IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION

ACTIVEVIDEO NETWORKS, INC.,	)	
Plaintiff,	)	
v.	)	**Case No. 2:10-cv-00248-RAJ-FBS**
VERIZON COMMUNICATIONS INC., **VERIZON SERVICES CORP.,** **VERIZON VIRGINIA INC., and** **VERIZON SOUTH INC.,**	)	**JURY TRIAL DEMANDED**
Defendants.	)	

<u>DEFENDANTS' REPLY IN SUPPORT OF</u>
<u>EXPEDITED MOTION FOR ENTRY OF PROTECTIVE ORDER</u>

ActiveVideo's Opposition to Verizon's Expedited Motion for Entry of Protective Order principally rests on ActiveVideo's mischaracterization of the roles and responsibilities of Verizon's in-house attorneys. The issue here is whether four Verizon in-house attorneys may have access to confidential information, just like Verizon's outside counsel in this case. The relevant question is whether the in-house attorneys are involved in "competitive decisionmaking," *i.e.*, ***business*** decisions about contracts, marketing, employment, pricing, and product design that might be affected by knowledge of a competitor's information. ActiveVideo misapplies this standard, arguing that the in-house attorneys are competitive decisionmakers because they are involved in litigation for Verizon and asserting – on the basis of a handful of conclusory news articles – that they are involved in unspecified "strategic initiatives." Verizon, on the other hand, has submitted detailed, factual declarations from each in-house attorney attesting to the fact that he or she is not involved in anything that could possibly be considered

competitive decisionmaking. Indeed, many of ActiveVideo's arguments have already been rejected in the *TiVo v. Verizon* case, where the court held that a number of the ***same*** Verizon in-house attorneys are not competitive decisionmakers. As ActiveVideo has failed to meet its burden of proving that the four Verizon in-house attorneys are competitive decisionmakers, Verizon respectfully asks that this Court enter the proposed Protective Order allowing them access to confidential information in this case.

A. ActiveVideo Has Failed To Meet Its Burden To Show That Each Of The Four Verizon In-House Attorneys Engages In Competitive Decisionmaking.

In its Opposition, ActiveVideo misapplies the relevant standard governing whether an in-house attorney should be permitted access to confidential documents and makes unsupported factual conclusions, all in an effort to paint the Verizon attorneys as something they are not. As Magistrate Judge Prince held in *Volvo Penta of the Americas, Inc. v. Brunswick Corp.*, 187 F.R.D. 240, 242 (E.D. Va. 1999), the "crucial factor" in the analysis of whether an in-house attorney should be able to access confidential documents is whether that person is involved in his or her employer's "competitive decisionmaking." To be involved in competitive decisionmaking, an attorney must have a role in "***making company decisions*** that affect contracts, marketing, employment, pricing, product design, or 'any or all of the client's decisions . . . made in light of similar or corresponding information about a competitor.'" *Id.* (citing *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 n.3 (Fed. Cir. 1984)) (emphasis added). It is ActiveVideo's burden to prove that the work of the Verizon in-house attorneys here amounts to competitive decisionmaking sufficient to justify screening them from confidential information. *See Wi-LAN, Inc. v. Acer, Inc.*, No. 07-CV-473, 2009 WL 1766143, at *2 (E.D. Tex. June 23, 2009) (party seeking restriction "bears the burden of demonstrating that good cause exists for including its proposed restriction").

Recognizing that none of the Verizon in-house attorneys here have such a role, ActiveVideo distorts the meaning of "competitive decisionmaking" and goes to great lengths to try to shoehorn the four attorneys at issue within its modified rubric. ActiveVideo asserts numerous times, for instance, that Verizon in-house litigation counsel participate in day-to-day litigation activities, and equates such participation with competitive decisionmaking. *See, e.g.*, Opposition at 3, 5, 8-12. Mere involvement in litigation activities is not competitive decisionmaking, however.[1] Indeed, if ActiveVideo were correct that involvement in litigation as a lawyer automatically makes someone a competitive decisionmaker, no in-house attorney could participate fully in litigation beyond basic case administration matters. That obviously is not and cannot be the case. *See U.S. Steel*, 730 F.2d at 1467 ("the factual circumstances surrounding each individual counsel's activities, association, and relationship with a party [govern], whether counsel be in-house or retained"). Indeed, other courts, including the court in the *TiVo v. Verizon* case, have allowed the Verizon attorneys here to access confidential information. *See* Motion at 7-9; *infra* Section B.

The real issue is whether the Verizon attorneys are involved in strategic ***business*** – as opposed to legal – decisionmaking for Verizon, where confidential information possibly could be improperly used. Under this proper standard, the Verizon attorneys here are just like counsel in *Volvo Penta* – they do not make business decisions about contracts, marketing, employment, pricing, and product design that might be affected by knowledge of a competitor's information, and there is therefore no reason why they should not be given the necessary access to

[1] In *Wi-LAN*, 2009 WL 1766143, at *3, for example, the court allowed the defendant's in-house counsel to access confidential information where they were involved in "litigation and settlement negotiations," rejecting the plaintiff's argument that "their role in managing the defense and settlement of [the plaintiff's] intellectual property claims in this litigation" made them competitive decisionmakers.

confidential information so that they can participate fully in this case. As explained in Verizon's Motion, evaluation by in-house counsel here of all the relevant facts, including facts that may be embodied in confidential documents, is crucial to their direction of outside counsel and their formulation of strategy as this case proceeds. Motion at 6-7.

ActiveVideo also draws a number of unsupported factual conclusions in its misguided effort to characterize each of the Verizon attorneys as competitive decisionmakers. In each instance, ActiveVideo's speculation is incorrect and, moreover, ignores the detailed, unrebutted declarations submitted by the Verizon attorneys attesting to their lack of involvement in competitive decisionmaking. *See* Exs. 3-6.[2]

John Thorne: ActiveVideo cites an interview with Mr. Thorne about his antitrust work and concludes that he is a competitive decisionmaker simply because he is "involved" in Verizon mergers and acquisitions. *See* Opposition at 9. As set forth in his declaration, however, Mr. Thorne's role is that of an attorney advisor for mergers and acquisitions, and his provision of legal advice concerning antitrust law is not tantamount to competitive decisionmaking. *See* Ex. 3 ¶¶ 2-8.

Leonard Suchyta: ActiveVideo argues that Mr. Suchyta is somehow involved in competitive decisionmaking through his supervision of patent prosecution matters. As stated in his declaration, however, Mr. Suchyta is not directly involved in the drafting or prosecution of patent applications for Verizon, even though he is listed along with the other Verizon patent attorneys on various Verizon patents and patent applications. Ex. 4 ¶ 4. He does not draft or amend claims or submit any documents to the Patent Office. *Id.* And even if he did, the express terms of the Protective Order, with which Mr. Suchyta agreed to comply, would bar Mr. Suchyta

[2] The exhibits referred to herein were attached to the Memorandum in Support of Defendants' Expedited Motion for Entry of Protective Order (Docket No. 53).

from drafting and amending any patent claims pertaining to the field(s) of invention of the patents-in-suit.[3] Ex. 1 ¶ 14. In that respect, Mr. Suchyta is no different from Verizon's outside counsel, who have access to confidential information and cannot and do not draft or amend patent claims pertaining to the field(s) of invention of the patents-in-suit pursuant to the Protective Order. Any concerns ActiveVideo has about potential disclosure of confidential information are therefore remedied by the already-agreed terms of the Protective Order. Further, the mere fact that certain employees who prosecute patent applications report to Mr. Suchyta does not mean that he is directly involved in patent prosecution, and certainly not for competitive purposes. *See* Opposition at 10-11; *Matsushita Elec. Indus. Co. v. United States*, 929 F.2d 1577, 1580 (Fed. Cir. 1991) ("[T]he standard is not 'regular contact' with other corporate officials who make 'policy,' or even competitive decisions, but 'advice and participation' in 'competitive decisionmaking.'").

John Frantz: ActiveVideo argues that Mr. Frantz is "involved in strategic initiatives" at Verizon, but fails to specify what those initiatives are or provide any factual support for Mr. Frantz's alleged work. Opposition at 11. ActiveVideo also ignores the fact that the Federal Communications Commission already adjudicated the question of whether Mr. Frantz is involved in competitive decisionmaking and concluded that he is not. *See* Ex. 5 ¶ 4.

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[3] In addition, there would be no basis to exclude Mr. Suchyta even if he did prosecute patents because active patent prosecution alone does not amount to competitive decisionmaking. *See In re Sibia Neurosciences, Inc.*, No. 525, 1997 WL 688174, at *3 (Fed. Cir. Oct. 22, 1997) (unpublished) (barring an attorney "on the ground that they also prosecute patents" is precisely "the type of generalization counseled against in *U.S. Steel*"); *see also Island Intellectual Prop. LLC v. Promontory Interfin. Network, LLC*, 658 F. Supp. 2d 615, 617 (S.D.N.Y. 2009) (attorney's "supervision of patent prosecution" did not make him competitive decision-maker); *Avocent Redmond Corp. v. United States*, 85 Fed. Cl. 640, 645 (2009) (refusing to bar disclosure to attorney simultaneously prosecuting reexamination of patents-in-suit); *Greenstreak Group, Inc. v. P.N.A. Constr. Techs., Inc.*, 251 F.R.D. 390, 391 (E.D. Mo. 2008) (holding that patent prosecution "does not fall within the same species of competitive business decisions" that justify restricting in-house counsel's access to information).

ActiveVideo argues that Mr. Frantz has "spoken in the press about Verizon's business strategy," citing a news article about a lawsuit Verizon filed against Montgomery County, Maryland, for its failure to give Verizon a cable franchise. *Id*. Mr. Frantz's comments were based on publicly available information, and the article says nothing at all about Verizon's "business strategy." Finally, ActiveVideo argues that Mr. Frantz is "involved in discussing strategic partnerships with direct competitors." Opposition at 11. The document on which this claim is based, however, relates to Verizon's effort to settle the *TiVo* lawsuit ***after it was filed***. *Id*., Ex. I. This is litigation work, not competitive decisionmaking.

Caren Khoo: ActiveVideo provides no substantive argument as to why Ms. Khoo is involved in competitive decisionmaking, instead arguing that the presumed status of the other three attorneys should be "imputed" to her. *See* Opposition at 9. The Federal Circuit has rejected the argument of infectious disqualification, however, and held that access must be determined "on a counsel-by-counsel basis." *U.S. Steel*, 730 F.2d at 1468. "Imputed" guilt by association cannot satisfy ActiveVideo's burden. *Matsushita*, 929 F.2d at 1580; *Sprint Communications Co. v. Big River Tel. Co.*, No. 08-2046, 2008 U.S. Dist. LEXIS 70669, at *12-13 (D. Kan. Sept. 16, 2008) ("Whether an in-house attorney has regular content with upper-level management who are involved in competitive decision-making is largely irrelevant."). ActiveVideo's lack of argument with respect to Ms. Khoo is a tacit acknowledgement that she is not a competitive decisionmaker, as confirmed by her declaration. *See* Ex. 6 ¶ 3.

ActiveVideo bears the burden of providing "specific evidence – not an inflexible rule – that supports a finding of competitive decisionmaking" as to each of the four attorneys proposed by Verizon to have access to confidential information under the Protective Order. *See Pfizer Inc. v. Apotex Inc.*, No. 08-C-7231, 2010 U.S. Dist. LEXIS 105109, at *15-16 (N.D. Ill. Sept. 29,

2010); *Wi-LAN*, 2009 WL 1766143, at *2. It has failed to offer anything more than unsupported speculation that these attorneys are decisionmakers; Verizon has offered sworn declarations to the contrary. The Court should therefore grant Verizon's Motion and allow the Verizon in-house attorneys to participate fully in this case. *See Sprint*, 2008 U.S. Dist. LEXIS 70669, at *11 (the court "has no reason to doubt [an attorney's] declaration that he is not involved in competitive decision-making, especially when defendant has merely set forth unsupported contentions").

B. ActiveVideo Provides No Reason Why This Case Is Any Different From *TiVo v. Verizon*.

Most of the arguments ActiveVideo makes in its Opposition have already been rejected by the court in *TiVo Inc. v. Verizon Communications Inc.*, E.D. Tex. Case No. 2:09-cv-257-DF. The *TiVo* case involved the same four Verizon in-house attorneys and the same issue of whether they should be permitted access to confidential documents under a protective order. *See* Motion at 7-9. TiVo took many of the same positions as ActiveVideo here, arguing, for example, that (1) the Verizon attorneys appear to be competitive decisionmakers based on various news articles and other information, (2) TiVo and Verizon are competitors, (3) there is a risk of inadvertent disclosure of TiVo's sensitive business information, (4) Verizon would not suffer any appreciable harm if its in-house attorneys cannot access confidential information, and (5) Verizon already has enough outside counsel to litigate the case.[4] *Compare* Ex. 7 at 1-2, *with* Opposition at 4-12. The court rejected these arguments as to Messrs. Suchyta and Frantz and Ms. Khoo, citing their declarations as evidence that they are not involved in competitive decisionmaking. *See* Ex. 7 at 3-5.

[4] Multiple courts have rejected the argument that a litigant already has enough outside counsel to litigate the case. *See* Ex. 7 (*TiVo* Order) ; *Amgen, Inc. v. Elanex Pharms., Inc.*, 160 F.R.D. 134, 139 (W.D. Wash. 1994) (finding unpersuasive the defendant's argument that the plaintiff already had "a sizeable cadre of outside lawyers that makes access to confidential material by in-house counsel unnecessary"). As this Court is well aware, in-house and outside counsel serve different functions.

ActiveVideo provides no reason why this case is any different than the *TiVo* case. Therefore, at least as to Messrs. Suchyta and Frantz and Ms. Khoo, the *TiVo* court's decision that they are not competitive decisionmakers should be followed here. As to Mr. Thorne, Verizon respectfully submits that the *TiVo* court's primary concern over a potential conflict between Mr. Thorne's duties as an officer and board member of two corporate entities and his duties as an attorney is inapplicable here for the following reasons: (1) those entities do not sell or offer for sale any products or services, (2) the entities are not named in this lawsuit, and (3) the concern is put to rest by Mr. Thorne's declaration. *See* Motion at 8-9; Ex. 3 ¶ 8 (Mr. Thorne has "not experienced any conflict with respect to [his] obligations as an attorney and as an officer or a board member").

C. The Protective Order In The ITC Action Is Irrelevant Because The Issue Of In-House Counsel Access to Confidential Information Was Never Litigated.

ActiveVideo also makes much of the fact that the protective order in the pending ITC action does not permit the Verizon in-house attorneys to access confidential information. *See* Opposition at 2-3. The ITC action protective order has no relevance here. The ITC action is governed by different rules and procedures, and the Administrative Law Judge imposed a standard protective order without input from the parties. *See* 19 C.F.R. § 210.5(e). In contrast to ITC proceedings, federal courts regularly allow in-house attorneys who are not competitive decisionmakers to access confidential information under Federal Rule of Civil Procedure 26(c), as evidenced by the *TiVo* case in particular. *See U.S. Steel*, 730 F.2d at 1468 (district court's evaluation of protective order issue "bears no relation to, and can have no effect on, [the] ITC's rule establishing a per se ban on disclosure to in-house counsel in administrative proceedings," as the "policy of an administrative agency faced with specific tasks and deadlines cannot of course control a trial court's discretion"); *see also* 19 C.F.R. § 210.5(c) ("confidential business

information may be transmitted to a district court and be admissible in a civil action, subject to such protective order as the district court determine necessary").

The fact that the issue of in-house counsel access was not litigated in the ITC action does not in any way preclude Verizon from raising that issue in this case. Again, if ActiveVideo's position were correct, Verizon in-house attorneys would be precluded from ever accessing confidential information if any protective order entered in the hundreds of cases in which Verizon is involved did not expressly permit such access. That is not the case. As the four Verizon attorneys have attested, each has had full access to the most confidential information of opposing parties under the protective orders of all of their other district court litigations (with the limited exception of the *TiVo* case for only one of them).

ActiveVideo's argument that Verizon is attempting an "end-run" around the ITC action protective order, to thereby obtain access for its in-house lawyers to ActiveVideo confidential information that they could not access there, is also a red herring. *See* Opposition at 2-3. Simply because the ITC action protective order does not include a provision allowing in-house counsel access to confidential information does not mean that the ITC Administrative Law Judge determined that there was a risk of inadvertent disclosure precluding such access. Rather, the issue was never litigated. ActiveVideo chose to initiate this lawsuit against Verizon in this district, and whether the four Verizon in-house attorneys should be permitted access here should be decided in this forum, under this forum's rules. Because the attorneys are not competitive decisionmakers, they should be allowed access under the terms of the Protective Order so they can participate fully in the case.

For the foregoing reasons, Verizon respectfully requests that the Court enter Verizon's proposed Protective Order allowing in-house and outside counsel access to confidential

information on equal terms.

Dated: October 21, 2010

Respectfully submitted,

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CERTIFICATE OF SERVICE

I herby certify that on October 21, 2010, I will electronically file the foregoing Defendants' Reply in Support of Expedited Motion For Entry Of Protective Order with the Clerk of Court using the CM/ECF system, which will then send a notification of such filing to the following counsel of record:

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