

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Norfolk Division**

ACTIVEVIDEO NETWORKS, INC.

Plaintiff,

v.

VERIZON COMMUNICATIONS, INC., VERIZON
SERVICES CORP., VERIZON VIRGINIA INC.
AND VERIZON SOUTH INC.

Defendants.

Civil Action No. 2:10-cv-248
RAJ/FBS

**ACTIVEVIDEO NETWORKS, INC.'S OPPOSITION TO
DEFENDANTS' MOTION FOR ENTRY OF A PROTECTIVE ORDER**

ActiveVideo Networks, Inc. (“ActiveVideo”) hereby opposes the Motion For Entry of a Protective Order by Verizon Communications, Inc.; Verizon Services Corp.; Verizon Virginia, Inc.; and Verizon South Inc. (collectively “Verizon” or “Defendants”) and respectfully requests the Court permit the Entry of the Protective Order proposed by ActiveVideo, attached as Exhibit A to the Declaration Of Stephen Noona In Support Of Plaintiff’s Opposition To Defendants’ Motion For Entry of a Protective Order (“Noona Decl”).

I. INTRODUCTION

This is a patent infringement case in which ActiveVideo asserts that Verizon’s FiOS system infringes ActiveVideo’s patents and Verizon has counterclaimed that ActiveVideo’s interactive television system infringes Verizon’s patents. It is beyond dispute that discovery in this case will include both parties’ most confidential commercial, technical, and financial documents containing sensitive information relating to business strategy and planning, and other competitively sensitive materials. The parties agree that a protective order with “Confidential” and “Highly Confidential Source Code” designations is necessary in this case, however, Verizon’s proposed modifications to the protective order would give its in-house counsel access to ActiveVideo’s most sensitive and confidential materials. Due to the highly proprietary and sensitive nature of the materials produced in discovery in this case and the positions held within the company by Verizon’s proposed in-house counsel who would have access to these materials, limiting access to outside counsel only for each party’s confidential documents is warranted.¹

The materials sought through discovery in this case, include source code, technical documents, business plans, and other highly sensitive competitive documents that could be used by Verizon to guide its future business and litigation strategies. As such, there is an overwhelming risk of injury to ActiveVideo, a competitor of Verizon, if Verizon’s in-house

¹ In-house counsel would still have access to all non-confidential materials.

counsel is given access to discovery designated as “Confidential” or “Highly Confidential Source Code.” For obvious reasons, ActiveVideo does not want these materials to find their way into the hands of its competitors, so as not to educate its opponents about its research and development efforts and its on-going and future business plans. ActiveVideo’s valid concerns are especially appropriate when Verizon is the very same party who has demonstrated that it is willing to use ActiveVideo’s patented technology without authorization or compensation.

Moreover, Verizon has not established why it’s ability to present its case will be prejudiced if access to confidential materials is restricted to its outside counsel. Verizon has retained three separate outside law firms, and countless attorneys, to represent it in this action: Hunton & Williams LLP, Simpson Thacher & Bartlett LLP, and, most recently, Kellogg Huber Hansen Todd Evans & Figel PLLC.² Verizon provides no compelling reason explaining why its in-house counsel would also need access to confidential materials when three law firms, with complete access to these same materials, are representing it in this case.

Moreover, Verizon’s claim that it “relies heavily on its in-house lawyers in litigation,” is belied by that fact that in a currently pending action brought by Verizon before the U.S. International Trade Commission, *In re Certain Digital Set-Top Boxes and Components Thereof*, Inv. No. 337-TA-712 (the “ITC action”), the protective order does not permit Verizon’s in-house lawyers access to materials designated as “confidential business information.” *See* Noona Decl. Exh. B. The ITC action is directly related to this case in that Verizon has accused Cablevision Systems Corp. (“Cablevision”) of infringing Verizon’s patents and the accused products and services are at least partially provided to Cablevision by ActiveVideo. Verizon issued a subpoena to ActiveVideo in the ITC action and obtained discovery from ActiveVideo, including

² As evidenced by the numerous *Pro Hac Vice* applications made by Verizon's attorneys in this case.

ActiveVideo's documents, source code and a deposition. Verizon should not be allowed to use this case as an end-run around the protections provided by the Administrative Law Judge's protective order in the ITC action.³

In addition, although Verizon contends that its proposed in-house lawyers, John Thorne, Leonard Suchyta, John Frantz, and Caren Khoo, do not engage in competitive decisionmaking, these attorneys' own declarations, Verizon documents produced in this case, and publicly available records suggest otherwise. Verizon's in-house counsel should not be allowed access to ActiveVideo's confidential materials which they can use to guide their active and future business and continuing litigation strategies. There is an obvious risk that these lawyers will use the confidential information they would learn in this case in the ITC action and in other pending and future cases related to the cable industry.

In short, the high risk of competitive injury to ActiveVideo clearly outweighs the dubious risk of impairing Verizon's management of the litigation by denying access to Verizon's in-house counsel. As such, Verizon's Motion should be denied.

I. LEGAL STANDARD

Federal Rule of Civil Procedure 26(c) authorizes courts to protect parties from "undue burden or expense" by ordering "that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way." *See also Brown Bag Software v. Symantec Corp.*, 960 F.2d 1465, 1470 (9th Cir. 1992) (affirming district court's denial of access by in-house counsel to its adversary's information). In evaluating this issue, courts apply a balancing test that weighs the risk of inadvertent disclosure against the risk of impairing the litigation by denying access to in-house counsel. *See id.* at 1470-71. Courts

³ Despite twice requesting the Court in the ITC action to modify the protective order, Verizon never raised their apparent need for access by in-house counsel.

consider several factors when applying this balancing test, including: “(1) the nature of the litigation and whether that litigation presents difficult or complex issues or claims; (2) whether alternative discovery measures would assist the in-house attorney seeking access to the confidential information in the development of the litigation; and (3) whether that in-house attorney is involved in the employer-litigant’s ‘competitive decisionmaking.’” *Volvo Penta of the Ams., Inc. v. Brunswick Corp.*, 187 F.R.D. 240, 242 (E.D. Va. 1999).

A. The Risks Resulting From Disclosure Are Too High in This Case

ActiveVideo is a pioneer in the design and development of cloud-based interactive television. In the early 1990’s, ActiveVideo began developing the technology for interactive systems used to deliver content, and, today, provides interactive television technology and services to numerous companies across the United States. For obvious reasons, ActiveVideo does not want its trade secrets, such as technological developments and sensitive commercial data, to fall into the hands of competitors.

The harm from disclosure, inadvertent or not, is greater when the parties are competitors. *See Brown Bag Software*, 960 F.2d at 1470-71; *Intel Corp. v. VIA Techs., Inc.*, 198 F.R.D. 525, 531 (N.D. Cal. 2000) (denying access to in-house attorney when parties were competitors and “[d]isclosure of trade secrets ... of ... competing products and ... marketing information, strategies, and customer related data could have dire consequences”). Verizon and ActiveVideo are competitors in the interactive television industry, and the competitive injury to ActiveVideo resulting from disclosure of its confidential materials to Verizon would be overwhelming. For example, confidential technical data detailing ActiveVideo’s research and development could be used by Verizon to compete unfairly against ActiveVideo.

Moreover, it is readily apparent from a review of Verizon’s recent litigation history that Verizon is pursuing a patent litigation strategy to expand its cable business. *See, e.g., Verizon*

Servs. v. Cox Fibernet Va., Inc., 08-CV-0157 (E.D. Va. 2008); *Verizon Comm'n, Inc. v. Cablevision Systems Corp.*, 10-cv-216 (D. Del. 2010); *Charter Comm'n, Inc., v. Verizon Comm'n, Inc.*, 09-cv-411 (S.D.N.Y. 2009) (complaint filed by Charter for declaratory judgment of patent noninfringement). It is beyond dispute that Verizon's proposed in-house lawyers make strategic decisions in these cases and play a central role in Verizon's frequent litigation against cable companies. As such, there is an obvious risk that Verizon's in-house lawyers would use ActiveVideo's confidential information learned in this case in the ITC action and in other closely related pending and future cases. *See Intel Corp. v. Via Technologies, Inc.*, 198 F.R.D. 525, 531 (N.D. Cal. 2000) ("good intentions are insufficient to prevent inadvertent disclosure of confidential information because it is not possible for counsel to 'lock-up trade secrets in [her] mind,' as the Court in *Brown Bag*, observed.").

In short, the risk of improper use of ActiveVideo's confidential and highly sensitive information, even if inadvertent, strongly weighs in favor of restricting access to materials designated as "Confidential" and "Highly Confidential Source Code" to Verizon's outside counsel.

Verizon Will Not Suffer Any Harm If Access to Materials Designated as Confidential Is Limited to Outside Counsel

In contrast to the substantial risks to ActiveVideo, Verizon will not suffer any appreciable harm if its in-house lawyers are prevented from seeing ActiveVideo's most sensitive information. There is no undue prejudice by restricting in-house counsel's access to highly confidential information when "other outside counsel have been involved in the litigation from its outset, and they are fully familiar with the facts and disputes at issue." *Norbrook Labs. Ltd. v. G.C. Hanford Mfg. Co.*, 2003 U.S. Dist. LEXIS 6851, 2003 WL 1956214 *5 (N.D.N.Y. 2003) (citing *A. Hirsh Inc. v. United States*, 657 F. Supp. 1297, 1305, 11 Ct. Int'l Trade 208 (CIT

1987)); *see also Highway Equip. Co. v. Cives Corp.*, 2006 U.S. Dist. LEXIS 31179, *12-13 (N.D. Iowa May 15, 2006) (holding that Defendant's purported need for in-house counsel access was insufficient where Defendant did not indicate "that its outside counsel is somehow less competent to review, consider, and utilize the designated information than its in-house counsel would be.").

In assessing a party's need for access to documents by its in-house attorney, courts evaluate whether protecting documents actually prejudices presentation of the party's case, not whether it merely makes managing the litigation more difficult. *See Intel*, 198 F.R.D. at 528, 529 (quoting *A. Hirsh Inc.*, 657 F. Supp. at 1305 ("in view of retained counsel's competence, it is not clear how plaintiff's position will be prejudiced by excluding [in-house] counsel from access")); *see also Brown Bag*, 960 F.2d at 1471 (holding party's contention that in-house counsel needed access to information to manage the case was not sufficient to overcome the risk of inadvertent disclosure). Verizon cannot establish a need for their in-house counsel to access ActiveVideo's most sensitive materials, especially when it has retained three law firms to represent it in this action.

1. Verizon's Ability to Guide Litigation Will Not be Impaired.

Verizon contends that barring its in-house lawyers from accessing confidential documents would preclude it from guiding litigation strategy. However, in-house lawyers are more than capable of guiding litigation strategy without access to confidential materials. Indeed, Verizon's in-house lawyers have no access to materials designated as "confidential business information" in the ITC action, yet, when the Administrative Law Judge modified the ITC's standard protective order in response to the parties' request, Verizon did not even attempt to raise this issue of access by in-house counsel. Thus, Verizon's claim that its in-house lawyers should have access to these materials in this case rings hollow.

More importantly, it is difficult to imagine how Verizon will be impaired if its in-house lawyers are not given access to confidential materials when Verizon is represented by three law firms in this case, all of which have full access to confidential materials. Verizon has been represented by competent outside counsel from the outset of this case. This is not an instance where outside counsel cannot handle the specialized technical nature of the case, *see, e.g., MGP Ingredients v. Mars, Inc.*, 245 F.R.D. 497 (D. Kan. 2007) (rejecting two tier protective order to permit in house technical staff to evaluate technology), where outside counsel lack experience, *see, e.g., Volvo Penta*, 187 F.R.D. at 242-43, or where counsel have changed late in the litigation, *see, e.g., U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984). Rather, Verizon's in-house counsel will still be able to guide its litigation strategy with the assistance of its outside counsel. Under ActiveVideo's proposed protective order, Verizon's outside (and not in-house) counsel and its retained experts will have complete access to these highly confidential materials. As such, there is no prejudice to Verizon's ability to present or defend its case in any way.

a. No In-House Attorney Provisions in the ITC Action

This case is directly related to the ITC action where Verizon has accused Cablevision of infringing Verizon's patents and the accused products and services are at least partially provided by ActiveVideo. Verizon issued a subpoena to ActiveVideo in the ITC action and obtained discovery from ActiveVideo, including ActiveVideo's source code and a deposition. Verizon should not be allowed to use this case to avoid the protections provided by the Administrative

Law Judge's protective order in the ITC action to access the confidential discovery produced there.⁴

2. Verizon's Litigation Costs Will Not Be Raised.

Verizon contends that barring its in-house lawyers from accessing confidential documents would raise its litigation costs. Verizon, however, provides no explanation for how its costs would be affected by restricting access to confidential documents to outside counsel. Instead, Verizon's rhetoric is belied by their actions, as the retention of three law firms in this case is a strong indication that litigation costs are of no particular concern to Verizon.

3. The Pace of this Court's Docket Does Not Affect Disclosure.

Verizon also contends that its reliance on its in-house lawyers to make tactical decisions is even more significant in this case due to the speed of this Court's docket. However, the pace of the ITC action is just as fast as this Court's docket.⁵ If Verizon is capable of litigating in the ITC without its in-house lawyers accessing confidential documents, then the pace of this Court's "rocket docket" should similarly not require access by in-house counsel.

In sum, the risk of inadvertent disclosure clearly outweighs the risk of impairing the litigation by denying access to Verizon's in-house counsel.

C. Verizon's Proposed In-House Attorneys Are Involved in Competitive Decisionmaking

Verizon proposes allowing its in-house counsel who are actively involved in competitive decisionmaking and Verizon's litigation strategy access to ActiveVideo's crown jewels. "Competitive decisionmaking" refers to "the in-house counsel's role, if any, in making company decisions that affect contracts, marketing, employment, pricing, product design, or 'any or all of

⁴ Notably, when ActiveVideo sought related documents through a subpoena to Cablevision, Verizon relied upon the protective order in the ITC action to deny ActiveVideo access to those documents and only recently withdrew its motion to quash that subpoena.

⁵ Trial is scheduled for January 2011 in the ITC action.

the client's decisions . . . made in light of similar or corresponding information about a competitor." *U.S. Steel Corp.*, 730 F.2d at 1468 n.3. Here, Verizon's proposed in-house counsel are clearly involved in competitive decisionmaking. Specifically, Mr. Thorne, Mr. Suchyta, and Mr. Frantz all appear to be intricately involved in strategic initiatives for Verizon that either make them competitive decision makers or at least make them part of the competitive decision making process; and the other more junior in-house lawyer, Ms. Khoo, should be imputed with similar status. *See ProBatter Sports, LLC v. Joyner Techs., Inc.*, 2006 U.S. Dist. LEXIS 74219, 13-14 (N.D. Iowa Oct. 11, 2006) ("the risk of inadvertent disclosure is heightened" when the proposed attorney "enjoys a close working relationship" with those who are involved in competitive decisionmaking).

John Thorne, for example, is the Senior Vice President and Deputy General Counsel at Verizon. *See* Thorne Decl. ¶ 2. Since 1988, he has been instrumental in aspects of Verizon's competitive mergers and acquisitions. *See* Noona Decl. Exh. C (The Deal Magazine Interview with John Thorne, April 2, 2010). He himself described his role as being involved in all aspects of Verizon's mergers, issues related to competition, and shaping the state of antitrust law. *Id.* In documents produced by Verizon, it is readily apparent the Mr. Thorne is deeply involved in competitive decisionmaking. For example, Mr. Thorne has prepared and participated in a presentation covering topics including Verizon's technology, vendor strategy, and system architecture. *Id.* at Exh. E. Moreover, it appears from e-mail correspondence that Mr. Thorne has been involved in sourcing and strategic planning regarding competition in the cable market. *See id.* at Exhs. F and G. These responsibilities place him directly into the competitive decision making process at Verizon.

Importantly, in *TiVo Inc. v. Verizon Comm'n Inc.*, 2:09-cv-257-DF (E.D. Tex.), the court denied Mr. Thorne access to highly confidential materials due to his position as a director of two Verizon affiliated companies, holding that “Verizon will not be unduly prejudiced by Mr. Thorne’s restricted access because its outside counsel have been involved in the litigation from the outset, and they are fully familiar with the facts and disputes at issue.” *See Verizon Mot. Exhibit 7 at 4* (Order from *TiVo Inc.*, 2:09-cv-257-DF). Indeed, in the *Tivo* case, Verizon sought to allow Mr. Thorne, Mr. Suchyta, Mr. Frantz, and Ms. Khoo to have access to “highly confidential” information, however Verizon was permitted to allow just two of its in-house attorneys to have access to this information. *See id.* at 5. In this case, even two Verizon in-house lawyers poses an unacceptable risk to ActiveVideo.

Leonard Suchyta is also involved in strategic initiatives at Verizon. According to his declaration filed in support of Verizon’s Motion, he is the Vice President and Associate General Counsel of intellectual property matters. Mr. Suchyta participated in the prosecution of at least two of the patents (U.S. Patent Nos. 6,169,542 and 6,381,748) asserted by Verizon against ActiveVideo in this case. *See Verizon’s Answer and Counterclaims*, Docket No. 29, Exhs. B and C. Indeed, Mr. Suchyta is involved in “all intellectual property matters,” “providing legal assistance on transactions and agreements involving intellectual property matters,” and negotiating patent licenses. *See Suchyta Decl.* ¶¶ 2, 4. Mr. Suchyta claims that he is not directly involved in the drafting or prosecution of patent applications, but he admits that personnel who report to him have that responsibility. *Id.* ¶ 4. Moreover, a simple search of public records revealed that Mr. Suchyta is the attorney of record in one of Verizon’s most recent patent applications. *See Noona Decl. Exh. H.* If Mr. Suchyta is granted access to confidential material, there is an acute risk that ActiveVideo’s technical developments could make their way into

Verizon patent applications. In short, Mr. Suchyta's activities centered on patent prosecution and licensing at Verizon place him into the competitive decision making process. Notably, Mr. Suchyta is also barred from accessing ActiveVideo's confidential information under the agreed-upon patent prosecution bar. *See id.* Exh. A, ¶ 14. It is of serious concern that Mr. Suchyta can claim that he will abide by the protective order's prosecution bar, but still remain highly active in Verizon's patent prosecution. *See id.* Exh. H; Suchyta Decl. ¶ 7.

John Frantz is also involved in strategic initiatives at Verizon. He is the Vice President and Associate General Counsel of Complex Litigation. Mr. Frantz is involved in "matters in the area of antitrust, insurance, tax, and intellectual property" as well as "securities, environmental, insurance, contract, and general tort litigation for Verizon. . . ." *See* Frantz Decl. ¶ 1. He has even spoken in the press about Verizon's business strategy in the cable television market. *See* Noona Decl. Exh. D (The Washington Post, June 30, 2006, "Verizon Brings Antitrust Suit"). In addition, in documents produced by Verizon, it is apparent that Mr. Frantz is involved in discussing strategic partnerships with direct competitors. *See id.* Exh. I. These responsibilities place him squarely into the competitive decision making process at Verizon.

Thus, these in-house Verizon lawyers clearly participate in competitive decisionmaking. In addition, given Verizon's recent litigation history of asserting patents to expand its cable business, it is clear that Verizon's in-house lawyers would use ActiveVideo's confidential information learned in this case to guide its future litigation strategy and its strategy in the pending ITC action. Moreover, even if some of the tasks performed by these lawyers do not qualify as "competitive decisionmaking," this is just one factor that courts weigh when considering whether in-house counsel should have access to confidential materials. *See Volvo Penta*, 187 F.R.D. at 242. Because ActiveVideo and Verizon are competitors, and the

information Verizon seeks access to is ActiveVideo's most sensitive information, the facts of this case create an unacceptable risk of inadvertent disclosure, regardless of how Verizon categorizes the roles of its in-house lawyers. As such, material designated as confidential must be limited to outside counsel and their experts only.

II. CONCLUSION

Verizon will not be prejudiced in any way if its access to ActiveVideo's most sensitive information is limited to its outside counsel and experts. ActiveVideo, on the other hand, will likely be irreparably harmed if its highly confidential information is inadvertently disclosed to its competitor. ActiveVideo therefore respectfully requests that the Court deny Verizon's Motion and enter ActiveVideo's proposed protective order.

At a minimum, if the Court is inclined to grant Verizon's Motion, then ActiveVideo should first be permitted to conduct discovery to determine the extent to which Verizon's proposed in-house lawyers are engaged in competitive decisionmaking.

Dated: October 20, 2010

Respectfully submitted,

/s/ Stephen E. Noona

Stephen E. Noona
(Virginia State Bar No. 25367)
KAUFMAN & CANOLES, P.C.
150 W. Main Street, Suite
Norfolk, VA 23514
Telephone : (757) 624-3000
Facsimile: (757) 624-3169
senoona@kaufcan.com

Nathan W. McCutcheon
(Virginia State Bar No. 36308)
MORGAN, LEWIS & BOCKIUS LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004
Telephone: (202) 739-3000
Facsimile: (202) 739-3001

nmccutcheon@morganlewis.com

Daniel Johnson, Jr.

Michael J. Lyons

Dion M. Bregman

Ahren C. Hoffman

MORGAN, LEWIS & BOCKIUS, LLP

2 Palo Alto Square

3000 El Camino Real, Suite 700

Palo Alto, CA 94306-2122

Telephone: (650) 843-4000

Facsimile: (650) 843-4001

djjohnson@morganlewis.com

mlyons@morganlewis.com

dbregman@morganlewis.com

ahoffman@morganlewis.com

Counsel for Plaintiff

CERTIFICATE OF SERVICE

I herby certify that on October 20, 2010, I will electronically file the foregoing with the Clerk of the Court using the CM/ECF system, which will send a notification of such filing (NEF) to the following:

Gregory N. Stillman (**also served by e-mail**)
(Virginia State Bar No. 14308)
Brent L. VanNorman (**also served by e-mail**)
(Virginia State Bar No. 45956)
HUNTON & WILLIAMS, LLP
500 E. Main Street, Suite 1000
Norfolk, VA 23514
Telephone: (757) 640-5314
Facsimile: (757) 625-7720
gstillman@hunton.com
bvannorman@hunton.com

Brian M. Buroker
(Virginia State Bar No. 39581)
Bradley T. Lennie
Justin T. Arbes
HUNTON & WILLIAMS, LLP
1900 K Street, NW
Washington, DC 20006
Telephone: (202) 955-1500
Facsimile: (202) 778-2201
bburoker@hunton.com
blennie@hunton.com
jarbes@hunton.com

Counsel for Defendants

/s/ Stephen E. Noona
Stephen E. Noona
(Virginia State Bar No. 25367)
KAUFMAN & CANOLES, P.C.
150 W. Main Street, Suite 2100
Norfolk, VA 23514
Telephone: (757) 624-3000
Facsimile: (757) 624-3169
senoona@kaufcan.com