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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Protective Orders Should Take Center Stage In IP Cases

Law360, New York (April 04, 2014, 11:42 AM ET) -- Protective orders go to the heart of intellectual property litigation — they regulate the disclosure of extraordinarily valuable and competitively sensitive confidential information. Why, then, do many lawyers rely on standard, "one-size-fits-all" protective orders? The stakes are simply too high. Choices made at this junction will have ramifications throughout the litigation. Careless drafting can lead to costly and time-consuming motion practice later — or, worse, the unintended public disclosure of the very information one's client seeks to protect.

Once the protective order is in place, it's only as effective as the parties' compliance. And while milk can't be unspilled, courts can and do sanction parties responsible for violations — even inadvertent violations — of protective orders. Again, the stakes are high.

Lawyers should carefully negotiate and vigilantly comply with protective orders, while maintaining a clear-eyed recognition of the limits to one's control over confidential information in modern litigation.

Points of Negotiation

Resist the temptation to execute a boilerplate protective order so that one can move on to discovery and the substance of the case. Draft carefully, and consider:

Tiered Designations

Delineate exactly what constitutes — and precisely who will have access to — "confidential" and "highly confidential" information. Are multiple tiers even necessary? If some documents will be designated "outside counsel only," should in-house lawyers and/or executives nonetheless have access to them for the limited purpose of settlement discussions? Will the same designations apply to documents produced in the litigation by third party competitors?

Answering these questions at the outset will reduce the delays and frustration of discovery fights later on. (Of course, some disagreements are inevitable — with that in mind, use the order itself to establish procedures for challenging confidentiality designations and handling other disputes.)

Litigation Escrow Agents

Litigation escrow services offer specialized, secure third-party storage for confidential information produced by the parties. An escrow agent may be able to more effectively prevent leaks and limit access to the appropriate persons than would a law firm. For example, the FTP servers often utilized by law firms and clients for storage of confidential discovery information often are widely accessible within

those organizations. An initial, inadvertent redaction or privilege error may be visible to — or worse, taken advantage of by — unauthorized individuals. Thus, outsourcing storage responsibility to a litigation escrow agent not only limits leaks in the first place — it limits the parties' liability when mistakes do (inevitably) occur.

Clawback Provisions

When productions include hundreds of thousands, even millions, of documents, the risk of inadvertent disclosure of privileged material increases. Protective orders should outline procedures and deadlines for the return of such material once the inadvertent disclosure is realized. As the recent RIPL Corp. v. Google Inc. (No. 2:12-cv-02050 W.D. Wa. Dec. 17, 2013) decision shows, clearly articulated clawback provisions can trump the Federal Rule of Evidence 502(b) balancing analysis traditionally applied to waiver-of-privilege questions. As with other aspects of protective orders, careful drafting of clawback provisions minimizes costly and time-consuming motion practice down the road.

Related Litigation Bars

Each party should consider future tangents to the litigation. A defendant who negotiates a clause barring the plaintiff from using discovered material to bring new lawsuits, or sharing it with others who wish to bring similar claims, for example, reduces his future litigation risk. While these clauses are standard, plaintiffs should think twice before conceding them. A trade secret plaintiff in state court, for example, who discovers evidence of patent infringement may find himself without recourse — if he has agreed to a sweeping litigation bar, he won't be able to bring the new patent claims in federal court. Similarly, parties to a patent lawsuit should carefully consider the implications of provisions barring the use of covered material in concurrent litigation and re-examination proceedings.

Compliance and Beyond

This means more than indiscriminately designating every production as confidential. Indeed, over-designation is a surefire way to annoy the courts — it runs counter to our justice system's strong interest in transparency. Also consider:

Internal Protocols

Best practices should go beyond those outlined in the order itself. Where possible, multiple attorneys should review redactions and privilege decisions for accuracy. Internal protocols should rigorously track the downstream presence of each document long after its threshold designation of confidentiality. And simply because an individual is permitted access to confidential materials under the protective order does not mean that they should have access. Careful control of such access not only reduces the risk of a leak occurring in the first place, but it may also mitigate the effects of the leak if and when it occurs.

Post-Litigation obligations

Protective orders remain enforceable after the conclusion of the litigation, and litigants should not let their guard down. Strictly comply with any destruction or return of confidential materials provisions, and demand the same of your opponent.

To be sure, even the most thoughtful and vigilant supervisory attorney lacks some control over his client and opponent's confidential information. Courts may refuse to seal documents referencing information

previously designated as confidential, or to close courtrooms from public attendance. In the District of Massachusetts, for example, litigants must file a separate motion showing good cause for every document sought to be sealed. And, of course, technological or human error is an ever-present possibility.

The trick is to exercise as much control as possible. A carefully drafted and rigorously implemented protective order is always worth the effort.

—By Paul D. Popeo and Kevin C. Quigley, Choate Hall & Stewart LLP

Paul Popeo is a partner in Choate's intellectual property litigation group in Boston and co-leader of the firm's trade secret group. Kevin Quigley is an associate at the firm in Boston.