Keywords: **patent prosecution bar, mandamus, discovery, competitive decisionmaking**

General: **The Federal Circuit provides a standard for determining exemption from a patent prosecution bar and provides examples of prosecution activities that typically involve competitive decisionmaking.**

In re Deutsche Bank Trust Company Americas and Total Bank Solutions, LLC
Misc. No. 2010-920 (Fed. Cir. May 27, 2010)

I. Facts

Island Intellectual Property LLC, LIDS Capital LLC, Double Rock Corporation, and Intrasweep LLC (collectively, "Island") brought a patent infringement action against Deutsche Bank Trust Company Americas and Total Bank Solutions, LLC (collectively, "Deutsche") in the Southern District of New York for infringement of three patents relating to financial deposit-sweep services. Island has nineteen pending applications in the same family as the asserted patents and many of these patents are unpublished. Deutsche subsequently sought a patent prosecution bar to prevent anyone who accessed documents marked "confidential – patent prosecution bar" from prosecuting patents in the area of deposit sweep services during and shortly after the conclusion of the litigation. The magistrate judge granted the patent prosecution bar, but exempted Island's lead trial counsel, Charles Macedo. Deutsche moved for reconsideration, and the motion was denied.

Deutsche filed objections to the magistrate judge's reconsideration order with the district court. Pending a decision from the district court, the magistrate judge then issued an Interim Protective Order containing a patent prosecution bar that applied to Charles Macedo. The protective order stated that information could be marked as "confidential – patent prosecution bar" if the following requirement were met: 1) the information could be included in a patent application and form the basis for a claim, 2) the party believed in good faith that the information constituted confidential or trade secret information, and 3) the disclosure of the information to a person engaged or assisting in patent prosecution in technical areas to which the information relates would create a "substantial risk of injury" to the disclosing party. The protective order barred anyone who received the designated information from giving advice, participating, supervising, or assisting in the prosecution of patents pertaining to financial services involving sweep functions during the litigation and for one year after the conclusion of the litigation.

The district court held that the magistrate judge's denial of the motion for reconsideration was not clearly erroneous and adopted the magistrate's reconsideration order. Deutsch then filed a petition for a writ of mandamus directing the district court to vacate the reconsideration order exempting Charles Macedo from the patent prosecution bar. Deutsche also filed an emergency motion requesting a stay of the lifting of the Interim Protective Order. The district court granted the motion for the stay.

II. Issues

A. Should the writ of mandamus be granted?

B. What standard should be applied for implementing a patent prosecution bar?

C. What standard should be applied for granting an exemption to a patent prosecution bar?

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III. Discussion

A. In part. The United States Court of Appeals for the Federal Circuit remanded the case to the district court for reconsideration of its order under the standards set forth by the Federal Circuit in this order.

The court granted mandamus review to address the lack of uniformity among district courts in determining when a patent prosecution bar should be applied. As a preliminary matter, the court held that Federal Circuit law should apply, rather than Second Circuit law, because the issue is unique to patent law and because of the lack of uniformity in the standards for applying a patent prosecution bar.

B. A party seeking a patent prosecution bar must show that "the information designated to trigger the bar, the scope of activities prohibited by the bar, the duration of the bar, and the subject matter covered by the bar reasonably reflect the risk presented by the disclosure of proprietary competitive information." *In re Deutsche Bank*, at 13. In particular, the information that triggers the patent prosecution bar must be relevant to the preparation and prosecution of patent applications before the U.S.P.T.O. Not all confidential information is relevant to patent applications. For example, financial data and sensitive business information would not typically trigger a patent prosecution bar. However, information related to new inventions and technology under development, particularly information not already included in patent applications, would generally be relevant because of the heightened risk of inadvertent disclosure by counsel involved in prosecution activities. The scope of activities prohibited by the bar, the duration of the bar, and the definition of the subject matter covered by the bar also must be related to the risk of inadvertent disclosure of competitive information. For example, a patent prosecution bar may not be appropriate when there is no showing that patent counsel is currently prosecuting patents in the same subject matter as the litigation.

C. A party seeking an exemption from a patent prosecution bar must show on a counsel-by counsel basis that 1) "counsel's representation of the client before the [U.S.P.T.O.] does not and is not likely to implicate competitive decisionmaking related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation" and 2) "the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use." *In re Deutsche Bank*, at 13.

With regard to the first prong, the court recognized that the competitive decisionmaking test, as first articulated in *U.S. Steel Corp. v. United States*, 730 F.2d 1465 (Fed. Cir. 1984), was the proper test for determining whether an unacceptable risk of inadvertent disclosure exists. As defined in *U.S. Steel*, competitive decisionmaking means involvement in a client's decisions "made in light of similar or corresponding information about a competitor." *U.S. Steel*, 730 F.2d at 1468 n.3. Examples of competitive decisionmaking recognized in previous cases include product pricing and product design.

The court then provided guidance on the types of patent prosecution activities that would entail competitive decisionmaking. First, the court stressed that the inquiry should be fact-based and stated that all patent prosecution does not necessarily rise to the level of competitive decisionmaking. For example, reporting office actions or filing ancillary paperwork, formal drawings, or information disclosure statements may not involve competitive decisionmaking. High-altitude oversight also may not involve competitive decisionmaking. However, attorneys substantially engaged in prosecution that have the

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opportunity to control the content of patent applications and the direction and scope of protection sought for those applications would likely be involved in competitive decisionmaking. For example, attorneys involved in obtaining disclosure materials for new inventions and inventions under development, investigating prior art relating to those inventions, making strategic decisions on the type and scope of patent protection for those inventions, writing, reviewing, or approving new applications or continuation-in-part applications, or strategically amending or surrendering claim scope during prosecution would typically be involved in competitive decisionmaking, and thus, would likely not be exempted from a patent prosecution bar.

With regard to the second prong, the district court has broad discretion when balancing the conflicting interests. Relevant factors include the extent and duration of the counsel's past history in representing the client before the U.S.P.T.O., the degree of the client's reliance and dependence on that past history, and the potential difficulty created if the client were forced to rely on other counsel for litigation or prosecution.

IV. Conclusion

Whether patent prosecution activities arise to the level of competitive decisionmaking is a fact-based inquiry determined on a counsel-by-counsel basis. Examples of activities that would typically involve competitive decisionmaking include receiving new invention disclosures, investigating prior art for new inventions, writing, reviewing, or approving new applications, or strategically amending claims during prosecution.

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