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Welcome New Members

We wish to welcome the following new members who have joined our chapter recently:

Andrew Adams, Brinkster Communications Corporation

Jerry Allison, Amkor Technology, Inc.

Keriann Atencio, Early Warning Services, LLC

Mia Belk, US Airways

Lita Bollimpalli, Best Western International, Inc.

Timothy Donovan, Allied Waste Industries Inc

Jennifer Fite, U-Haul International, Inc.

Steven Kochen, Isagenix International, LLC

Ally Langford, Arizona Nutritional Supplements

Karyn Osterman, Frank Lloyd Wright Foundation



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Mark Rogers President's Message

First, many thanks to Perkins Coie for their sponsorship of the Arizona Chapter of ACC and for the content of this newsletter. Jon James, a partner in the firm's patent litigation practice, presented a very well received CLE program on recent patent cases at our October meeting, and the articles in this newsletter cover many of the cases Jon discussed in his presentation. Keep the newsletter handy for reference material.

Second, the Arizona Chapter was well represented at the ACC's Annual Meeting in Chicago in the last week of October, but I'd love to see even more at next year's meeting. The 2008 Annual Meeting will be October 20-22 in Seattle, so mark your calendar now. There were more than 3,200 attendees at the meeting, and each year

seems to set a new record, so you'll also want to make your hotel reservation early.

Third, I am excited about the chapter's upcoming program year. The chapter is looking at ways to expand its programming to bring you more training on issues like mentoring, performance evaluations, delivering effective presentations, and management issues like budgeting, engaging outside counsel, and reviewing invoices.

Thanks to all for your support of the Arizona Chapter and your participation in the chapter's programs. If there are topics you'd like us to cover in our regular monthly CLE sessions, please send your suggestions to accarizona@yahoo.com.

Mark Rogers

Patent Licensees May Seek Declaratory Judgment Without Breaching Their License

The U.S. Supreme Court recently handed down its widely anticipated decision in *MedImmune, Inc. v. Genentech, Inc.* In an 8-1 ruling, the Supreme Court ruled that a constitutional case or controversy exists when a patent licensee sues for declaratory judgment of noninfringement, invalidity, and unenforceability while continuing to pay royalties under the patent license.

The decision, authored by Justice Scalia, overruled the Federal Circuit's decision in *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376 (2004), which had concluded that continued payment of royalties obliterates any reasonable apprehension of suit, such that no "case or controversy" existed under Article III of the Constitution. The Supreme Court held that a licensee is "not required, insofar as

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Early Renewal Rate Expires on December 15

Most of our members are scheduled to lapse on December 31. Renew your membership by December 15 to receive this year's rate of \$225 and to avoid interruption in benefits. If you don't renew by December 31, you will miss out on chapter program announcements and other chapter broadcast email messages as well as *ACC Docket* issues featuring articles on records retention, outsourcing, litigation management, and compliance. Access to the Virtual Library and InfoPAKs will also be cut off, restricting you from accessing the hundreds of sample forms, policies, articles, checklists, and helpful web references available in these publications. To ensure that you don't experience an interruption in services, simply renew your membership now at <http://www.acc.com/membership/renew.php>. Questions? Contact the membership department at 202.293.4103, ext. 360; membership@acc.com.

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Discover Best Practices from ACC's Annual Meeting

Susan Hackett,
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I recently attended ACC's annual meeting in Chicago ... heck, who's kidding whom? It's a command performance for ACC staff and we fight over the privilege of attending and spending such high-quality time interacting with members!

There's an adage here at ACC that a former ACC Board Chairman (Bill Lytton, now retired CLO of Tyco, then CLO of International Paper) used to help us define a meeting's success for members: With so much information and so many "opportunities" flying by at light speed in their day jobs, anytime a member can go to a meeting and pick up even one really good, practical idea to take back home and implement, they will feel that the time was spent well. So here's my review of several really good ideas collected from the ACC Annual Meeting that I'd like to share with those of you who weren't there.... Maybe next year (October 19–22, 2008 in Seattle) you'll be able to pick up some gems without a middleman!

In no particular order:

■ **The first thing you do is send everybody home.** A ton of great ideas for responding to government investigations emerged from a wide variety of programs at the meeting, but one that resonated with many attendees is the idea of establishing a policy that if uniformed, government agents invade your premises and begin a sharp edged investigation, you should send the staff home immediately. The govern-

ment often uses the "raid" tactic not so much to collect documents, but to catch employees unaware and to scare them into saying things that damage the company—they don't do this in a formal interview environment, but they will storm an employee's office and begin unpacking their desk drawers. So if they show up, leaders from the law department and other designated staff should surely escort government officials around and cooperate fully, but only after the staff has "evacuated" the premises—the government is not entitled to interview employees without notice and authority, especially without counsel present (either the company's or the individual's personal counsel). They won't be happy with you for killing their fun, but if they're investigating your company in this manner, it's too late to wonder if you'll get extra points for serving coffee and cookies.

■ **On the subject of lawyers as targets in criminal enforcement actions or prosecutions:** There's a whole lot of stuff out there on increasing lawyer liability for client failures, as well as why it is that lawyers are more likely to be targets, along with their clients, when the government comes calling. A number of programs focused on these issues, but one of the most troublesome worries repeatedly raised was whether there was anything that lawyers can do to avoid being called as fact witnesses (especially since many corporate counsel wear multiple hats in their jobs and carry business responsibilities). One idea discussed was for the in-house lawyer to file an appearance as counsel of record for the case. It makes it far more difficult for the government's counsel to call

the defense counsel on a matter as a fact witness, especially, as is almost always the case, when there are non-lawyers in the company who can testify to facts that the government wants to explore and document them. Calling a lawyer to do this endangers the client's ability to assert privilege over anything the lawyer worked on in the past (subject matter waiver) or, for that matter, in the future.

■ **Outside counsel budgets—an oxymoron?** Unfortunately, it seems so. One great idea presented by a large law department that has trouble getting certain high profile firms to follow clearly negotiated and detailed budgets for large matters is to have the board (or a relevant board committee) "approve" the outside counsel's budget for major projects. Then, when the outside counsel suggests that they're going to have to bust the budget or calendar because of "unforeseeable" events, you can ask them: "Would you like to notify the board of this recent development in person, or by report for their next meeting?" Let them know that the in-person presentation is preferred since they'll be able to answer board members' questions directly onsite. Heck, maybe you could sell tickets to your in-house counsel friends and colleagues?

■ **More on outside counsel costs:** Institute a system of shadow bills for outside counsel matters you're most concerned stay within budget or on track. Shadow billing is a law department-driven mechanism for reviewing outside counsel bills as each one comes in, and checking on whether they're on track with cost estimates that the department calculates, usually based on historical experience but

maybe based on other criteria, such as the spending cap for the matter/its value. For each relevant billing period, you compare the actual bill with the shadow bill you've predicted; if you know that monthly costs should be averaging \$35,000, and you start receiving bills for \$3,000 or \$300,000, you know that the matter is not proceeding as planned and is likely to miss budget. You know to ask outside counsel NOW for an explanation of what is causing the variance. You may find their answers completely satisfactory, you may have estimated poorly, or you may decide early out that your outside counsel is not properly managing, supervising, or budgeting the matter and can nip errant behaviors in the bud. After all, it's worse to have this conversation after the matter is irreversibly out of control and over budget.

■ **Think about establishing a more active role for lawyers in government relations.** An increasing number of law department leaders are either leading or supporting their company's "capital" office presence to stay abreast of developments that will affect your company or industry, and to influence emerging regulations when possible. The role of company lawyers is to help ensure that legislation doesn't lead to regulatory nightmares for the company. Involvement of the legal staff does not always entail directly lobbying activities, but usually does include responsibilities that confer new career challenges and personal development for lawyers somewhat trapped within the glass ceilings of their current in-house positions.

■ **Carefully consider the evolving relationship you may have with your**

company's outside auditors: While that primary relationship is "owned" by the CFO, you are likely to be increasingly involved in managing the auditor's requests, and likely also increasingly concerned about what auditors are asking to see in the conduct of their regular reviews of the company's fiscal health. The jewel: focus on a more proactive (rather than waiting to be placed in a reactive) role in anticipating some of these issues and negotiate them with the auditors in advance of retention. A panel addressing this subject and reporting on an ACC initiative to improve the lawyer-auditor relationship offered lots of specific ideas. Catch some of them in the material archived at www.acc.com/php/cms/index.php?id=368.

■ A number of programs touched on the issue of helping counsel prove (as in "quantify") their value to their clients, in spite of their status as a "cost center" within the company. Some counsel discussed their efforts to create what amounts to "dashboards" for their client leadership (a dashboard generally appears on the client's screen when opened and provides a ticker of information). These dashboards provide real-time status and dive-down detail on the costs that the client's area has "incurred," whether charged back to the client or not. This provides a method of linking law department costs more concretely to services and to client actions. Obviously, someone has to feed the dashboard beast, but it's worth thinking about, especially if the information could be entered by non-lawyer staff, outside counsel, or consultants.

* I'm going to let you see all the "substantive law" good ideas by logging onto the ACC website and checking out the course materials posted on the annual meeting's homepages.

One last reminder on picking up pearls at the meeting: If you attend the meeting in Seattle, set aside time to shop the exhibit hall for more good ideas than you can shake a stick at. I mean it. Unless you've been to an ACC annual meeting before, you have no idea what I'm talking about, but ask anyone who's been. The exhibit hall/trade show floor is the busiest place at the meeting. There are almost 200 firms (outside counsel, legal services providers, legal tech experts, staffing and professional consultants, etc.) present and they all bring their tippy top people who understand your business and can fashion solutions designed just for law departments. If you're in the market to interview firms, preview technologies, or discuss consulting services, come to the meeting with your pencil sharpened and your exhibit hall map marked with the most direct routes to visit the folks you need to see. You will have an unparalleled opportunity to meet with the top providers of virtually everything a law department needs: you can talk to them for 30 seconds or 3 hours, with as little or as much specificity as you like; if you're not interested, you walk to the next booth (usually with some nice swag in tow!). This is so much easier than inviting a line of prospects to interminable meetings in your offices and finding out they've sent a local account rep that can't answer your questions.

Comments or ideas for me? Contact me at hackett@acc.com.

Article III is concerned, to break or terminate its . . . license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed.” The Supreme Court rejected the Federal Circuit’s view that no case or controversy exists where the licensee’s own decision to continue paying royalties has eliminated the “threat of imminent harm.” Justice Thomas dissented.

The *MedImmune* decision gives licensees new leverage to challenge the validity of a patent while preserving their licenses if that challenge proves unsuccessful. The decision will require licensors and potential licensors to revise their tactics when negotiating and enforcing a patent license, and it may reduce the value of existing licenses to patentees.

Offer to License Patent May Lead to Declaratory Judgment Lawsuit

On March 26, 2007, the Court of Appeals for the Federal Circuit dramatically altered the landscape of declaratory judgment lawsuits and ruled that such lawsuits may be appropriate in the context of licensing negotiations even when the patent owner promises not to sue the prospective licensee.

In *SanDisk Corp. v. STMicroelectronics, Inc.*, the parties were engaged in “friendly discussions” regarding possible cross-licensing of patent rights covering flash-memory technology. During the discussions, ST provided detailed information about why it believed SanDisk infringed ST’s patent rights but told SanDisk that “ST has absolutely no plan whatsoever to sue SanDisk.” The parties exchanged license proposals without reaching any agreement. SanDisk then sued ST for a declaratory judgment that ST’s patents are invalid and not infringed.

Relying on the Supreme Court decision in *MedImmune, Inc. v. Genentech, Inc.*, which was decided earlier this year, the Federal Circuit held that SanDisk’s declaratory

judgment lawsuit should go forward. The court declared that it was no longer necessary for a prospective licensee to have a “reasonable apprehension” of being sued for patent infringement before suing the patent owner for a declaratory judgment that the patent is invalid or not infringed. The court did not attempt to define the kinds of circumstances that will create the right to file a declaratory judgment lawsuit other than to say that “some affirmative act” by the patent owner is required, which includes “assert[ing] rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license.”

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Because ST had asserted its patent rights against SanDisk’s flash memory products and SanDisk disputed the need for a license, SanDisk was entitled to sue ST for a declaratory judgment of patent invalidity and noninfringement. The Federal Circuit dismissed ST’s promise not to sue, while, at the same time, detailing how SanDisk infringed as a type of “scare-the-customer-and-

run tactic” that declaratory judgment lawsuits are intended to eliminate.

Although the court noted that a “suitable confidentiality agreement” could be used to avoid the risk of a declaratory judgment action, it provided no guidance concerning the provisions of such an agreement.

The *SanDisk* decision will significantly impact the respective postures of patent holders and prospective licensees and the way in which licensing discussions begin and proceed. A declaratory judgment action allows a prospective licensee to select the time and court in which the patent rights will be adjudicated, providing important procedural and substantive advantages. Prior to *SanDisk*, the patent holder had the advantage and could use the implicit threat of bringing patent infringement claims in a “rocket

docket” or “pro-plaintiff” jurisdiction as a factor to induce a reluctant party to take a license.

Future decisions should better define the circumstances leading to a declaratory judgment jurisdiction. Judge Bryson’s reluctant concurrence, however, is striking. He suggests that the court’s logic cannot stop at the facts of this case and that every invitation to license is an implicit assertion of patent rights, allowing the recipient to bring a declaratory judgment action. Judge Bryson questions the wisdom of that result as a matter of policy but clearly believes it is compelled by footnote 11 in *MedImmune*. Careful strategies will be required before attempting licensing discussions after *SanDisk*.

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ACC News Briefs

2007 ACC/Serengeti Managing Outside Counsel Survey Report

Find out how your management of outside counsel compares with the approach of your in-house peers. Learn about the latest techniques being used by other law departments. Now in its seventh year, this survey report provides unique and valuable information regarding the diverse strategies being used by in-house counsel to manage their work with their law firms. Specific benchmarks by size of company and size of law department permit useful comparisons with your practice. From amounts spent and fee structures, to common management techniques (such as retention terms, alternative fees, and budgets), to technology solutions (such as electronic billing and Internet-based services), detailed information is summarized so that you can learn from the experiences of other in-house counsel. In addition, tables summarize the high, low and average hourly rates paid by corporate law departments for specific types of work in metropolitan areas across the country. The 150 page report is provided on a CD, which organizes

information for ease of reference. To get a free benchmarking worksheet or to order the full survey (discounted for ACC members), visit the Serengeti website at <http://www.SerengetiLaw.com>.

New InfoPAK: The New Face of Union Organizing Success—Neutrality Agreements, Ballot-Free Elections and Corporate Campaigns

In recent years, organized labor has employed new organizing issues, aggressive campaign strategies, and innovative techniques designed to catch the unwary employer off guard. Minimizing vulnerability to corporate campaigns should become part of the organization’s overall risk management strategy. This new InfoPAK documents steps that can improve the ability to avoid or survive a corporate campaign, and will enhance an employer’s overall human resource posture. InfoPAKs are free to members. Access it here: <http://www.acc.com/infopaks/newunionorganizing.php>.