

## Section 1782 Discovery in Aid of Foreign Proceedings: A Powerful But Much Disputed Tool in International Litigation

In enacting 28 U.S.C. § 1782, Congress created a mechanism for parties in foreign proceedings to obtain evidence from U.S. companies and residents. Recent contested Section 1782 applications have raised an array of legal questions, including whether it can be used in aid of a foreign arbitration, whether documents sought must be located in the judicial district, and whether the statute is applicable if the discovery contravenes the rules of the forum country.

### Section 1782 Basics

Section 1782(a), entitled “Assistance to Foreign and International Tribunals and to Litigants before Such Tribunals,” provides, in relevant part:

The district court of the district in which a person resides or is found may order him to give his testimony or statement or to produce a document or other thing for use in a proceeding in a foreign or international tribunal, including criminal investigations conducted before formal accusation. The order may be pursuant to a letter

rogatory issued, or request made, by a foreign or international tribunal or upon the application of any interested person and may direct that the testimony or statement be given, or the document or other thing be produced, before a person appointed by the court.

To invoke Section 1782, an applicant must meet three conditions:

(1) that the person from whom discovery is sought reside (or be found) in the district of the district court to which the application is made, (2) that the discovery be for use in a proceeding before a foreign tribunal, and (3) that the application be made by a foreign or international tribunal or “any interested person.”

*In re Application of Esses*, 101 F.3d 873, 875 (2d Cir. 1996) (per curiam).

In a 2004 decision, the United States Supreme Court clarified the scope of Section 1782 discovery, creating opportunity for its routine use by litigants in international disputes. *Intel Corp. v. Advanced*

(continued on page 2)

## INSIDE

Quinn Emanuel Partner Brian Cannon Recognized as Top Biotech Litigator  
Page 4

Supreme Court Tightens Requirements for State Courts to Exercise Jurisdiction Over Foreign Corporations  
Page 5

### Litigation Updates

Insurance Litigation  
Page 6


EU Litigation  
Page 7

Media Litigation  
Page 8

Second Circuit Severely Limits Reach of “Hot News” Misappropriation and Other Victories  
Page 10

## Media and Technology Lawyer Carey Ramos Joins the Firm

Leading media and technology trial lawyer Carey Ramos has joined the firm’s New York office as a partner. Ramos had previously been a partner at Paul, Weiss, Rifkind, Wharton & Garrison LLP, where he served as Co-Chair of both the firm’s Communications and Technology Group as well as its Intellectual Property/Litigation Group. Ramos has represented clients including songwriters and music publishers in patent, copyright and trademark actions involving motion pictures, music, computer technology, telecommunications and consumer

electronics. He has won injunctive relief and recovered hundreds of millions of dollars in damages arising from the activities of Internet “file sharing” services Napster, Grokster, Aimster, Kazaa and others. He serves as counsel to the DVD Forum, the international association responsible for developing standard formats for DVD equipment and media, and the DVD6C and BD4C patent licensing organizations, which license DVD and Blu-ray patents worldwide. Ramos is recognized by *Chambers USA* and *Legal 500* as a leading practitioner in his field. 

## Quinn Emanuel Conducts Mock Trial Program in Beijing

see page 4

*Micro Devices, Inc.*, 542 U.S. 241, 259-60 (2004). The Court rejected several proposed categorical limitations on federal courts' authority to order discovery under Section 1782, instead setting forth considerations to govern district courts' exercise of discretion. Those considerations include whether: (1) a foreign court could order the parties to produce the requested evidence; (2) the nature or character of the foreign tribunal and proceeding indicate that the foreign government may not be receptive to U.S. discovery; (3) it appears that the applicant may be attempting to circumvent foreign discovery limits; and (4) enforcing the statute would be "unduly intrusive or burdensome." *Intel*, 541 U.S. at 264-65.

Despite the Supreme Court's effort to provide guidance, disputes abound regarding the scope and applicability of Section 1782 discovery. Some of the more interesting issues are addressed below.

### ***Can Section 1782 Be Used in Connection with a Foreign Arbitration?***

Prior to *Intel*, it was unclear whether the phrase "foreign tribunal" was limited to court proceedings in other countries. Certain circuit courts had determined that foreign arbitrations did not constitute "foreign tribunals" and were thus outside the sweep of Section 1782. See, e.g., *Republic of Kazakhstan v. Biederman Int'l*, 168 F.3d 880, 883 (5th Cir. 1999); *Nat'l Broad. Co. v. Bear Stearns & Co.*, 165 F.3d 184, 191 (2d Cir. 1999). In *Intel*, the Supreme Court cast doubt on that view. Although the specific holding concerned the European Commission's antitrust enforcement capacity, a passage of the opinion reviewing Section 1782's legislative history observed that "tribunal" was substituted in place of "judicial proceeding."

Since then, several courts have held that arbitral tribunals are within the reach of Section 1782. See, e.g., *In re Application of Chevron Corp.*, 709 F. Supp. 2d 283, 291 (S.D.N.Y. 2010) (*aff'd on other grounds*) (stating that "[t]he term 'tribunal' ... includes investigating magistrates, *administrative and arbitral tribunals*, and quasi-judicial agencies, as well as conventional civil, commercial, criminal, and administrative courts") (emphasis in the original); *Ukrnafta v. Carpathy Petroleum Corp.*, No. 3:09 MC 265, 2009 WL 2877156 (D. Conn. Aug. 27, 2009) (finding arbitration proceeding was within purview of Section 1782); *In re Application of Hallmark Capital Corp.*, 534 F. Supp. 2d 951, 954-55 (D. Minn. 2007) (granting application for discovery

in Israeli arbitration). However, litigants continue to dispute whether private arbitrations fall within the scope of *Intel*. See, e.g., *In re an Arbitration in London, England Between Norfolk Southern Corp., et al.*, 626 F. Supp. 2d 882 (N.D. Ill. 2009).

### ***Can Documents Sought Be Outside the Judicial District?***

Another area of significant dispute is whether a Section 1782 application can require the production of documents located outside the judicial district. One line of cases has held that it is irrelevant that the requested information is located elsewhere if person or entity subject to the Section 1782 application resides within the district. *In re Application of Eli Lilly and Co.*, No. 3:09MC296, 2010 WL 2509133, at \*4 (D. Conn. June 15, 2010) (granting petition in reliance and concluding that section 1782(a) does not require that the documents be found in the district); *In re Hallmark Capital Corp.*, 534 F. Supp. 2d 951, 957 n.3 (D. Minn. 2007) ("[T]o the extent [local party from whom 1782 discovery was ordered] suggests that the *only* copies are located in Israel, any such fact would not relieve him of his obligation to produce them if they are nonetheless in his control.") (emphasis in original); *In re Application of Gemeinschaftspraxis Dr. Med. Schotttdorf*, No. Civ. M19-88, 2006 WL 3844464, at \*4 (S.D.N.Y. Dec. 29, 2006) (granting discovery of documents held by a German office of McKinsey because "McKinsey maintains its headquarters in New York, and thus is 'found' within this district"). Other courts, however, have taken the opposite view. See, e.g., *In re Application of Godfrey*, 526 F. Supp. 2d 417, 423 (S.D.N.Y. 2007); *In re Microsoft Corp.*, 428 F. Supp. 2d 188, 194, n.5 (S.D.N.Y. 2006).

### ***Would the Discovery Contravene the Discovery Rules of the Forum Country?***

Section 1782 litigants often disagree whether the discovery would be admissible in the foreign tribunal. That is important because the Supreme Court held that Section 1782 relief should be granted if the requested discovery would be "of assistance" in the foreign proceeding. *Intel*, 542 U.S. at 265. As a general matter, if the information sought is relevant to the underlying foreign dispute, it is likely that the foreign court would be "receptive" to such evidence. See *In re Servicio Pan Americano de Protection*, 354 F. Supp. 2d 269, 274 (S.D.N.Y.

2004) (granting discovery request under Section 1782, in part because “the discovery Pan Americano is seeking would be readily available and relevant to the litigation [in Venezuela]”). Courts have viewed a country’s status as a signatory to the Hague Evidence Convention as indicating that its courts would be receptive to Section 1782 discovery. *See, e.g., In re Application of Imanagement Servs. Ltd.*, No. Civ.A. 05-2311, 2006 WL 547949 (D.N.J. Mar. 3, 2006) (noting that Russia and the United States are parties to the Hague Evidence Convention, which “supports a finding that the Russian court may be receptive to the evidence”).

Those seeking to avoid the application of Section 1782 invariably point to limitations of discovery and evidence in foreign proceedings and contend that the applicant is seeking to circumvent those restrictions. Faced with that argument, courts tend to restrict discovery only if the forum country has strict “proof-gathering restrictions,” which are defined as “substantive limits on the admissibility of discovered evidence.” *See Pan Americano*, 354 F. Supp. 2d at 275; *In re Application of Kolomoisky*, No. M.19-116, 2006 WL 2404332 (S.D.N.Y. Aug. 18, 2006) (no indication that applicant, in seeking discovery for Russian proceeding, was attempting to circumvent foreign proof-gathering restrictions or other policies); *Imanagement*, 2006 WL 547949 (no showing that discovery application sought to circumvent Russian proof-gathering restrictions). The Second Circuit has held that only “authoritative proof that a foreign tribunal would *reject* evidence obtained with the aid of Section 1782” warrants a decision to deny the use of the Act. *See Esses*, 101 F.3d at 876 (emphasis in the original). The rejection of such evidence must be “embodied in a forum country’s judicial, executive or legislative declarations that specifically address the use of evidence gathered under foreign procedures.” *Euromepa S.A. v. R. Esmerian, Inc.*, 51 F.3d 1095, 1100 (2d Cir. 1995).

That a foreign tribunal has a more limited discovery regime is usually not a bar to Section 1782 discovery absent some abuse by the applicant. *See Heraeus Kulzer GmbH v. Biomet, Inc.*, 633 F.2d 591, 594 (7<sup>th</sup> Cir. 2011). To the contrary, it may be a reason to grant it. *See Pan Americano*, 354 F. Supp. 2d at 274 (“[T]he apparent limitations of Venezuelan discovery rules suggest that the exercise of jurisdiction by this Court may be necessary to provide Pan Americano with the documents it


seeks”). Likewise, limitations on the admissibility of evidence may not be cause to deny an otherwise valid Section 1782 application because there may be little harm in granting the discovery if the foreign tribunal retains the discretion later to determine whether to admit the discovered material in evidence. *See Imanagement*, 2006 WL 547949, at \*3 (“Whether the foreign court will ultimately accept the evidence is beyond this Court’s ability to determine.”); *In re Application of Grupo Qumma*, No. M 8-85, 2005 WL 937486, at \*3 (S.D.N.Y. Apr. 22, 2005) (“The Mexican court, rather than this Court, should decide whether the additional evidence is admissible, and it will be in a better position to do so if Qumma is permitted to conduct the requested discovery first”).

When the admissibility of particular discovery is in issue, courts tend to grant the discovery. *See, e.g., Euromepa*, 51 F.3d at 1101 (it is “far preferable for a district court to reconcile whatever misgivings it may have about the impact of its participation in the foreign litigation by issuing a closely tailored discovery order rather than by simply denying relief outright”); *In re Imanagement Servc., Ltd.*, No. Misc. 05-89, 2005 WL 1959702 (E.D.N.Y. Aug. 16, 2005) (no “authoritative proof” that Russian court would reject any use of evidence gathered pursuant to Section 1782, and Russian court could protect itself from the effects of any unwanted discovery order by simply refusing to admit the evidence).

### Conclusion

Following the Supreme Court’s *Intel* decision, lower courts continue to grapple with a number of legal issues regarding Section 1782. Given the proliferation of Section 1782 discovery applications in support of foreign disputes, we can expect to see further developments that will refine its scope. **Q**


## Quinn Emanuel Conducts Mock Trial Program in Beijing

In conjunction with the Jun He Law Offices, the firm recently conducted a mock jury trial program in Beijing for General Counsel of 121 Chinese state-owned enterprises. The trial—based on an intellectual property dispute—consisted of openings, directs, cross-examinations, and closings, which were simultaneously translated. Witness examinations were conducted in real time and were unrehearsed. Visual aids and evidence were used just as they would be used at trial. Two separate juries, consisting of Chinese citizens and U.S. expatriates, deliberated until they reached a verdict. So far as the participants were aware, this was the first ever U.S. style mock trial conducted in China. 



## Quinn Emanuel Partner Brian Cannon Recognized as Top Biotech Litigator

Quinn Emanuel Partner Brian Cannon has been selected by *The Daily Journal* as one of California’s “Top Biotech Attorneys.” This inaugural listing showcased the innovators working on the leading life science legal matters and the work they are doing to help protect clients’ cutting edge projects. Brian was praised for his work for Roche Molecular Systems in a closely watched patent infringement case brought by Stanford University for infringement of patents relating to HIV viral load and AIDS therapy decisions. The case culminated this year with a Supreme Court decision, which ruled 7-2 that Stanford must abide by its contracts and that the Bayh Dole Act—the

statute governing federal research funding—does not give automatic ownership of patents to universities. He was also recognized for his successful defense of Bio-Rad and ARUP in a patent action involving genetic testing for iron disorders. Brian’s practice focuses on intellectual property litigation, particularly infringement. He has litigated and tried numerous patent and trade secret cases involving medical devices, biotechnology and diagnostic testing. 



## Supreme Court Tightens Requirements for State Courts to Exercise Jurisdiction Over Foreign Corporations

Recently, the Supreme Court addressed the standards for state courts asserting jurisdiction over foreign corporations. In *Goodyear Dunlop Tires Operations, S.A. v. Brown*, No. 10-76 (June 26, 2011) and *J. McIntyre Mach., Ltd. v. Nicastro*, No. 09-1343 (June 27, 2011), the Court held that North Carolina and New Jersey state courts had overstepped their authority by exercising jurisdiction over foreign corporations. Although neither opinion announced a new bright-line rule, they help clarify the conditions under which the assertion of jurisdiction is appropriate.

### Traditional Jurisdictional Requirements

The broad principles informing jurisdictional analysis are well known and long established. The “outer boundaries” of a state’s jurisdictional authority to “hale a defendant before a court” are defined by the due process clause of the Fourth Amendment. *Goodyear Dunlop Tires Operations, S.A. v. Brown*, No. 10-76, slip op., at 6 (June 26, 2011). *Goodyear* characterized the Court’s decision in *Int’l Shoe Co. v. Wash.*, 326 U.S. 310, 316 (1945) as the “canonical opinion” defining those “outer boundaries”: jurisdiction is constitutional if the defendant has “minimum contacts [with the state] such that the... suit does not offend traditional notions of fair play and substantial justice.” *Int’l Shoe* at 316.

Jurisdiction can be either “general” or “specific” (also known as “limited” jurisdiction). General jurisdiction allows a court to assert jurisdiction over *any activity*, including those that occurred outside the state, and is proper when a defendant has significant “continuous and systematic” contacts within a state. *Helicopteros Nacionales Colombia v. Hall*, 466 U.S. 408 (1984). Specific jurisdiction allows a court to assert jurisdiction over a defendant for claims arising out of the defendant’s specific contacts within the state. *Int’l Shoe*, 326 U.S., at 317.

A “stream of commerce” analysis has been applied to the assertion of jurisdiction over a manufacturer whose products are intentionally distributed in a way that allows them to enter a particular state’s market. See *World-Wide Volkswagen v. Woodson*, 444 U.S. 286 (1980). Under that analysis, a state does not exceed its powers under the due process clause if it asserts personal jurisdiction over a corporation that

delivers its products into the stream of commerce with the expectation that they will be purchased by consumers in the forum state. *Id.* at 567. However, the mere foreseeability of the entry of one’s product into a forum state is never enough to establish jurisdiction on its own. See *Asahi Metal Indus. Co. v. Super. Ct.*, 480 U.S. 102, 111-12 (1987) (O’Conner, J., plurality opinion).

### Factual Background

In *Goodyear*, the Supreme Court reviewed a North Carolina trial court’s assertion of jurisdiction over three foreign subsidiaries of the Goodyear Dunlop company. The subsidiaries were sued with the parent corporation over a bus accident in France that involved allegedly defective tires manufactured by the subsidiaries. Because the tires were manufactured and the injury occurred outside North Carolina, the state court asserted general jurisdiction over the defendants. *Goodyear*, slip op., at 3. Although the subsidiaries had “no place of business[,] . . . [did] not design, manufacture or advertise[,] . . . [did] not solicit business in . . . [nor] themselves sell or ship tires to North Carolina customers,” an appellate court upheld the assertion of jurisdiction because the subsidiaries’ products were placed “into the *stream of interstate commerce* without any limitation on the extent to which those tires could be sold in North Carolina.” *Goodyear*, slip op., at 4-5 (emphasis added).

It recognized that a “higher threshold” was necessary to assert general jurisdiction but found the subsidiaries’ activities met that threshold because: (a) the subsidiaries allowed their products to enter the stream of commerce without any “attempt to keep these tires from reaching the North Carolina market” and (b) the plaintiffs would experience hardship if they were forced to litigate outside the state. *Id.* at 5-6.

In *McIntyre*, a British manufacturer of shearing machines employed an independent corporation to sell and distribute its products in the U.S. and elsewhere. At most, four shearing machines were sold to U.S. customers. One injured a New Jersey man, who then sued the British manufacturer in New Jersey.

Unlike *Goodyear*, *McIntyre* involved a state court

# PRACTICE AREA UPDATES

## Insurance Litigation Update:

**Claims Arising from Defective Drywall Are Excluded Under Most CGL Policies:** During the housing boom in the mid-2000s, domestically manufactured drywall was in short supply, so hundreds of millions of pounds of drywall manufactured by a Chinese subsidiary of German manufacturer Knauf GIPS KG were imported into the United States and installed in homes, primarily in the Southeast. Consumers who bought homes containing Knauf's drywall claim that a sulfur-containing gas released by the drywall has an unpleasant smell and causes damage to wiring and electrical appliances. Knauf and other foreign manufacturers have admitted that their drywall was defective, but they contest whether any court in the United States can force them to pay for the damages they caused, arguing that they are not subject to jurisdiction here. Homeowners have therefore resorted to suing the homebuilders, installers and distributors who purchased and resold Knauf's defective products. Thousands of lawsuits seeking damages from those American companies and their insurers have been consolidated in a multi-district litigation before the Honorable Eldon Fallon in the Eastern District of Louisiana. *In re Chinese Mfd. Drywall Prods. Liab. Litig.*, (MDL No. 2047) (E.D. La. 2010).

Insurance companies have claimed that the total pollution exclusion found in most comprehensive general liability policies excludes coverage for claims arising from defective drywall. A typical total pollution exclusion bars coverage for "bodily injury" or "property damage" that would not have occurred in whole or in part but for "the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time." Such exclusions may define "pollution" as an "emission, discharge, release or escape of pollutants into or upon land, the atmosphere or any watercourse or body of water provided that such emission, discharge, release or escape results in environmental damage." The exclusion may also state that pollutants include "any solid, liquid gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste."

State courts in Florida and many federal courts have agreed with the insurers that the drywall claims are excluded. A Virginia district court recently granted summary judgment to an insurer on a drywall-

related claim, concluding that the sulfide gases released by the defective drywall "unambiguously qualify" as pollutants within the plain meaning of the pollution exclusion. Accordingly, the insurer had no duty to defend its insured in the underlying lawsuit. *See Nationwide Mut. Ins. Co. v. Overlook, LLC*, 4:10CV69, 2011 WL 1988396 (E.D. Va. May 13, 2011). *See also Dragas Management Corp. v. The Hanover Insurance Co.* No. 2:10-cv-00547 (E.D. Va. Aug. 8, 2011). Earlier federal court decisions also reached that result, finding that pollution exclusions are unambiguous, *General Fid. Ins. Co. v. Foster*, No. 9:09-cv-80743 (S.D. Fla. Mar. 24, 2011), and are not limited to "traditional environmental pollution," *Travco Ins. Co. v. Ward*, 715 F. Supp. 2d 699 (E.D. Va. 2010). Both courts granted summary judgment in favor of the insurer.

The courts have almost uniformly found the pollution exclusions to be unambiguous, and have held that it is irrelevant that the fumes emitted by the Chinese drywall are not akin to traditional environmental pollutants. Several state courts in Florida, persuaded by the reasoning of *General Fidelity* and *Travco*, have recently reached the same conclusions. *FCCI v. Gulfcoast Engineering, LLO.*, No. 10-CA-002862 (Fla. Cir. Ct. Aug. 8, 2011); *FCCI Commercial Ins. Co. v. MDW Drywall, Inc.*, No. 10-CA-007389 NC (Fla. Cir. Ct. Jul. 6, 2011); *FCCI Commercial Ins. Co. v. Ocean Const. Inc.*, No. 10-CA-2841 (Fla. Cir. Ct. June 6, 2011); *FCCI Commercial Ins. Co. v. AL Bros., Inc.*, No. 10-CA-002840 (Fla. Cir. Ct. Apr. 19, 2011).

However, a court in Louisiana reached the opposite result, concluding that the pollution exclusion is inapplicable because the gases released by the defective drywall did not "cause environmental pollution by its presence in the Plaintiffs' homes." *In re Chinese Mfd. Drywall Prods. Liab. Litig.*, 759 F. Supp. 2d 822 (E.D. La. 2010).

Several pending cases will also test the applicability of the pollution exclusion to Chinese drywall claims. Motions for summary judgment are pending in several cases in Florida district courts (*see, e.g., Granite State Ins. Co. v. Am. Bldg. Materials, Inc.*, No. 8:10-cv-01542 (M.D. Fla. Apr. 27, 2011), *Granite State Ins. Co. v. Probuild Holdings, Inc.*, No. 10-cv-60246-JEM (S.D. Fla. Jul. 6, 2010), *Nat'l Union Fire Ins. Co. v. F. Vicino Drywall, Inc.*, No. 0:10-cv-60273-ASG (S.D. Fla. Jun. 21, 2010), *Chartis Specialty Ins. Co. v. Banner Supply Co.*, No. 8:10-cv-00339-JSM-

EAJ (M.D. Fla. Mar. 30, 2010), *Amerisure Ins. Co. v. Albanese Popkin the Oaks Dev. Grp., L.P.*, 2010 WL 2321474 (S.D. Fla. Mar. 23, 2010)) testing the applicability of the pollution exclusion to underlying suits for damages arising from defective drywall.

These recent decisions from state and federal courts suggest that many American companies involved in the Chinese drywall mess are not insured, increasing the urgency to obtain jurisdiction over Knauf and the other Chinese manufacturers to obtain judgments to compensate victims for the damages their products have caused.

Quinn Emanuel is representing certain insurers in the Chinese drywall MDL proceedings.

## EU Litigation Update:

**Software as Patentable Subject Matter in Germany - Recent Case Law of the German Federal Supreme Court:** In a series of decisions starting in 2009 and culminating in the most recent decision of February 24, 2011, docket no. X ZR 121/09 – *Webseitenanzeige*, the German Federal Supreme Court (*Bundesgerichtshof*, BGH) outlined the requirements for software patents under German patent law. After a decision of the BGH's Xa Senate in 2010 (GRUR 2010, 613 – *Dynamische Dokumentengenerierung*), in which the BGH declared a Siemens' invention for the generation of structured documents with dynamic contents patentable (albeit without addressing its novelty or inventiveness), many commentators believed the BGH had dramatically lowered the barriers to software patentability in Germany. Some feared it would be sufficient to add language referring to a computer to a claim merely to fulfill the patentability requirements. The X Senate clarified the BGH's position later in 2010 under Art. 52 EPC (BGH GRUR 2011, 125 – *Wiedergabe topografischer Informationen*) and in its latest decision on another Siemens patent under the corresponding German rules on patentable subject matter in § 1 paras. 1, 3 and 4 German Patent Code (*Patentgesetz*, PatG).

Under § 1 para. 1 PatG, only technical inventions are patentable subject matter. It is sufficient that only a part of an invention involves a technical aspect (*Wiedergabe topografischer Informationen*, para. 31). It is, for example, sufficient that steps of a method are performed by technical devices connected to each other by a network, like the typical steps of processing, storing, and transmitting data by such devices (BGH GRUR 2009, 479 – *Steuerungseinrichtung für*

*Untersuchungsmodalitäten*), even if such devices are not mentioned in the claims provided that their use is obvious to a person skilled in the art (*Webseitenanzeige*, para. 16).

Section 1 para. 3 no. 3 PatG excludes, among other things, software for data processing equipment from the patentable subject matter. Therefore, while the first requirement is easily met, the BGH further demands that the technical aspect of the invention comprise instructions for solving a specific problem by technical means, e.g., the solution of a technical problem with the help of a programmed computer (*Dynamische Dokumentengenerierung*, para. 22).

The BGH's latest decision provides that the requirement to solve a technical problem is met if (a) components of the devices are modified or are addressed in a fundamentally different way than before, (b) conditions outside the data processing equipment dictate the way the software is used to solve the problem, or (c) the software is designed to take the technical prerequisites of the data-processing equipment into account (*Webseitenanzeige*, paras. 21, 22).

The method claimed in the patent in dispute in *Webseitenanzeige* (display of websites) did not qualify. It comprised the following steps: (a) registering a user upon opening a start page, (b) registering information pages opened by the user directly or indirectly from the start page, and (c) creating a displayable description from which the order of the information pages opened by the user can be discerned. The claim would, for example, read on the use of cookies to track the sites visited by a user of a webpage, like the popular "bread crumb navigation."

The technical aspect of this invention was merely a measure of data processing already known in the art and nothing in the invention went beyond that. Apart from incorporating methods already known in the art (using cookies, generating HTML structures), the patent specification did not disclose any specific method by which the data would be collected. The claimed invention merely relocated the method used from the client to the server. That, too, was known in the art.

In contrast, *Dynamische Dokumentengenerierung*, the BGH had been satisfied that the invention under scrutiny, a method for generating structured documents with dynamic content, was intended to solve a problem faced by servers that lacked the capacity to utilize script languages used in documents

(continued on page 8)

to assume sufficient technicality (e.g., because they were too weak to run a Java Virtual Machine). The solution was directed at designers of systems for data processing, not software engineers, thus placing the investigation outside the scope of § 1 para. 3 no. 3 PatG.

Because the patent in *Webseitenanzeige* lacked patentable subject matter, the BGH did not address novelty or inventive steps. However, the test for patentable subject matter in software inventions is not very strict. Its purpose is to filter out patent claims that offer no novel and inventive technical teaching. The effect of an at least partial software implementation on the assessment of the inventive step was addressed in *Wiedergabe topografischer Informationen*.

There, the technical aspects were limited to calculating the actual position of a car and to displaying topographical information corresponding to the car's direction of travel. Because the technical aspects were part of the prior art, the BGH declared the claim not inventive. Even though the invention permitted the information to be displayed in an improved manner, the BGH concluded that those parts of the claim did not contribute to solving a technical problem and thus could not be considered in evaluating the invention's inventiveness.


These series of decisions thus delineate the minimum requirements for patentable subject matter: there has to be a technical problem solved by technical means beyond what a person skilled in the art would do to implement the invention, such as collecting, processing, storing, or transmitting data. Even though the requirement can be satisfied easily, e.g., by catering to limitations of the data processing equipment used, only the technical aspects of the invention can be used to evaluate whether the invention is inventive. That inquiry will get much closer scrutiny from the courts.

### Media Update:

***Poker Pro Files Suit in Wake of Online Poker Crackdown:*** In April 2011, in connection with a criminal indictment, federal prosecutors filed a civil complaint against the three online poker companies—Poker Stars, Full Tilt Poker, and Absolute Poker/Ultimate Bet—as well as various third-party payment processors, seeking approximately \$3 billion in money laundering penalties and forfeiture of the websites' domain names. See *United States v. PokerStars, et al.*, 11 Civ. 2564 (LBS) (S.D.N.Y.). The complaint,

filed in the Southern District of New York, alleges that the poker companies and payment processors disguised money received from U.S. poker players to deceive banks into processing billions of dollars of payments. The indictment and complaint resulted in the effective shutdown of those websites and left their U.S. customers wondering how to retrieve already-deposited funds.

By mid-May 2011, the poker companies reached an agreement with the U.S. government: they would be permitted to resume using their domain names to reimburse U.S. players' funds and to allow players outside the United States to continue using the websites; in return, they agreed to shut down their "real money" poker services to U.S. customers while the actions were pending. The pace of reimbursement to U.S. players, however, has disappointed many, including professional poker players affiliated with the online poker companies implicated by the criminal and civil actions.

Professional poker player Phil Ivey recently filed suit against Tiltware, the parent company of Full Tilt Poker, in Nevada state court. See *Ivey v. Tiltware, LLC, et al.*, A-11-642387-C (Dist. Ct. Clark Cty. Nev., June 1, 2011). Tiltware and Ivey allegedly entered into a 2004 agreement, where Tiltware agreed "to provide software and related support to Full Tilt Poker for the conduct of legal online poker" and Ivey agreed to endorse Full Tilt Poker with his name and likeness, and entered into a non-compete covenant. Ivey alleges, however, that Tiltware did not inform Ivey (i) of the activities alleged in the indictment; (ii) that the United States Attorney's had given "repeated warnings and clear notice" that Tiltware's conduct was illegal; or (iii) that Full Tilt Poker failed to maintain sufficient reserves to return the U.S. players' funds. In addition, Ivey alleges that Full Tilt Poker's failure to reimburse U.S. players has damaged his reputation. Ivey seeks, among other things, relief from the non-compete covenant and damages in excess of \$150 million for the injury to his reputation – coincidentally the same amount Ivey alleges is still owed to U.S. users of Full Tilt Poker. 



(continued from page 5)

asserting *specific* jurisdiction over a foreign defendant. Even though McIntyre neither directly sold nor directly marketed its goods in New Jersey, the court, relying on the *Asahi* plurality opinion, found that it had specific jurisdiction over the company because, if a company “knows or reasonably should know that its products are distributed through a nationwide . . . system that might lead to those products being sold in *any* of the fifty states,” jurisdiction is proper in all of those fifty states, irrespective of defendant’s attempts, or lack thereof, to market to a particular state. *Goodyear*, slip op., at 1-2.

### *Clarifying the Standard*

The Supreme Court unanimously reversed the state court in *Goodyear*. It held that the stream of commerce analysis “may bolster an affiliation germane to *specific* jurisdiction” but not to general jurisdiction. *Goodyear*, slip op., at 10-11 (emphasis in original). And, even in cases concerning specific jurisdiction, it held that the plaintiff must still demonstrate “some [additional] act by which the defendant purposefully avail[ed] itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws”. *Id.* at 7 (quoting *Hanson v. Deckla*, 357 U.S. 235, 253 (1958)).

The Court also found that the defendants’ “attenuated connections to the State [fell] far short of the ‘continuous and systematic general business contacts’ necessary” for general jurisdiction. *Id.* at 13 (quoting *Helicopteros Nacionales de Colombia*, 466 U.S. at 416). The Court was extremely skeptical of the North Carolina court’s view of general jurisdiction, which the Supreme Court argued would render “any manufacturer or seller of goods. . . amenable to suit, on any claim of relief, wherever its products are distributed,” in clear violation of the Court’s previous precedents in *Helicopteros Nacionales de Colombia* and *Perkins*. *Id.*

In *McIntyre*, the Supreme Court held that New Jersey lacked specific jurisdiction over the foreign corporation. Even though a majority of the Court agreed that the New Jersey Supreme Court’s standard for specific jurisdiction was incorrect, the Court did not agree on *why* the New Jersey court lacked jurisdiction. *McIntyre*, slip op., at 5, 11. In fact, the Court split 4-4-1 and issued a plurality opinion.

The plurality opinion rejected the trial court’s reliance on Justice Brennan’s plurality opinion in *Asahi*, declaring that: “Justice Brennan’s concurrence, advocating a rule based on . . . fairness and foreseeability, is inconsistent with the premises of lawful judicial power.” *Id.* at 8. Rather, the proper inquiry was whether the defendant “purposefully avails itself of the privilege of conducting activities within the forum State.” *Id.* (Kennedy, J., plurality op.).

However, in the case of a plurality opinion, the controlling opinion is the narrowest concurring opinion, rather than the plurality opinion itself. The controlling opinion, Justice Breyer’s concurrence, did not address the continued vitality of *Asahi*. Instead it confined itself to examining whether the contacts between New Jersey and McIntyre were of sufficient quality to justify the assertion of jurisdiction under the Court’s existing precedent. Justice Breyer found that the “single, isolated sale” of the defendant’s products failed to meet those standards. He noted that “the relevant facts . . . show no regular course of sales . . . [T]here is no something more, such as special state-related design, advertising . . . or anything else that would justify jurisdictional authority over the defendant.” *Id.* at 3 (Breyer, J. concurring op.).

In sum, while the two opinions do provide additional guidance to state courts examining the propriety of asserting jurisdiction over a foreign defendant, much is left in the dark. The Court’s inability to reach to a majority consensus in *McIntyre* leaves the continued vitality of *Asahi* an open question. However, under the plurality opinion expressed by Justice Kennedy, and possibly under the concurrence of Justice Breyer, foreign manufacturers appear to be able to insulate themselves from being haled into local courts. 📍

# VICTORIES

## Second Circuit Severely Limits Reach of “Hot News” Misappropriation

The Second Circuit Court of Appeals recently restricted the scope of “hot news” misappropriation claims, largely adopting arguments submitted by the firm in an *amici* brief on behalf of Google and Twitter. *Barclays Capital Inc. v. TheFlyOnTheWall.com, Inc.*, --- F.3d ---, 2011 WL 2437554 (2d Cir. June 20, 2011).

Plaintiffs (“Firms”), financial services firms that provide “buy” and “sell” investment recommendations to clients, brought an action against defendant TheFlyOnTheWall.com (“Fly”), a website that collects and publishes investment firms’ financial recommendations. Alleging “hot news” misappropriation—an oft-criticized tort that prohibits, for a limited time, the use of time-sensitive facts gathered by a competitor—the Firms claimed that Fly misappropriated their recommendations by publishing them before the stock market opened, reducing the Firms’ incentive to create recommendations. After a bench trial, Judge Cote of the Southern District of New York ruled that Fly committed “hot news” misappropriation and enjoined it from publishing any of the Firms’ recommendations until several hours after the stock market opened. By enjoining Fly from publishing factual information, the ruling called into question the practices of Internet news aggregation services, thereby endangering the sharing of factual information online.

On appeal, the firm filed an *amici* brief on behalf of Google and Twitter supporting reversal. First, the firm argued that the tort of “hot news” misappropriation violated the Copyright Clause of the Constitution. Second, the firm argued that even if the tort were available, the circumstances in which it applies should be significantly narrowed to circumstances nearly identical to those in *International News Service v. Associated Press*, 248 U.S. 215 (1918) (“*INS*”). In *INS*, the Supreme Court held that a wire service could be prohibited from copying facts gathered and published by a direct competitor wire service. Third, the firm argued that the five-part test for “hot news” misappropriation articulated in *National Basketball Association v. Motorola, Inc.*, 105 F.3d 841 (2d Cir. 1997) was flawed, incomplete, and did not account for the instantaneous nature of Internet communications.

Recognizing the implications of the district court’s ruling, the Second Circuit took the rare step of inviting several *amici* to participate in oral argument. Kathleen Sullivan argued on behalf of Google and Twitter, explaining that if the tort is ever available, it should only be recognized in circumstances nearly identical to those in *INS*.

On June 20, 2011, the Second Circuit unanimously reversed the district court’s ruling, holding that Fly did not commit “hot news” misappropriation. Bound by *Motorola’s* holding that the tort of “hot news” misappropriation is not preempted by federal law, the Second Circuit nonetheless severely cabined the scope of any potential “hot news” misappropriation claim. Specifically, it held that *Motorola’s* five-part test was *dictum* because it was based on a hypothetical “hot news” misappropriation claim rather than the facts before the Court. Although the Second Circuit did not offer a new test, it emphasized that because Fly collected and organized the Firms’ recommendations, it was not “free riding” on the Firms’ work; rather, “Fly is reporting financial news—factual information on Firm Recommendations—through a substantial organizational effort.” *Barclays*, 2011 WL 2437554, at \*24. The Second Circuit recognized that Internet news aggregators do not compete with the authors of news articles and thus do not engage in wrongful misappropriation by collecting, organizing and publishing others’ news stories.

## Class Action Victory for Venture Capital Firm

The firm successfully defended August Capital, a venture capital firm, against a class action suit brought by an undisclosed plaintiff in Washington state court. The complaint alleged RICO violations and a variety of related state law claims associated with the client’s one-time investment in a penny auction website, Swoopo.com, operated by defendant Entertainment Shopping, Inc. After removing the action to federal court, the firm moved to dismiss for lack of personal jurisdiction over August Capital, a California-based company with minimal Washington contacts. In the alternative, the firm sought dismissal for failure to state a claim upon which relief could be granted. Entertainment Shopping, Inc., moved to dismiss for failure to state a claim as well. The complaint contained few specific allegations concerning August Capital, but instead sought to hold it liable based

solely on its status as a shareholder in Entertainment Shopping's German parent.

While the motions were pending, Entertainment Shopping filed for Chapter 7 bankruptcy, automatically staying the case as to it. On May 23, 2011, the court dismissed the case against August Capital entirely, holding that plaintiff Doe had failed to plead facts sufficient to support the exercise of either general or specific jurisdiction and not only failed to meet the nationwide service of process requirements of RICO, but also relied on an out-of-circuit test. The dismissal ends the case as to August Capital and, given the automatic stay in place as to Entertainment Shopping, the firm is optimistic that this marks the end of the litigation.

### Patent Victory for Wireless Router Manufacturers

The firm recently won a complete defense victory in a patent case on behalf of four major players in the wireless network space: Cisco, Belkin, NETGEAR and D-Link. The defendants make wireless routers for home and small business use. The plaintiff had tried to sell internet access in South Carolina in the early 2000s. *The Wall Street Journal* wrote a favorable puff-piece about it in 2000, but the business did not succeed and the founders turned to enforcing a patent on a wireless router. The plaintiff brought suit in Florence, South Carolina, but the firm obtained transfer to Northern California, where three of our clients and various important prior artists were located.

Judge Claudia Wilken then set a schedule that did not permit a claim construction ruling until the eve of trial. The firm focused on developing a few key claim construction arguments that could resolve the case and developed a record to support the defenses of non-infringement and invalidity. Meanwhile other parties settled, rather than face the uncertainties of a combined claim construction and summary judgment ruling just weeks before jury selection.


Ultimately, the court agreed with the firm's key claim construction and non-infringement arguments; it also granted summary judgment of invalidity, agreeing that the claims were rendered obvious in light of a pair of third-party prior art products.

### Summary Judgment Victory for Genentech

The firm recently obtained summary judgment against Sanofi-Aventis Deutschland on behalf of Genentech. Sanofi filed a patent infringement suit in the Eastern District of Texas, alleging that Genentech's products were manufactured using a genetic sequence taken from a human cytomegalovirus known as an "enhancer" and, therefore, infringed Sanofi patents. Genentech moved unsuccessfully to transfer the litigation to the Northern District of California prompting the firm to seek mandamus from the Federal Circuit. In what has now become a seminal ruling in patent litigation, the Federal Circuit opined that the denial of transfer was a clear abuse of discretion and ordered that the case be transferred.

Following the completion of claim construction, the firm moved for summary judgment of non-infringement. The court agreed that Genentech's products were non-infringing. Notably, the court denied Sanofi's motions on anticipation, preserving Genentech's declaratory relief claims that Sanofi's patents are invalid.

### Appellate Victory for American Express

The firm recently represented American Express Co. in a patent infringement action targeting its gift card products, in which plaintiff PrivaCash sought over \$100 million in past damages and future royalties. The firm obtained a dismissal of codefendant American Express Incentive Services, LLC ("AEIS") early in the case after proving that AEIS's gift cards were distributed and sold in the business-to-business environment and therefore could not infringe plaintiff's patent. The firm then sought and secured a favorable claim construction ruling for remaining defendant American Express, and shortly thereafter filed a motion for summary judgment of non-infringement. Approximately one month before trial, the Court granted American Express's motion and entered summary judgment of non-infringement in favor of American Express. On August 11, 2011, after full briefing and oral argument, the Federal Circuit affirmed the District Court's summary judgment of non-infringement in favor of American Express. 

PRESORTED  
STANDARD  
U.S. POSTAGE  
PAID  
PERMIT NO. 4338  
INDUSTRY, CA

## business litigation report

## quinn emanuel urquhart & sullivan, llp

Published by Quinn Emanuel Urquhart & Sullivan, LLP as a service to clients and friends of the firm. It is written by the firm's attorneys. The Noted with Interest section is a digest of articles and other published material. If you would like a copy of anything summarized here, please contact David Henri at 213-443-3000.

- We are a business litigation firm of more than 450 lawyers — the largest in the world devoted solely to business litigation.
- As of August 2011, we have tried over 1339 cases, winning over 91% of them.
- When representing defendants, our trial experience gets us better settlements or defense verdicts.
- When representing plaintiffs, our lawyers have garnered over \$15 billion in judgments and settlements.
- We have won five nine-figure jury verdicts in the last ten years.
- We have also obtained eight nine-figure settlements and five ten-figure settlements.

### LOS ANGELES

865 S. Figueroa St., 10th Floor  
Los Angeles, CA 90017  
213-443-3000

### NEW YORK

51 Madison Ave., 22nd Floor  
New York, NY 10010  
212-849-7000

### SAN FRANCISCO

50 California St., 22nd Floor  
San Francisco, CA 94111  
415-875-6600

### SILICON VALLEY

555 Twin Dolphin Dr., 5th Floor  
Redwood Shores, CA 94065  
650-801-5000

### CHICAGO

500 West Madison St., Suite 2450  
Chicago, IL 60661  
312-463-2961

### TOKYO

NBF Hibiya Bldg., 25F  
1-1-7, Uchisaiwai-cho, Chiyoda-ku  
Tokyo 100-0011,  
Japan  
+81 3 5510 1711

### LONDON

16 Old Bailey,  
London EC4M 7EG,  
United Kingdom  
+44 0 20 7653 2000

### MANNHEIM

Erzbergerstraße 5  
68165 Mannheim,  
Germany  
+49 (0) 621 43298 6000

Prior results do not guarantee a similar outcome.