant to FED. R. APP. P. 8(a). Defendants are also planning to file their petition for a writ of mandamus in the Federal Circuit within a few business days.

moment on be permitted to review Defendants' competitive documents and information without any prosecution bar in place regardless of whether Defendants' motion for stay is pending.

III. ARGUMENT

A. Legal Standard.

In deciding whether to grant a motion to stay an order pending appeal, the Federal Circuit applies four factors: "(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies." *Standard Havens Prod., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990) (citing *Hilton v. Braunskill*, 281 U.S. 770, 776 (1987)). "Each factor, however, need not be given equal weight." *Id.* (citations omitted). Notably, "[w]hen harm to applicant is great enough, a court will not require 'a strong showing' that applicant is 'likely to succeed on the merits.'" *Id.* at 513 (citing *Hilton*, 481 U.S. at 776).

B. Defendants Are Likely To Succeed On The Merits.

Defendants are likely to succeed on the merits on their petition for a writ of mandamus. "The writ of mandamus is available in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power … A party seeking a writ bears the burden of proving that it has no other means of obtaining the relief desired … and that the right to issuance of the writ is 'clear and indisputable.'" *In re TS Tech USA Corp.*, 551 F.3d 1315, 1318-19 (Fed. Cir. 2008) (citations omitted).

First, this issue is an appropriate mandamus issue. The November 18, 2009 Order—allowing Mr. Macedo to review Defendants' proprietary information while being involved in patent prosecution of the directly related patent applications of the patents-in-suit—leaves only an appeal after final judgment as a remedy. Such a remedy, however, is inadequate. Effectuating with the November 18, 2009 Order would destroy the object of Defendants' request—to preclude Mr. Macedo from prosecuting related patent applications after gaining

access to Defendants' competitively sensitive and proprietary information. Although Defendants believe they would ultimately succeed on a regular appeal, Defendants' confidential, much of competitively sensitive and proprietary information will already have been exposed and compromised. Further, despite best intentions, there is a high likelihood that Mr. Macedo will use, even if inadvertently, the confidential information learned during litigation in prosecuting Plaintiffs' at least nineteen (19) patent applications that relate to the same technology at issue. *See, e.g.*, *Infosint S.A.*, 2007 WL 1467784 at *4; *Davis*, 1998 WL 912012 at *3; *Pall Corp.*, 2008 WL 5049961 at *6 n.5. In short, were this issue taken up on regular appeal, the damage would have been already done.

In similar contexts, where the lower court ordered disclosure of disputed attorney-client privileged information, the Federal Circuit (and other Circuit Courts) have granted petitions for a writ of mandamus recognizing that an appeal after disclosure of privileged communication would offer an inadequate remedy. *See, e.g.*, *In re Regents of Univ. of Cal.*, 101 F.3d 1386, 1387 (Fed. Cir. 1996) ("because maintenance of the attorney-client privilege up to its proper limits has substantial importance to the administration of justice, and because an appeal after disclosure of the privileged communication is an inadequate remedy, the extraordinary remedy of mandamus is appropriate."); *Chase Manhattan Bank, N.A. v. Turner & Newall, PLC*, 964 F.2d 159, 165 (2d Cir. 1992) (granting petition for a writ of mandamus and finding that "[i]f opposing counsel is allowed access to information arguably protected by the privilege before an adjudication as to whether the privilege applies, a pertinent aspect of confidentiality will be lost, even though communications later deemed to be privileged will be inadmissible at trial."); *In re Ford Motor Co.*, 110 F.3d 954, 963 (3d Cir. 1997) ("In the context of mandamus jurisdiction, we have repeatedly held that appealing privilege and work product issues after final judgment is ineffective."). In short, once privileged information is disclosed, one cannot restore the status quo. Likewise, once Defendants' confidential and competitively sensitive information is disclosed to Mr. Macedo, who can then inadvertently use such information in patent prosecution,

much of Defendants' competitively sensitive information would be seriously jeopardized and lost if mandamus is not issued in this case.

Second, the Federal Circuit is likely to rule that a patent prosecution bar should be imposed on Mr. Macedo. The majority of district courts, including the courts in the Second Circuit, have found that an attorney who has obtained access to an adversary's confidential information during the course of litigation should not be permitted to make use of that information in prosecuting his own client's patent applications.[3] As the courts in these cases have found, an attorney's access to a competitor's highly proprietary and confidential information disclosed in litigation creates an unwarranted risk of inadvertent disclosure in ongoing patent prosecution. Further, courts have found that the involvement in patent prosecution is indeed "competitive decionmaking," which would require a patent prosecution bar to be in adopted in cases like this one.[4] Advising and/or counseling on patent prosecution is also a form of "competitive decisionmaking."[5]

A prosecution bar is especially important under the facts of this case because the parties are direct competitors. During discovery, Defendants will be required to provide Mr. Macedo with highly proprietary and competitively sensitive documents that disclose how their products operate and function. At the same time, Mr. Macedo will be participating in Plaintiffs' ongoing patent prosecution efforts, including the prosecution of nineteen (19) patent applications that are directly related to the patents-in-suit. In such circumstances, it is difficult to expect that a lawyer in Mr. Macedo's position could compartmentalize his knowledge of Defendants' confidential

[3] *See, e.g., Infosint S.A. v. H. Lundbeck A.S.*, No. 06CIV28691LAKRLE, 2007 WL 1467784, at *4 (S.D.N.Y. May 16, 2007); *Davis v. AT&T Corp.*, No. 98-CV-0189S(H), 1998 WL 912012, at *3 (W.D.N.Y. Dec. 23, 1998); *Pall Corp. v. Entegris, Inc.*, No. 05-CV-5894 (RRM)(WDW), 2008 WL 5049961, at *6 n.5 (E.D.N.Y. Nov. 26, 2008); *Phoenix Solutions Inc. v. Wells Fargo Bank, N.A.*, 254 F.R.D. 568, 579 (N.D. Cal. 2008); *In re Papst Licensing, GmbH*, No. MDL 1278, 2000 WL 554219, at *4 (E.D. La. May 4, 2000); *Interactive Coupon Mktg. Group, Inc. v. H.O.T! Coupons, LLC*, No. 98 C 7408, 1999 WL 618969, at *4 (N.D. Ill. Aug. 9, 1999).

[4] *See, e.g., Infosint S.A.*, 2007 WL 1467784 at *4; *Phoenix Solutions*, 254 F.R.D. at 580.

[5] *See, e.g., Phoenix Solutions*, 254 F.R.D. at 580 ; *Andrx Pharm.*, 236 F.R.D. 583, 586 (S.D. Fl. 2006); *Chan*, 218 F.R.D. at 661; *Interactive Coupon Marketing Group, Inc.*, 1999 WL 618969 at *3.

technical information while simultaneously meeting his clients' objective of seeking the broadest and most comprehensive patent coverage for Plaintiffs.

Accordingly, since there is a high likelihood of success on the merits, the November 18, 2009 Order should be stayed pending the Federal Circuit's decision on Defendants' petition for a writ for mandamus.

C. Defendants Would Be Irreparably Injured Absent A Stay.

Even if the Court finds that there is not a strong showing that Defendants are likely to succeed on the merits, a stay is still appropriate because the potential harm to Defendants is irreparable in light of the specific facts of this case and the competitive environment in which parties directly compete. *See Standard Havens Prod., Inc.*, 897 F.2d at 512.

Acknowledging the difficultly in compartmentalizing knowledge, courts have recognized that—even assuming the best of intentions—prior exposure to an adversary's confidential information will inevitably result in some degree of tainting of the patent prosecution process. *See, e.g.*, *Infosint S.A.*, 2007 WL 1467784 at *4; *Davis*, 1998 WL 912012 at *3; *Pall Corp.*, 2008 WL 5049961 at *6 n.5. Despite best intentions, there is a high likelihood that Mr. Macedo will use, even if inadvertently, the confidential information learned during litigation in prosecuting Plaintiffs' nineteen (19) patent applications that relate to the same technology at issue. Courts have recognized that the risk of inadvertent disclosure is greatest where, as here, the party opposing the prosecution bar is prosecuting continuation patent applications that are directly related to the patents-in-suit. *See, e.g.*, *Phoenix Solutions*, 254 F.R.D. at 580. And, the risk here is heightened because fifteen (15) of Plaintiffs' nineteen (19) related patent applications are non-public; thus, Defendants are unable to monitor those applications to determine whether their confidential information is being used to draft patent claims or avoid prior art. As a result, Plaintiffs may be able to obtain patents purporting to read-on the confidential aspects of Defendants' products.

Thus, without a stay of the November 18, 2009 Order, Mr. Macedo would be permitted to review Defendants' proprietary information and at the same time be involved in patent prosecution of the directly related patent applications of the patents-in-suit. This would expose and compromise Defendants' competitively sensitive and proprietary information. Further, even if Defendants' petition for a writ of mandamus is granted at a later date, there is a high likelihood that the very damage that Defendants seek to avoid would already have been done. Accordingly, a stay is appropriate in this case.

D. A Stay Would Cause Little, If Any, Harm To Plaintiffs.

There would be little, if any, prejudice to Plaintiffs if Mr. Macedo were to be barred for a limited time, pending the Federal Circuit's decision, from having a role in patent prosecution relating to the technology at issue. That is because Plaintiffs use a separate law firm—Foley & Lardner—to prosecute its patents. There are twenty-two (22) Foley attorneys authorized to prosecute patents for Plaintiffs. Further, Plaintiffs have admitted that William T. Ellis at Foley "handles the day-to-day matters" regarding patent prosecution and that Mr. Macedo has supervised Mr. Ellis for years. (*See* Dkt. No. 75 at 6.) Mr. Ellis is a partner at Foley who has over 25 years of experience in intellectual property, including patent procurement. (*See id.*) Significantly, Mr. Ellis has been prosecuting patent applications for Plaintiffs since at least 2004 (almost as long as Mr. Macedo, who has prosecuted patent applications for Plaintiffs since 2003). (*See id.*) Thus, there is no reason why Mr. Ellis, an experienced patent prosecution attorney who worked for Plaintiffs for nearly five (5) years, could not handle any further legitimate patent prosecution activities of Plaintiffs without Mr. Macedo's supervision.

Alternatively, Mr. Macedo can continue to participate in the patent prosecution if he does not review any patent prosecution bar materials pursuant to the Interim Protective Order. (Dkt. No. 82 at § III.32.) The Interim Protective Order allows Mr. Macedo to make a choice to either not review any patent prosecution bar materials (Mr. Macedo's colleagues in his law firm involved with this litigation can review these materials) or be barred from participating in patent

prosecution during the interim if he wishes to review such materials. To this date, Mr. Macedo has chosen not to review any patent prosecution bar materials in order to continue participating in the patent prosecution. Thus, there is no harm to Plaintiffs when the Interim Protective Order is in effect until a decision is made by the Federal Circuit on the petition.

E. A Stay Would Not Affect Any Public Interest.

A stay of the November 18, 2009 Order would not affect any public interest.

IV. CONCLUSION

For the foregoing reasons, Defendants respectfully request that the Court stay the November 19, 2009 Order and the lifting of the Interim Protective Order (Dkt. No. 82) until the Federal Circuit's decision on Defendant's petition for a writ of mandamus. In the alternative, Defendants request that the November 19, 2009 Order and the lifting of the Interim Protective Order be stayed at least until the Federal Circuit decides an emergency motion to stay pursuant to FED. R. APP. P. 8(a).

Respectfully submitted,

DATED: November 20, 2009 By: *s/ Jeffrey A. Finn*

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