United States District Court

EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

ROUND ROCK RESEARCH, LLC	§	
	§	
	§	
v.	§	Case No. 4:11-CV-332
	§	Judge Clark/Judge Mazzant
	§	
DELL INC.	§	

ORDER

Pending before the Court is Defendant's Motion for Entry of a Protective Order to Preclude John Desmarais and Other Members and Employees of Desmarais LLP from Accessing Dell's Confidential and Highly Confidential Information (Dkt. #80). Having considered the relevant pleadings, the Court is of the opinion that Defendant's motion should be granted in part and denied in part.

BACKGROUND

In late 2009, Plaintiff Round Rock Research, LLC became the owner of approximately 4,500 patents purchased from Micron Technology. On June 8, 2011, Plaintiff filed this action against Dell Inc. ("Dell") and Oracle Corporation ("Oracle")[1] alleging that each defendant infringes U.S. Patent Nos. 6,088,816; 6,145,098; 6,170,067; 6,199,173; 6,243,838; 6,266,721; 6,425,006; 6,553,416; and 6,681,342.

Dell, pursuant to Federal Rule of Civil Procedure 26(c)(1)(G), moves the Court for an order preventing John Desmarais and other members and employees of Desmarais LLP from accessing, reviewing, or otherwise making any use of Dell's confidential, technical, and financial materials

[1] Oracle was dismissed from this case on December 23, 2011 (Dkt. #63).

produced in discovery in this case, because Mr. Desmarais and the other attorneys of his firm are competitive decisionmakers for Plaintiff.

Mr. Desmarais is Round Rock's president, managing member and owner, and is an undisputed competitive decisionmaker for Round Rock.[2] Round Rock's sole business is to monetize its portfolio through licensing and litigation. John Desmarais is the sole owner and President of Round Rock. Mr. Desmarais is also the sole officer of Round Rock, as well as its "manager and sole member" and "chief executive officer." He is the sole signatory on each of the agreements which form the financial structure of Round Rock. The Patent Sale and Transfer Agreement between Micron and Round Rock seeks to guard against the departure of John Desmarais by specifying that Micron (as the original assignor of the patents) has sole discretion to replace the Round Rock executive team if Mr. Desmarais leaves Round Rock. Round Rock itself, however, has only three employees.

Mr. Desmarais is the sole named partner of the Desmarais LLP law firm. Mr. Desmarais has retained his own law firm, Desmarais LLP, as the outside trial counsel of record in each of the more than a dozen cases Round Rock has brought, including the two pending cases against Dell. Desmarais LLP has seventeen attorneys, including five partners and twelve associates. Desmarais LLP specializes in complex intellectual property litigation and represents both plaintiffs and defendants in patent litigation, including not only Round Rock, but companies such as IBM, Cisco, Boston Scientific, and GlaxoSmithKline. Although Mr. Desmarais is one of the five partners of the

[2] Round Rock does not agree or concede that Mr. Desmarais is a competitive decisionmaker, but "recognizing, however, that the *ST Sales* court applied the term somewhat more broadly, Round Rock has treated Mr. Desmarais as if he were a competitive decisionmaker for the purposes of this analysis only." (Dkt. #85, p. 7 n. 6).

firm, he does not act as counsel for Round Rock in this case, nor will he have access to any confidential information designated by Dell for outside counsel only.

On February 28, 2012, Dell filed its Motion for Entry of a Protective Order to Preclude John Desmarais and Other Members and Employees of Desmarais LLP from Accessing Dell's Confidential and Highly Confidential Information (Dkt. #80). On March 19, 2012, Round Rock filed a response (Dkt. #85). On March 29, 2012, Dell filed a reply (Dkt. #92). On April 9, 2012, Round Rock filed a sur-reply (Dkt. #102).

STANDARD

Under Rule 26 of the Federal Rules of Civil Procedure, "[t]he court may, for good cause, issue an order to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense..."[3] Fed. R. Civ. P. 26(c). Rule 26(c)(1)(G) grants the Court the power to enter a protective order to restrict access to a trade secret or other confidential information. Fed. R. Civ. P. 26(c)(1)(G). Included in Rule 26(c)(1)(G) is the power for the Court to enter a protective order to restrict an individual attorney's access to a trade secret or other confidential information. *See* Fed. R. Civ. P. 26(c)(1)(G).

The party seeking a protective order generally bears the burden of establishing good cause. *In re Terra Int'l, Inc.*, 134 F.3d 302, 305 (5th Cir. 1998). When parties to an action agree on entry of a protective order but differ on the order's terms, the party seeking to limit discovery bears the

[3] The "good cause" requirement of Rule 26(c) means the burden is on the movant to show the necessity for the issuance of a protective order. *ST Sales Tech Holdings, LLC v. Daimler Chrysler Co., LLC*, No. 6:07–CV–346, 2008 WL 5634214, at *2 (E.D. Tex. March 14, 2008) (citing *In re Papst Licensing, GmbH, Patent Litigation*, No. MDL 1278, 2000 WL 554219, at *3 (E.D. La.2000)).

burden of demonstrating that "good cause" exists for the protection of that information. *Cf. id.* at 306 (imposing burden of showing good cause on the party seeking a protective order). The party attempting to establish good cause must demonstrate "a clearly defined and serious injury to the party seeking closure." *Pansy v. Borough of Stroudsburg*, 23 F.3d 772, 786 (3d Cir. 1994); *see, e.g., L.G. Philips LCD Co. v. Tatung Co.*, No. C 07 80073WHA, 2007 WL 869256, at *2 (N.D. Cal. Mar. 20, 2007).

In determining whether a protective order should bar one party's attorney access to information, the Court must focus on the risk of "inadvertent or accidental disclosure," and weigh that risk against the potential that the protective order may impair the other parties' ability to prosecute or defend its claims. *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984); *In re Papst Licensing, GmbH, Patent Litigation*, 2000 WL 554219, at *3 (E.D. La. 2000). When conducting the balancing, courts look specifically at "the factual circumstances surrounding each individual counsel's activities, association, and relationship with a party." *U.S. Steel Corp.*, 730 F.2d at 1468; *Infosint S .A. v. H. Lundbeck A.S.*, No. 06CIV2869LAKRLE, 2007 WL 1467784, at *3 (S.D.N.Y. 2007). Other factors to be considered in the balancing include: (1) whether the person receiving the confidential information is involved in competitive decision making or scientific research relating to the subject matter of the patent, (2) the level of risk of inadvertent disclosure of proprietary information, (3) the hardship imposed by the restriction, (4) the timing of the remedy, and (5) the scope of the remedy. *Infosint S.A.*, 2007 WL 1467784, at *2. The ultimate goal of the balancing is to determine whether counsel's access to the confidential information creates "an unacceptable opportunity for inadvertent disclosure." *U.S. Steel Corp.*, 730 F.2d at 1468; *In re Papst Licensing*, *GmbH, Patent Litigation*, 2000 WL 554219, at *3.

Access to discovery can be denied to "competitive decisionmakers" who may inadvertently use the material for inappropriate purposes. *U.S. Steel Corp*, 730 F.2d at 1468; *ST Sales*, 2008 WL 5634214, at *3. The Federal Circuit has stated that "competitive decisionmaking" refers to "a counsel' s activities, associations, and relationship with a client that are such as to involve counsel's advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor." *U.S. Steel Corp*, 730 F.2d at 1468 n.3. "Specifically, courts are concerned about the 'untenable position' counsel would be in if, after viewing other litigants' technology, counsel would be forced to either refuse his client legal advice on competitive matters or violate the protective order's prohibition against revealing technical information." *ST Sales*, 2008 WL 5634214, at *3 (citing *In re Papst Licensing, GmbH, Patent Litigation*, 2000 WL 554219, at *3).

The risk of disclosure is determined by assessing whether "an unacceptable opportunity for inadvertent disclosure" is created by counsel's access to the confidential information. *U.S. Steel Corp*., 730 F.2d at 1468. The movant bears the burden of demonstrating that good cause exists for including its proposed restriction. *See In Re Terra Int'l, Inc.*, 134 F.3d at 306.

ANALYSIS

Dell asserts that Mr. Desmarais, as owner of Round Rock, is the primary competitive decisionmaker and should be denied access to Dell's confidential and highly confidential information. Round Rock asserts that Mr. Desmarais will not have access to Dell's properly designated commercially sensitive confidential information. Mr. Desmarais is also not acting as counsel in this case. Round Rock further certifies that neither Mr. Desmarais nor any other Round Rock employee will have access to Dell's properly designated commercially sensitive confidential

information. Thus, Round Rock concludes that Mr. Desmarais presents no risk of inadvertent disclosure. Round Rock also is willing to enter into a protective order in this regard. The Court agrees that a protective order should be entered that prevents Mr. Desmarais from having access to Dell's confidential information.

Dell next seeks to limit access to trial counsel for Round Rock, Desmarais LLP because the knowledge obtained by every other attorney at Desmarais LLP should be imputed to Mr. Desmarais. Dell asserts that all lawyers at Desmarais LLP should not have access to Dell's confidential and highly confidential information. Dell asserts that although Round Rock and its counsel have represented that Mr. Desmarais will not serve as trial counsel, this does not cure the issue, because to allow any other attorney at Desmarais LLP to view Dell's highly confidential information raises the same issue as if Mr. Desmarais were given the information directly. Dell argues that the knowledge of each attorney at Desmarais LLP is imputed to Mr. Desmarais under Texas Law, citing *National Medical Enterprises, Inc. v. Godbey,* 924 S.W.2d 123 (1996).

Round Rock responds that Dell's reliance upon *National Medical Enterprises* is misplaced because the case does not address information produced, pursuant to a protective order, by an adversary in litigation, but rather the case addresses the far different situation of whether client confidences, received under a joint defense agreement, should be imputed to a law firm for conflicts purposes. *National Medical Enterprises*, 924 S.W.2d at 126. The Court agrees. This is not a situation where Desmarais LLP represented Dell as trial counsel in prior litigation and now seeks to represent Round Rock in this case. It is undisputed that Dell has never been a client of Desmarais, LLP.

The Court finds that imputing knowledge of every lawyer at Desmarais LLP to Mr.

Desmarais would not be proper. The Federal Circuit has rejected an automatic bar and requires the Court to look at the facts of each case. *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1379 (Fed. Cir. 2010).[4] Round Rock asserts that Dell does not explain how any individual lawyer at Desmarais LLP presents a risk of inadvertent disclosure of its confidential information. The Court agrees. Dell has not made an individualized showing of any inadvertent disclosure by any of the trial counsel of Round Rock. Moreover, there is no showing that the lawyers at Desmarais LLP, even if they report to Mr. Desmarais, are competitive decisionmakers. The Court finds that there is no factual or legal basis to deem Desmarais LLP's other sixteen lawyers as competitive decisionmakers for Round Rock and disqualify them from discovery in this case. Dell has failed to show that any other lawyer at Desmarais LLP would be considered a competitive decisionmaker.[5]

It is therefore ORDERED that Defendant's Motion for Entry of a Protective Order to Preclude John Desmarais and Other Members and Employees of Desmarais LLP from Accessing Dell's Confidential and Highly Confidential Information (Dkt. #80) is hereby GRANTED in part and DENIED in part. The Court finds that a protective order should be entered preventing access by Mr.

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[4] The Federal Circuit found as follows:

> Because patent prosecution is not a one-dimensional endeavor and can encompass a range of activities, it is shortsighted to conclude that every patent prosecution attorney is necessarily involved in competitive decisionmaking. Indeed, "denying access to [a party's] outside counsel on the ground that they also prosecute patents for [that party] is the type of generalization counseled against in *U.S. Steel*. The facts, not the category must inform the result. Our holding in *U.S. Steel* dictates that each case should be decided based on the specific facts involved therein.

In re Deutsche Bank, 605 F.3d at 1379.

[5] Even if the Court had found that there was a risk of inadvertent disclosure, a balancing of the risk against the potential harm to disqualifying Round Rock's counsel of its choice would lead the Court to the same conclusion. *See Deutsche Bank*, 605 F.3d at 1380. The Court believes the harm to Round Rock outweighs the speculative risk of inadvertent disclosure asserted by Dell.

John Desmarais to Dell's confidential or highly confidential information. The parties may submit a proposed protective order to the Court within ten days of this Order. The Court denies Dell's request to limit access by Desmarais LLP, except to the extent that Desmarais LLP may not serve as a "competitive decisionmaker" for Round Rock after serving as trial counsel in this case.

SIGNED this 11th day of April, 2012.

AMOS L. MAZZANT
UNITED STATES MAGISTRATE JUDGE