American Bar Association
Section of Litigation

Committee on
Business Torts Litigation

Defending Liberty
Pursuing Justice

Business Torts Journal is published quarterly by the Committee on Business Torts Litigation, Section of Litigation, American Bar Association, 321 N. Clark Street, Chicago, IL 60610. The views expressed within do not necessarily reflect the views of the American Bar Association, the Section of Litigation, or the Committee on Business Torts Litigation.

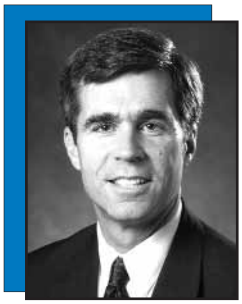
www.abanet.org/litigation/committee/business/home.html

SECTION of LITIGATION
AMERICAN BAR ASSOCIATION

Business Torts Journal

Technology Issue

VOL. 14 NUMBER 1 ■ FALL 2006



When Employee Secrets Become an Employer's Problem

By James Martin and Laura L. McLaughlin

"An employer has a duty to investigate an employee's activities and to take prompt and effective action to stop unauthorized activity, lest it result in harm to innocent third-parties."[1]

Each day an estimated 68 million requests are made over the Internet for pornographic information (25 percent of total search engine requests and 12 percent of total websites).[2] Of these, 116,000 seek child pornography offered by over a 100,000 websites. Thirty-five percent of all downloads are pornographic.[3] The potential ramifications of an employee downloading such material on company computers can be significant.

Electronic monitoring of employee communications and activities is now part of standard business practices and touted as a method for employers to manage productivity, protect resources, and ensure compliance with policies and procedures. Technology allows employers to capture and evaluate an ever-increasing amount of employee communications and activities, both work and nonwork related. Many employers monitor and evaluate telephone and Internet usage, voicemail messages, emails, instant messages, computer files (including photos), personal websites, blog usage, and GPS locations.[4] According to a recent American Management Association survey, more than 80 percent of employers inform workers of their monitoring activities.[5] This monitoring takes various forms with 36 percent of employers tracking content, 56 percent storing and reviewing employee computer files, and another 55 percent retaining and reviewing email messages. In response, workers have been fired by 26 percent of the surveyed companies for misusing the Internet and email.[6]

Now, for the first time, an appellate court has held that by obtaining knowledge of an employee's possession of illegal child pornography on a company computer, an employer assumes and owes a duty to take steps to protect an innocent third party.[7] Thus, information gained through electronic monitoring may be used against a company to establish civil liability. Further, the employer may face exposure to criminal charges in limited cases. Once aware of an employee's inappropriate use of the company computer, the employer's subsequent actions or omissions may be pivotal in either establishing or eliminating the employer's liability.

This article spotlights a company's potential

(Continued on page 18)

Inside This Issue

David A. Soley

Bart L. Greenwald

Doug McCoy

Message from the Chairs

Welcome to one of the most exciting and friendly committees in the American Bar Association. We pride ourselves on providing a high-quality journal that keeps our members abreast of the latest developments in business litigation, with national and regional programs that inspire the mind and the imagination, a website containing the latest updates on our profession, and a national network of high-quality business trial lawyers who can instantly and professionally meet your needs across the country. If you do not have our latest list of active members, please send us an email.

We had a wonderful dinner in Honolulu on August 3, 2006. Bringing together exciting minds from all over the United States helps build respect for one another and helps to improve the quality for our programs and other offerings. At our business meeting on August 6 in Honolulu, Leah Frazier moderated a tremendous program entitled "Preparing Our Clients for Mediation." The panel consisted of U.S. Magistrate Judge Leslie Kobayashi and experienced mediators Jose Feliciano of Cleveland, Ohio, and Susan Ichinose of Honolulu, Hawaii. As we all learned, modern business litigation is not just about discovery and trials. With more and more courts ordering alternative dispute resolution, "winning" at mediation is one of the new callings at our profession. It is a new art form in which we all need to excel.

We also have a lot of new book topics in the works. If you have some great ideas—or want to work on chapters—we are looking for volunteers.

Our next business meeting is set for February 15, 2007, at 2:00 P.M. in Amelia Island, Florida. The business meeting is part of the Mid-Year Meeting that we annually host with the Committee on Corporate Counsel. In addition to the educational programs being put on by in-house general counsel, we will be presenting six scintillating programs on a wide variety of topics. Three of these presentations will be at plenary sessions. Please plan on spending President's Day Weekend in Florida.

We also have submitted over 40 different program ideas for the ABA Section of Litigation's Annual Meeting in San Antonio, Texas, on April 11–14, 2007. If you have an exciting program idea, we are looking for it.

As you have undoubtedly heard, we have undergone some changes in the leadership of our Committee. Tim Bertschy, who has brilliantly and conscientiously led us for the last three years, has been honored with a new job as cochair of the ABA Section of Litigation's Minority Trial Lawyer Committee. Since the minute Tim took over at our helm, our membership has increased dramatically, our program offerings have expanded exponentially, and the quality and caliber of our meetings have continuously improved. Tim was an absolute whirlwind of action. Coming off a major stint as president of the Illinois Bar Association, Tim jumped into the leadership of our Committee and tirelessly fought to improve the quality and value of our offerings.

As a result of Tim's devotion, we now have a special liaison with law students and with judicial interns. Both of these commitments provide future lawyers with valuable insights into business litigation and provide us with young and diverse new members.

We herewith bestow upon him the title of friend for life!

We will not, however, miss Tim. In his new role with the Minority Trial Lawyer Committee, he has already agreed to joint meetings, programs, and other activities with our Committee. Tim inspired in all of us a deep-seated commitment to foster opportunities for minority trial lawyers in our Committee and in our profession. His new role will simply be augmenting this goal for us.

As you can see above, we are now joined by two new cochairs: Bart Greenwald and Doug McCoy. Bart Greenwald hails from Louisville, Kentucky. He is one of the finest upcoming attorneys in his area. His past work for the Business Torts Litigation Committee has been nothing short of phenomenal. Bart took the *Business Torts Journal* and developed it to amazing new heights of quality and professionalism. He has presided over a myriad of programs, including the ever-changing twists and turns of the emerging doctrines in electronic discovery. In addition, Bart has been responsible for tremendously enhancing the fellowship of our Committee through his three yearly dinners.

We are also greatly honored at having Doug McCoy of Mobile, Alabama, as our other new cochair. Lawyers from all over the country who have worked with Doug can testify that he is relentless, diligent, and dedicated to improving our ideals. For the past few years, Doug has put on thoughtful presentations and has overseen some of our most interesting initiatives, such as regional CLE meetings, educational teleconferences, and membership.

We welcome everyone to join in our meetings, to participate in our programs, and to enjoy the benefits of membership in the Business Torts Committee. ■

David Soley

Message from the Editors


Amy G. Doehring


Jeffrey R. Teeters

In the last few years, technology has played an increasing role in our practices. From electronic discovery to trial technology to new causes of action relating to technology, the area of business torts and litigation generally has been changed by advances in technology. With that in mind, we thought it made sense to dedicate an issue to technology to focus all of us on how technology is shaping business torts litigation.

James Martin and Laura McLaughlin (Armstrong Teasdale, St. Louis) lead off this issue with their article "When Employee Secrets Become an Employer's Problem." In their article, Jim and Laura explore the emerging authority about employers' civil and even criminal liability for their employees' misuse of the company's computers.

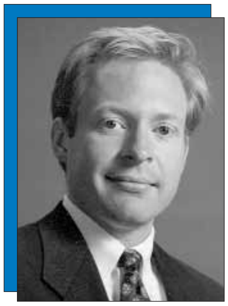
Next, we present two articles focused on the practical impact of technology on our practices. Rodger Moore (Frost Brown Todd, Cincinnati) provides a convenient summary and his analysis of the recent changes to the Federal Rules of Civil Procedure as they relate to electronic discovery. In our Young Lawyer piece, Mark Altschul (McDermott Will & Emery, Chicago) gives young lawyers eight tips on how they can gain increased responsibility and involvement at trial through trial technology.

In Garth Yearick's article, he discusses a recent Seventh Circuit case regarding an employer's claim against an employee under the Computer Fraud and Abuse Act stemming from the employee's use of a program to delete files on his company computer. Finally, our issue concludes with Tiffany Smith's (King & Spalding, Atlanta) article "A Close Look at Patent Licensing Companies, Permanent Injunctions, and *eBay v. MercExchange*." In her article, Tiffany discusses "patent trolling" and the *eBay* and *Blackberry* decisions.

We hope you enjoy this issue. We think the *Journal* continues to improve, in large part because of the articles and article ideas we receive from you. If you're interested in submitting an article, here is the lineup for our next few issues, along with due dates for manuscript submissions:

Winter 2007	Tortious Interference (articles already submitted)
Spring 2007	Unfair Trade Practices (December 1, 2006)
Summer 2007	Fiduciary Duty (March 1, 2007)
Fall 2007	Evidence (July 1, 2007)

We hope to hear from you!



An Introduction to the Amended Federal Rules of Civil Procedure

By Rodger Moore

On December 1, 2006, unless Congress intervenes, amendments to the Federal Rules of Civil Procedure (the Rules) will take effect. Those amendments, which can be found at *www.uscourts.gov/rules/supct1105/CV_Clean.pdf*, are intended to address the discovery of electronically stored information. These changes will affect a number of the Rules, including Rules 16, 26, 33, 34, 37, and 45, and Form 35. In light of these significant changes, this article highlights the key amendments and describes their likely impact on discovery in federal litigation, including:

- Defining discoverable "documents" to include electronically stored information,
- Requiring that the parties address preservation and production of electronically stored information during their initial discovery conference,
- Specifying the form and format in which electronically stored information is produced,
- Providing a "safe harbor" from spoliation claims based on the systematic, routine deletion of information,
- Providing a mechanism for relief from the inadvertent waiver of attorney-client privilege, and
- Addressing whether certain types of electronically stored information are not considered "reasonably accessible," and therefore might not be discoverable, absent unusual circumstances.

Last amended in 2003, the current Rules were designed primarily to address the discovery of physical documents and are not sufficient to handle the retention, collection, destruction, preservation, and discovery of electronically stored information. Quite simply, the discovery of electronically stored information is more complex than physical document discovery. For example, electronically stored information may contain metadata, such as "embedded edits," or other administrative or system data about the electronic file. Such data do not exist for physical documents, and this additional electronic information gives rise to additional and unique discovery issues.

Additionally, the explosion in the use of electronically stored information has rendered antiquated the existing Rules. Technological improvements in electronic media storage have allowed a drastic increase in electronic storage space. For example, one compact disc can include up to 300,000 pages of physical information, which would require approximately 150 boxes to store the same amount of information. A cookie-sized "flash drive" can contain the same amount of information that required hundreds of boxes to store in physical form.

The complexity of electronic media also has outgrown the existing discovery rules. The storage, organization, and retrieval of physical documents are relatively straightforward, but technological expertise can be required to manage electronically stored information.

This increase in volume and complexity of electronically stored information has had an unwelcome effect on American businesses. Skilled boutique firms made up of lawyers and technologists who specialize in electronic discovery can use discovery tactics to bring a corporate defendant to its knees. By some estimates, American corporations spent $1.3 billion on electronic discovery in 2005 and might increase to an estimated $1.8 billion in 2006.[1] At a minimum, plaintiffs' attorneys can use electronic discovery to quickly and drastically increase a corporate defendant's motivation to settle and can increase the settlement value of a case by serving burdensome requests for discovery of electronic information on businesses. Attorneys specializing in electronic discovery also may engage in other strategies to leverage their clients' cases, including the use of spoliation claims or litigation holds, which can be expensive and burdensome.

Dutiful lawyers will learn about the amended Rules to coach their clients through them. Wise practitioners, however, will quickly adapt their discovery practices to use the new Rules as both a defensive and an offensive weapon for their clients.

Electronically Stored Information

In one of the most straightforward changes, the Rules were simply updated to reflect that the definition of the term "document" specifically includes electronically saved information. While the Committee Notes to the existing Rules already state that electronic documents are included in the existing definition of the word "document,"[2] the amended Rules' definitions more specifically state that all electronically stored information must be considered under the Rules not just the traditional types of "documents," such as physical papers and things.

Rules 26, 33, 34, and 45 now contain references to electronically stored information. For example, the amended Rule 34 specifically includes terminology regarding electronically stored information (additions *italicized*; deletions ~~struck through~~):

> **Rule 34. Production of Documents, *Electronically Stored Information*, and Things, and Entry Upon Land for Inspection and Other Purposes**
>
> **(a) Scope.** Any party may serve on any other party a request (1) to produce and permit the party making the request, or someone acting on the requestor's behalf, to inspect, ~~*and*~~ copy, *test, or sample* any designated documents *or electronically stored information*—including writings, drawings, graphs, charts, photographs, *sound recordings, images* ~~phonorecords~~, and other *data or* data compilations *stored in any medium* from which information can be obtained—translated, if necessary, by the respondent ~~through detection devices~~ into reasonably usable form, or to inspect, ~~and~~ copy, test, or sample any *designated* tangible things which constitute or contain matters within the scope of Rule 26(b) and which are in the possession, custody or control of the party upon whom the request is served; or (2) to permit entry upon designated land or other property in the possession or control of the party upon whom the request is served for the purpose of inspection and measuring, surveying, photographing, testing, or sampling the property or any designated object or operation thereon, within the scope of Rule 26(b).

Early Discussion of Electronic Discovery

The amended Rules require the parties to discuss electronic discovery early in the discovery process. The goal is to force the parties to contemplate and address potentially problematic issues involving electronic discovery, including the preservation, collection, review, and production of relevant electronically stored information.

Under the amended Rules, each party must share with the other party certain information involving its use of electronically stored information. The initial disclosures under Rule 26(a) require a party to produce either a copy or a description of all potentially relevant and accessible electronically stored information. Rule 26(f) requires the parties to discuss electronically stored information in their Rule 26(f) conference and to include any such issues in their discovery plan to the court (additions *italicized*):

> **Rule 26. General Provisions Governing Discovery; Duty of Disclosure**
>
> * * *
>
> **(f) Conference of Parties; Planning for Discovery.** Except in categories of proceedings exempted from initial disclosure under Rule 26(a)(1)(E) or when otherwise ordered, the parties must, as soon as practicable and in any event at least 21 days before a scheduling conference is held or a scheduling order is due under Rule 16(b), confer to consider the nature and basis of their claims and defenses and the possibilities for a prompt settlement or resolution of the case, to make or arrange for the disclosures required by Rule 26(a)(1), *to discuss any issues relating to preserving discoverable information*, and to develop a proposed discovery plan that indicates the parties' views and proposals concerning:
>
> * * *
>
> *(3) any issues relating to disclosure or discovery of electronically stored information, including the form or forms in which it should be produced[.]*

Amended Rule 16(b) allows the court to include any provisions regarding electronically stored information in its initial scheduling order (additions *italicized*):

> **Rule 16. Pretrial Conferences; Scheduling; Management**
>
> * * *
>
> **(b) Scheduling and Planning.** Except in categories of actions exempted by district court rule as inappropriate, the district judge, or a magistrate judge when authorized by district court rule, shall, after receiving the report from the parties under Rule 26(f) or after consulting with the attorneys for the parties and any unrepresented parties by a scheduling conference, telephone, mail, or other suitable means, enter a scheduling order. . . . The scheduling order also may include . . . *(5) provisions for disclosure or discovery of electronically stored information[.]*

After the parties have conferred and discussed any issues related to electronically stored information, they must submit a report to the court detailing their proposed discovery plan, including issues related to electronically stored information. Form 35 reflects these changes in the issues to be addressed by the court:

> **Form 35. Report of Parties' Planning Meeting**
>
> *** * ***
>
> **3. Discovery Plan.** The parties jointly propose to the court the following discovery plan: [Use separate paragraphs or subparagraphs as necessary if parties disagree.]
> Discovery will be needed on the following subjects:
> (brief description of subjects on which discovery will be needed)
> *Disclosure or discovery of electronically stored information should be handled as follows:*
> *(brief description of parties' proposals)[.]*

Form of Production

Another significant change in the Rules addresses the oft-disputed issue of the form of production of electronically stored information. Should a party produce electronic data in its "native file format" (e.g., Word, Excel, etc.)? Or should a party be required to convert these files to a viewable computerized file that is easily manageable by a reader, such as an Adobe Acrobat PDF file? Or should a party be allowed to simply print these electronic files and produce them in a physical format?

Rule 26(f)(3) will require that the parties discuss this issue early in the discovery process. Rule 34(b) will then provide that the requesting party may specify the form in which it wishes to receive the production of electronically stored information. The responding party then has the option to object to the requested form of production within 30 days of receiving the request for production. The responding party then bears the burden of proving why this production is unduly burdensome. The court would then rule on the issue and could shift some or all of the costs of production to the requesting party.

If the requesting party does not specify a requested form of production, the responding party then has the option of producing the relevant electronically stored information either in its original form or in an electronic format that is searchable. The amended language in Rule 34(b) is as follows (additions *italicized*; deletions ~~struck through~~):

Rule 34. Production of Documents, *Electronically Stored Information*, and Things, and Entry Upon Land for Inspection and Other Purposes
* * *
(b) Procedure. The request shall set forth, either by individual item or by category, the items to be inspected, and describe each with reasonable particularity. The request shall specify a reasonable time, place, and manner of making the inspection and performing the related acts. *The request may specify the form or forms in which electronically stored information is to be produced.* Without leave of court or written stipulation, a request may not be served before the time specified in Rule 26(d).

The party upon whom the request is served shall serve a written response within 30 days after the service of the request. A shorter or longer time may be directed by the court or, in the absence of such an order, agreed to in writing by the parties, subject to Rule 29. The response shall state, with respect to each item or category, that inspection and related activities will be permitted as requested, unless the request is objected to, *including an objection to the requested form or forms for producing electronically stored information,* ~~in which event~~ *stating* the reasons for the objection ~~shall be stated~~. If objection is made to part of an item or category, the part shall be specified and inspection permitted of the remaining parts. *If objection is made to the requested form or forms for producing electronically stored information—or if no form was specified in the request—the responding party must state the form or forms it intends to use.* The party submitting the request may move for an order under Rule 37(a) with respect to any objection to or other failure to respond to the request or any part thereof, or any failure to permit inspection as requested. *Unless the parties otherwise agree, or the court otherwise orders:*

(i) a party who produces documents for inspection shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the request:;

(ii) if a request does not specify the form or forms for producing electronically stored information, a responding party must produce the information in a form or forms in which it is ordinarily maintained or in form or forms that are reasonably usable; and

(iii) a party need not produce the same electronically stored information in more than one form.

Rule 45 provides a similar mechanism for nonparties in responding to requests for electronically stored information (additions *italicized*; deletions ~~struck through~~):

Rule 45. Subpoena
(a) Form; Issuance
* * *
A command to produce evidence or to permit inspection, *copying, testing, or sampling* may be joined with a command to appear at trial or hearing or at deposition, or may be issued separately. *A subpoena may specify the form or forms in which electronically stored information is to be produced.*
* * *
(c) Protection of Persons Subject to Subpoenas
* * *
[2](B) Subject to paragraph (d)(2) of this rule, a person commanded to produce and permit inspection, ~~and~~ copying, *testing, or sampling* may, within 14 days after service of the subpoena or before the time specified for compliance if such time is less than 14 days after service, serve upon the party or attorney designated in the subpoena written objection to *producing* ~~inspection or copying~~ any or all of the designated materials or inspection of the premises—*or to producing electronically stored information in the form or forms requested*. If objection is made, the party serving the subpoena shall not be entitled to inspect, ~~and~~ copy, *test, or sample* the materials or inspect the premises except pursuant to an order of the court by which the subpoena was issued. If objection has been made, the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production, *inspection, copying, testing, or sampling.* Such an order to compel ~~production~~ shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection, *copying, testing, or sampling* commanded . . .

(d) Duties in Responding to Subpoena
(1)*(A)* A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to cor-

respond with the categories in the demand.

(B) If a subpoena does not specify the form or forms for producing electronically stored information, a person responding to a subpoena must produce the information in a form or forms in which the person ordinarily maintains it or in a form or forms that are reasonably usable.

(C) A person responding to a subpoena need not produce the same electronically stored information in more than one form.

Routine Deletion of Information

One of the more confusing aspects of the amendments involves a "safe harbor" that provides protection against a spoliation claim arising from the routine deletion of electronic information. This critical provision protects a party from a spoliation claim arising from a computer system's deletion or other destruction of electronic information in its normal operating capacity. Some examples of routine deletion of electronic information might include the filtering of spam, the overwriting of disaster recovery backup tapes, or the normal deletion of files on a computer drive. However, a party must show that it acted in "good faith" in failing to stop the routine deletion of data to avail itself of this safe harbor. If a court determines that a company engaged in bad faith when it failed to preserve information, the company might still be held liable for spoliation.

Rule 37 sets forth the safe harbor provision (additions *italicized*):

Rule 37. Failure to Make Disclosures or to Cooperate in Discovery; Sanctions

* * *

(f) Electronically stored information. *Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide electronically stored information lost as a result of the routine, good-faith operation of an electronic information system.*

Waiver of Privilege

Another change to the Rules involves the waiver of privilege in the production of electronic information. Some argue that the privilege waiver issue is uniquely important in the discovery of electronic information due to the massive volume of data that can be involved in an electronic discovery production and the complexity of certain forms of electronic information that make the inadvertent production of privileged information more likely. For example, it is relatively straightforward to review a box of physical files for privileged information. However, when producing electronic information, a responding party might inadvertently produce certain metadata associated with an electronic file, not knowing that such information might make the electronic information privileged.

The amended Rules provide relief for a responding party that inadvertently produces privileged material. The responding party must notify the requesting party that privileged material has been inadvertently transferred. The requesting party then must promptly return, sequester, or destroy the material in question and may not use the information. If the requesting party disputes whether the material is privileged, it may seek a ruling from the court on the issue.

> The amended Rules provide relief for a responding party that inadvertently produces privileged material.

Rule 26(b) sets forth the privilege waiver provisions (additions *italicized*):

Rule 26. General Provisions Governing Discovery; Duty of Disclosure

*** * ***

(b) Discovery Scope and Limits. Unless otherwise limited by order of the court in accordance with these rules, the scope of discovery is as follows: . . .

(B) Information Produced. *If information is produced in discovery that is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of its claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party must preserve the information until the claim is resolved.*

Rule 45 provides similar protection to a nonparty responding to a subpoena (additions *italicized*):

Rule 45. Subpoena

* * *

(d) Duties in Responding to Subpoena

. . . *[2](B) If information is produced in response to a subpoena that is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any* *copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The person who produced the information must preserve the information until the claim is resolved.*

Reasonably Accessible Information

The amended Rules provide another defense for responding parties being asked to produce electronically stored information. Rule 26 creates what some call a "two-tiered" system, in which certain electronic data, considered to be "reasonably accessible" data, are distinguished and treated differently than "inaccessible" data.

If the electronically stored information is determined to be reasonably accessible and is relevant, those electronic data must be produced to the requesting party. If, however, the electronic data are considered to be not "reasonably accessible," the party need not produce that information in response to the requesting party's request.

If the requesting party chooses to object, the responding party must show that the information is not reasonably accessible. If the responding party makes this showing, the court may still require the production of the information that is not reasonably accessible "for good cause" and may specify the terms and conditions for such discovery. This provision allows the court to provide some sort of relief to a responding party required to produce such information, such as shifting some or all of the costs of review and production to the requesting party. The relevant language in Rule 26(b) is as follows (additions *italicized*):

Rule 26. General Provisions Governing Discovery; Duty of Disclosure
*** * ***
(b) Discovery Scope and Limits. Unless otherwise limited by order of the court in accordance with these rules, the scope of discovery is as follows:
*** * ***
(2) Limitations.
*** * ***

. . . ***(B)*** *A party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order the party from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.*

Rule 45 contains similar language for nonparties responding to a subpoena (additions *italicized*):

Rule 45. Subpoena
* * *
(d) Duties in Responding to Subpoena . . . *(D) A person responding to a subpoena need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or to quash, the person from whom discovery is sought must show that the information sought is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.*

Conclusion

The amended Rules will certainly assist courts and businesses in addressing issues related to the discovery of electronically stored information. However, many challenges are still left unaddressed, and even more disputes are likely to rise from the Rules' amendments. Because technology is evolving at an exponentially rapid rate, future technologies likely will result in more problematic and complex issues to address.

Additionally, the changes to the Federal Rules will likely generate controversial debate over their effect on litigation. The legal community is already stirring with debate over the controversial rule changes involving privilege waiver.

But the amended Rules provide a functional framework for the resolution of electronic discovery disputes. At a minimum, the Rules should facilitate the early identification of disputes by requiring early discussion of issues related to electronically stored information. The amendments avoid rigid rules but provide a framework for addressing electronic discovery issues and expect courts to decide most disputes on a case-by-case basis. ■

Rodger Moore is a senior associate in Frost Brown Todd's Litigation Department in Cincinnati, Ohio. He concentrates his practice in the areas of complex business litigation, discovery issues, and electronic document discovery.

Endnotes

1. 2006 Socha-Gelbmann Electronic Discovery Survey, *available at* www.sochaconsulting.com/2006surveyresults.htm.
2. FED R. CIV. P. 34 Advisory Committee Notes.

Seventh Circuit Allows Federal Computer Fraud Claim to Proceed

By Garth T. Yearick

The U.S. Court of Appeals for the Seventh Circuit has held that a former employee's installation and use of a secure-erasure program to delete files on his employer-issued laptop prior to leaving that job was sufficient for the employer to state a claim under the Computer Fraud and Abuse Act (CFAA) for a knowing transmission of data intended to damage a computer system protected under the Act.[1] The court's construction of the statute could expand federal jurisdiction over employment disputes that involve allegations of misconduct relating to employer-owned computers.

In *Citrin*, the Seventh Circuit reversed a district court order granting the defendant employee's motion to dismiss his employer's lawsuit under CFAA. The employee argued that erasing a file from a computer is not a transmission within the meaning of the statute. Although the court recognized that simply pressing a delete key may not amount to a transmission, it found that the defendant employee could be liable for intentionally downloading (and, thus, transmitting) the secure-erasure program to the laptop computer, which his employer owned and issued to him for company business. The court found no distinction between a transmission made via floppy disk and one made via a computer network or the Internet.

In addition, the Seventh Circuit determined that the employee could also be liable if he intentionally accessed his employer-provided laptop to damage data stored on it after he decided to resign. The court held that although the employee was authorized to use the laptop, his right to do so terminated once he resolved to quit, establish his own business, and destroy any incriminating data on that computer.

The court reached this conclusion despite language in the parties' employment contract stating that the employee was authorized to return or destroy data in the laptop when he left the company. The court reasoned that it was unlikely that the provision was intended to authorize the employee to destroy data that he knew was not available anywhere else and that could potentially incriminate him.

Diane A. Seltzer, Washington, DC, Cochair of the Section of Litigation's Employment and Labor Relations Law Committee, believes this decision shows that employees need to be advised on how to keep clear the distinctions between their personal computers and company-owned computers. She notes that although the Seventh Circuit was presented with facts involving deliberate misconduct, employers could now allege that innocuous transmissions having damaging effects on an employer's computer system were made intentionally.

Seltzer warns employees not to erase data or information from company computers without authorization and to be very careful in using computer systems owned by their employers. "Company-owned computers are subject to monitoring by the employer, and employees have no expectation of privacy in those computers," she notes. According to Seltzer, the Seventh Circuit's decision gives employers pursuing various claims against a former employee "a federal law to sue as a new tool to get into federal court."

Steven F. Ritardi, Morristown, NJ, Cochair of the Section's Employment and Labor Relations Law Committee, agrees that "to the extent an employer wants to be in the federal courts, it is a very powerful decision since it expands the application of 'transmission' under the Act." He adds that the decision "does not focus on the nature of the information to be damaged or deleted." Ritardi cautions, however, that these types of cases "all rise and fall on their own set of facts. The question is whether other jurisdictions will follow the Seventh Circuit's decision." ■

This article was originally published in Litigation News *vol. 31, no. 5 (July 2006). © 2006 by the American Bar Association. Reprinted with permission.*

Endnote

1. Int'l Airport Ctrs., LLC v. Citrin, 440 F.3d 418 (7th Cir. 2006); 18 U.S.C. § 1030.

MARK YOUR CALENDARS!

UPCOMING BUSINESS TORTS LITIGATION COMMITTEE MEETINGS

FEBRUARY 15–18, 2007 • Corporate Counsel Committee's 25th Anniversary Jubilee CLE Conference • Amelia Island, FL

APRIL 11–14, 2007 • Litigation Section Annual Conference • San Antonio, TX

AUGUST 9–15, 2007 • ABA Annual Conference • San Francisco, CA

YOUNG LAWYERS FOCUS

How Trial Technology Increases a Young Lawyer's Value to a Trial Team

By Mark Altschul

The words "trial technology" can strike fear into even the most savvy of young lawyers. Operating the courtroom's trial computer and contributing to the visual display require different skill sets than those used to research and write memos, analyze documents, or argue motions. But, by putting aside that fear and embracing technology in the courtroom, a young lawyer has a vehicle to gain invaluable trial experience and to stand out in front of the trial team. What follows, then, are eight reasons that young lawyers should welcome the increased use of trial technology in the courtroom.

1. Technology enables you to add real value to a trial team.
Senior members of a trial team are likely not to have the same familiarity with the array of trial technology as younger lawyers have. Displaying your proficiency with applications such as Trial Director or PowerPoint provides instant value to the trial team and the client. Not only will you save the client money by not requiring an outside vendor to operate these applications, but you are also adding an additional skill set to the team that it may otherwise not have had in your absence. This is a fail-proof way to shine in front of the trial team.

2. Technology incorporates your ideas into the trial themes.
During brainstorming sessions, a trial team must synthesize its themes into short, crisp ideas suitable for visual display to a judge and/or jury. As a young lawyer, you may be charged with ensuring that the themes are translated into catchy, easily understood visuals for the triers of fact. This is a great opportunity to demonstrate that all of your work during document review and motion practice provided you with an acute appreciation of your client's strengths and weaknesses at trial.

3. Technology focuses your attention on the trial evidence.
Trials often require all or at least some of the key documents to be scanned into the trial computer, and young lawyers generally are the ones making sure that these documents are indeed loaded onto the computer. This task provides a great opportunity for you to dig down and flag those documents that are key-witness documents and those documents that may create problems for your client at trial. Document identification is a great avenue to ensure a continued meaningful interaction with the senior members of the trial team. Not only will team members rely upon your judgment, but they will realize and appreciate the fact that you are making the trial preparation easier for them.

4. Technology brings instant and meaningful involvement with the senior members of the trial team.
As a young lawyer, you likely will not have responsibility for delivering the opening or closing statement in a big trial. But you certainly may be called upon to operate the trial laptop during key moments of the trial. Because trial team members will need you in the courtroom, they also will need you to practice. So rather than remaining in your office sorting through exhibits, you will be working with the senior trial team members to practice and hone the opening and closing arguments.

5. Technology provides you with close client contact.
Although young lawyers may not have the opportunity to conduct a direct examination in a high-stakes trial, technology provides a chance for younger lawyers to stay intimately involved with both direct exam preparation and the actual examination. You may be called upon to work with your client or third-party witnesses to explain how the documentary evidence will be displayed in the courtroom or which portions of the document are important to focus on when answering a question. Just as important is making certain that these same steps are covered with the more senior member of the trial team conducting the direct exam.

6. Technology involves you in the courtroom presentation.
It is no surprise that young lawyers often have to wait for their chance to get on their feet in front of the judge and jury. Convincing the lead trial team lawyers that you can operate and effectively use the trial computer, however, is a certain way to guarantee a seat at counsel table. You will then be directly responsible for the audiovisual aspects of the trial's technology presentation—all the while gaining the invaluable opportunity to analyze and observe the trial in its entirety.

7. Technology lets you be creative.
Perhaps just as scary as trial technology is the idea that you will be called upon to think "outside the box" in creating visual displays for the triers of fact. Rather than viewing this as a chore, young lawyers

should jump at the opportunity to be creative in a profession often criticized for stifling creativity. Producing inventive and imaginative PowerPoint slides that convey your client's trial themes is a great way to illustrate to the judge and jury that your client has the better legal theories in a way that is engaging and interesting to them.

8. Technology will only become pervasive.

Courtrooms around the country are being updated to reflect the increased use of trial technology and juries' increased interest in technology. By familiarizing themselves with trial technology basics now, young lawyers will not fall behind as more and more trials call for the use of trial technology. Having the ability to operate the basic trial software applications may one day be as fundamental as is the ability today to research case law by utilizing an electronic database such as Westlaw. ■

Mark Altschul is an associate in the Chicago office of McDermott Will & Emery LLP. He is a member of the firm's Trial Department.

A Close Look at Patent Licensing Companies, Permanent Injunctions, and *eBay v. MercExchange*

By Tiffany Smith, Esq.

Multibillion-dollar industries are built on patents. Successful patents—such as drugs like Prozac and Lipitor, IBM and Microsoft software, and Sony's electrical products—can yield billions of dollars for patent holders. As well as being lucrative for patent holders, the patent system serves larger goals benefiting society as a whole: patents drive innovation by rewarding inventors with a limited monopoly on their inventions. By requiring public disclosure of an invention in exchange for strong legal patent protections, patents expedite the speed with which new technology reaches the public domain.

Patent owners freely and readily market their inventions to the public, knowing that patent rights protect their invention from misappropriation. There is no requirement that patent owners practice or market their inventions (absent exceptional circumstances), but the guarantee of a time-limited and potentially lucrative monopoly on the patented technology encourages them to license or invest in bringing their inventions to market, and quickly. Inventors are rewarded, patent owners make money, and the public benefits from rapid access to new technology.

But some patent owners never intend to invest in marketing their inventions. Some companies purchase patents for the sole purpose of using them as a bargaining and litigation tool—and in the process take profits from entities marketing the invention, hindering public access to new technology.

Patent Trolling

The practice of purchasing patents for the sole purpose of using them as a bargaining and litigation tool, which some call "patent trolling," works as follows: patent licensing, or "troll," companies buy large numbers of patents at very low cost, often from bankrupt companies forced to auction off their patents. These patents are typically the licensing companies' only assets, and the companies never intend to market the purchased technology. Instead, the licensing companies allow other businesses to develop and market the patented invention. These patent licensing companies lurk under the bridge connecting the developing business and its market. When the business that has developed and marketed the technology becomes sufficiently successful, the troll companies sue those businesses for infringement. The businesses often choose to pay a settlement or a license fee rather than face the expense of litigation.[1]

Patent licensing companies come to the settlement or licensing table with considerable bargaining power. First, the licensing company's lawsuit brings with it the certain expense of complex litigation. The average patent infringement trial costs in excess of $4 million and lasts more than three years. Further, patent owners who win infringement trials may obtain a permanent injunction against infringers, which would shut down the defendant's business for the life of the patent. If a permanent injunction issues, the licensing company's bargaining power at the licensing table is increased by an order of magnitude. The business, already heavily invested in using the technology, must either close its doors or pay whatever licensing fee the licensing company asks. As rational actors, most businesses choose to pay a licensing fee on the front end and avoid the expense and uncertainty of litigation.

The licensing company has the least bargaining power before a trial. If the licensing company wins an infringement suit, it can ask for a permanent injunction. Once a licensing company has received such a judgment, its bargaining power is nearly unlimited. The licensing company then has the power to ask whatever "toll" it wishes for a license, or it can pose a substantial roadblock for those businesses that attempt to cross the bridge to the market.

Throughout this process, costs to patent licensing companies can be comparatively low. They pay for their patents, write letters and negotiate with businesses, and pay court filing fees if a business initially resists a license. The risk to businesses is comparatively higher—pay licensing fees or spend time and money defending technology in which it has already invested heavily, all the while risking a permanent shutdown.

Some say that patent licensing company practices subvert the societal goals of the patent system. These companies use their patents not to expedite technological innovation but to gain profits from businesses that invest in taking new inventions available to the market. Though patent licensing companies have operated for years, the issue is only now reaching the courts, most notably in the highly publicized *BlackBerry* and *eBay* cases. Examining the current patent system provides insight into the origin and place of patent licensing companies in today's market.

Patent Licensing Companies

The phrase "patent troll" was coined in 2001[2] to describe the practices of Chicago attorney Raymond Niro.[3] Niro, a successful patent litigator, saw an investment and licensing opportunity when Schneider Automation, Inc., was selling a software patent that covered the use of spreadsheet programs. To avoid taking a financial stake in what might be the subject of litigation, a clear violation of the attorney code of ethics, he contacted his client Daniel Henderson. Henderson jumped at the opportunity to purchase the patent.[4]

Niro agreed to represent Henderson in infringement litigation on the patent on a contingency basis. Niro and Henderson sued 50 companies, including Boeing, Clorox, and BMW, for patent infringement. As a result, Henderson's patent holding company obtained around $30 million in licensing fees. Niro's law firm received nearly $10 million.[5]

Niro subsequently has earned quite a bit more from similar patent infringement litigation strategies. He now owns a Falcon 10 jet, six Ferraris, and land in Chicago, Boca Raton, and Aspen. Filing 37 patent infringement cases in 2005 alone, Niro's law firm is now ranked among such giants as Kirkland & Ellis and Howrey by *IP Law and Business*. Contingency patent infringement cases—mostly licensing company cases—account for around 95 percent of the firm's $100 million annual revenues.[6]

There is certainly a place for contingency patent infringement litigation. Such litigation can ensure that patentees, who often do not have the resources to spend on a trial, are able to enforce their patents.[7] If a case is likely to succeed, the theory goes, attorneys will identify worthy cases and agree to contingent representation, and attorney and client will enjoy mutual benefits. Contingency patent litigation is a socially valuable method of ensuring that inventors and patent owners may claim and defend the full benefit of their patents.

Patent licensing company practices, some warrant, are distinct from contingency infringement litigation practices.[8] Patent licensing companies purchase patents instead of inventing the patented technology. In addition, patent licensing companies typically do not market the patented inventions but rely on the patent's bundle of rights to enter into licensing and settlement negotiations. Patent licensing practices have developed into a robust offshoot of the patent industry. The practice is lucrative and legal, and a rational, if unintended, response to the current patent legal climate.

The past 15 years have seen a boom in patent litigation; from 1988 to 2003, patent litigation increased by 130 percent. Civil case filings in federal court nationwide experienced only a 5 percent increase over the same period.[9] Why the boom in patent litigation?

Observers believe that the answer is twofold. First, technological advances in the software industry coupled with overloaded patent examiners are the root of the problem. Software patents emerged in the 1980s and subsequently have grown exponentially—they account for an entirely new set of patent applications that patent examiners had not previously encountered. The sheer increase in volume of patent applications has overwhelmed the Patent Office. Since the software boom, around 350,000 patent applications have begun to be filed annually. These applications are examined by a mere 3,000 patent examiners, most of whom are recent college graduates.[10]

Some also have observed that the patent examining system may reward speed, though sometimes at the expense of accuracy. The Patent Office awards points to examiners who issue patents quickly, even when the examiners evaluate the detailed and complex technology in patent applications. Patent examiner workload and time pressure, some say, have led to issuance of many overly broad and conflicting patents. Conflicting patents—or patents that are so broad that they seem to grant the same exclusive rights in the same technology to different patent owners—breed litigation, as patent owners look to the courts to sort out who owns what technology.[11]

> The *eBay* case provided the courts an opportunity to address the applicability of permanent injunctions in cases with patent licensing companies as plaintiffs.

The second part of the answer is the expense, uncertainty, and rules of patent infringement litigation. A 2005 survey indicates that the median cost of a patent infringement lawsuit is $4 million, and litigation can last for years. Once a case makes it to trial, the often highly technical and complicated issue of patent infringement is a jury question, and some observe that juries can be very unpredictable, particularly when faced with complex issues. If a patent infringement defendant loses at trial, the defendant may be liable for reasonable royalties, lost profits, or, in the case of willful infringement, treble damages. Patent infringers also may face a permanent injunction on the infringing activity, which can shut down an entire business. Further, the rules of patent litigation do not require a patent owner to manufacture or market his or her invention—patent infringement plaintiffs have only to own a patent to file an infringement suit.

This environment provides great legal and economic incentives for patent licensing companies to proliferate. By probability alone, if a business entity purchases a multitude of patents (particularly software patents), one or more of them may overlap with someone else's technology. By purchasing broad patents and offering licenses to other companies arguably practicing the patented invention, patent licensing companies are more likely than not to reap licensing fees from the negotiations. Most companies make the rational business decision to enter into a licensing or settlement agreement, with the settlement or licensing fee likely to be lower than the cost of litigation, rather than participate in the time and expense of patent infringement litigation.

The *Blackberry* and *eBay* Cases

As long as it remained a more rational decision for businesses to enter into licensing or settlement agreements with patent licensing companies, it remained unlikely that these patents would be interpreted in the courts. However, as with most technological and business innovation, it was only a matter of time before the cost-benefit calculus changed significantly enough to bring new technology before the courts. In 2001, technology giant and BlackBerry marketer Research In Motion Ltd. (RIM) took a "no negotiating with patent licensing companies" stance and refused a license that New Technologies Products (NTP) offered it in favor of litigating the metes and bounds of the patented invention. NTP owned a patent covering wireless email technology, which was already marketed by RIM's BlackBerry device. When a court found NTP's patent valid and infringed by RIM's BlackBerry device, NTP asked for a permanent injunction, which would shut down BlackBerry service—which grew 300 percent in 2005 alone—in the United States for the life of NTP's patent.[12]

While permanent injunctions are a discretionary remedy issued "in keeping with the principles of equity," courts have developed the practice of issuing a permanent injunction almost as a matter of course when an owner's patent is found valid and infringed. When NTP's patent was found valid and infringed and NTP asked for a permanent injunction, RIM ultimately decided to pay a $612 million settlement rather than risk a more costly license fee or a business shutdown.

Because the case settled before the court ruled on NTP's demand for a permanent injunction, the court did not have the opportunity to address the issue of whether permanent injunctions should apply differently if patent licensing companies are plaintiffs. The same case spawned a separate governmental attempt to define more clearly the patented invention. The Patent Office initiated a reexamination of the NTP patents at issue and found many of the claims—for which RIM paid a $612 million settlement—invalid.[13]

Then came the *eBay* case. This case provided the courts an opportunity to address the applicability of permanent injunctions in cases with patent licensing companies as plaintiffs. The eBay Internet auction website includes a "buy it now" feature in which buyers can circumvent the auction process and purchase an item immediately at a set price. MercExchange, principally a patent licensing business, owns patents directed to online marketing technologies. One of these patents covered technology similar to eBay's "buy it now" feature. MercExchange approached eBay for a license, but eBay refused, preferring to litigate and more clearly define the boundaries of MercExchange's patents in relation to its "buy it now" feature.

MercExchange won its patent infringement trial when a jury found its patents valid and infringed by eBay, awarding MercExchange $35 million in damages.[14] MercExchange asked for a permanent injunction.[15] A permanent injunction would require eBay to shut down its popular "buy it now" feature or purchase a license from MercExchange, affording MercExchange the power to negotiate a more expensive licensing fee. Because courts have generally issued permanent injunctions as a matter of course when they find patents valid and infringed, most observers expected an injunction to issue and for eBay and MercExchange to negotiate a license agreement.

Surprisingly, the district court refused to issue the injunction.[16] The district court acknowledged that while "the grant of injunctive relief against the infringer is the norm," the equitable four-factor test for injunctions did not merit an injunction in this case.[17] To obtain a permanent injunction, a patent owner must demonstrate that (1) it has suffered an irreparable injury; (2) remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) the public interest would not be disserved by a permanent injunction.[18]

The court held that MercExchange did not meet the "irreparable harm" portion of this test because MercExchange did not practice its invention and simultaneously licensed its technology out to others.[19] The court held that money damages were sufficient to compensate MercExchange for eBay's infringement.[20] Some argued that the district court's holding was tantamount to stating that the rules of permanent injunctions applied differently to patent licensing companies.

MercExchange appealed this ruling to the Federal Circuit, which reversed based on its reading of "the general rule . . . that a permanent injunction will issue once infringement and validity have been adjudged."[21] The right to exclude is the keystone of a patent, the court reasoned, and a patent owner should only be denied the right to exclude infringing activity when there is a "persuasive reason" that makes the case "sufficiently exceptional" to deny an injunction.[22]

eBay petitioned the U.S. Supreme Court for certiorari to determine the correct standard for issuing permanent injunctions, and the Court took the case. Many hoped that the Supreme Court would offer a new test for permanent injunctions that would curb patent trolling. Patent trolls and the threat of permanent injunctions featured prominently in the appeal, with over 17 amici briefs addressing the issue.[23]

The Court delivered a unanimous decision vacating the Federal Circuit's injunction against eBay and remanding the issue for reconsideration.[24] The Court declined to create a new test for issuing permanent injunctions and stated that the correct standard is the traditional four-factor test. While both lower courts purported to apply the four-factor test, the Court continued, neither court applied it correctly.[25]

Each lower court impermissibly added its own considerations to the analysis, thereby creating categorical rules that diverged from the balance the four-factor test seeks to promote.[26] The district court

erred when it held that nonpracticing inventors who license their patents could not suffer irreparable harm and therefore could never obtain a permanent injunction.[27] The Court held that these two considerations alone are not sufficient to deny an injunction.[28]

Conversely, the Supreme Court held that the Federal Circuit erred when it "departed in the opposite direction from the four-factor test" by creating a strong presumption—almost a "categorical rule"—that a permanent injunction will issue unless a case is truly exceptional.[29] The Supreme Court remanded the issue of a permanent injunction to be determined according to the guidance offered in its opinion.

> The *eBay* decision may foreshadow the decline of the permanent injunction and consequently less bargaining power for patent licensing companies to negotiate license fees.

While the Supreme Court's *eBay* decision was unanimous, two concurring opinions offer diverging guidance on how the four-factor test applies to permanent injunctions in patent infringement cases. Justice Thomas, writing for the majority, noted that patent-owning entities such as universities may not have the resources to practice their patents, but those owners derive great value from licensing their technology. These types of owners should not be denied injunctive relief.

A concurring opinion by Justice Kennedy, joined by Justices Breyer, Souter, and Stevens, acknowledged the existence of patent trolls, noting that many patent holders exist exclusively to license their patents at "exorbitant" fees.[30] Justice Kennedy counseled that for these types of patent owners, "legal [monetary] damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest."[31]

Finally, the Chief Justice and Justices Ginsburg and Scalia agreed that while injunctive relief is a discretionary remedy to which patent owners are not entitled, "courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases," and this "long tradition of equity practice" should not be hastily disturbed.[32] Considering these subtly differing guidelines, how will lower courts determine that permanent injunctions apply to patent licensing companies?

Has This Battle Changed the War?

Observers commented that eBay may be much ado about nothing. On its face, the Supreme Court's decision maintained the status quo of the four-factor test for permanent injunctions and offered conflicting guidance as to how the test should be applied. Considering the long tradition of granting permanent injunctions, however, the Court's unanimous reticence to create a rule that injunctions will issue in certain circumstances strongly suggests that lower courts will not be so quick to issue injunctive relief.

Based on the first decision to interpret *eBay*, permanent injunctions may be more difficult to obtain generally, regardless of whether the plaintiff is a patent licensing company or a sole inventor.[33] The impact of the *eBay* decision already has been felt in lower courts. Interpreting *eBay*, a district court refused to issue an injunction against an infringer in *z4 Technologies, Inc. v. Microsoft Corp.*[34] z4 is not a patent licensing company; it is a small Michigan software firm that practices its inventions. The company owns two software patents and sued Microsoft for infringement when Microsoft used z4's patented technology as a tiny component of a Microsoft software bundle. The jury found z4's patents valid and infringed and awarded z4 over $130 million in damages.[35]

When z4 sought a permanent injunction, the U.S. District Court for the Eastern District of Texas refused.[36] The court held that in light of *eBay*, a finding of validity and infringement does not create a presumption of irreparable harm.[37] The court held that z4 did not suffer irreparable harm because z4's patent made up only a tiny portion of Microsoft's infringing product, and thus the two products were not in direct competition.[38] Considering the "size" of the infringement, the court found that a reasonable royalty would provide z4 an adequate remedy at law.[39] The court then concluded that the balance of hardships weighs against injunctive relief and that an injunction would harm the public interest.[40]

The *eBay* decision, as interpreted in *z4*, may foreshadow the decline of the permanent injunction and consequently less bargaining power for patent licensing companies to negotiate license fees. If patent licensing companies are less likely to obtain permanent injunctions, the decision to negotiate a license with such a company is not necessarily the most rational decision for businesses practicing patented inventions.

The *eBay* decision may impact the economic environment supporting patent licensing companies by decreasing their likelihood of successfully negotiating licensing agreements. This may decrease licensing company bargaining power, but some argue that this impact will not change the business climate such that patent licensing companies are no longer lucrative. To create an environment that will not support patent licensing companies, some argue, two things must happen: existing broad patents must expire and narrower patents must issue in their places.[41] As long as overly broad and conflicting patents issue, there will be a proliferation of patent infringement litigation. This highly litigious business environment, driven by broad patents, supports the patent licensing company business model. The odds, some argue, are in favor of licensing companies. If a company owns a multitude of patents, some claims will likely be so broad or uncertain as to potentially cover existing and publicly available technology.[42] As long as such broad patents exist, there will be trolls lurking under the bridge. ■

Tiffany Smith, Esq. is an intellectual property associate at King & Spalding's Atlanta office. She has concentrated primarily in biotechnology patent litigation, trademark litigation, and trademark prosecution.

Endnotes

1. Joe Beyers, *Rise of the Patent Trolls*, Oct. 12, 2005, *available at* www.news.com.com/Rise+of+the+patent+trolls/2010-1071_c-5892996.html.

2. *Has the Enemy of Patent Trolls Become One?* Dec. 5, 2005, *available at* www.cioinsight.com/article2/0,1540,1902201,00.asp.

3. Lisa Lerer, *Meet the Original Patent Troll*, July 20, 2006, *available at* www.law.com/jsp/article.jsp?id=115329992632.

4. *Id.*

5. *Id.*

6. *Id.*

7. *See* IPFrontline Staff, *Making Innovation Pay*, IPFRONTLINE.COM, Mar. 11, 2006, *available at* www.ipfrontline.com/depts/article.asp?id=9899&deptid=8; Nicholas Varchaver, *Who's Afraid of Nathan Myhrvold?* FORTUNE, June 26, 2006, *available at* http://money.cnn.com/magazines/fortune/fortune_archive/2006/07/10/8380798/index.htm; Don Clark, *Inventors See Promise in Large-Scale Patent Auctions*, WALL ST. J. ONLINE, Mar. 9, 2006, *available at* http://online.wsj.com/article_email/SB114187357457393357-1MyQjAxMDE2NDAxOTgwNzkzwj.html.

8. Clark, *supra* note 7.

9. *Patent Lawsuits Continue to Increase at Faster Rates Than Civil Suits, Report by LexisNexis Finds*, LEGAL TRENDS TODAY: PATENTS, *available at* www.mealeys.com/legaltrends_patents.html.

10. Maggie Shiels, *Technology Industry Hits Out at Patent Trolls*, BBC NEWS, June 2, 2004, *available at* http://news.bbc.co.uk/1/hi/business/3722509.stm.

11. *See, e.g.*, Adam B. Jaffe & Josh Lerner, *Patent Prescription: A Radical Cure for the Ailing U.S. Patent System*, July 27, 2006, *available at* www.spectrum.ieee.org/careers/careerstemplate.jsp?ArticleId=i120204.

12. Gregory A. Castanias & Susan M. Gerber, *United States: The Supreme Court's Decision in* eBay*: What Does It Mean for Injunctions in Patent Cases?* June 13, 2006, *available at* www.mondaq.asp?articleid=40426&searchresults=1&print=1.

13. F. Scott Keiff & R. Polk Wagner, *Testing Patent Protections*, WASH. TIMES, May 30, 2006, *available at* http://www.washingtontimes.com/functions/print.php?StoryID=20060529-110132-3365r; Tim Wu, *Weapons of Business Destruction: How a Tiny Little "Patent Troll" Got Blackberry in a Headlock*," Feb. 6, 2006, *available at* http://www.slate.com/id/2135559/.

14. MercExchange, LLC v. eBay, Inc., 275 F. Supp. 2d 695, 698–99 (E.D. Va. 2003), *aff'd in part, rev'd in part*, 401 F.3d 1323 (Fed. Cir. 2005), *vacated by* 126 S. Ct. 1837 (2006).

15. *Id.* at 710–11.

16. *See id.*

17. *Id.* at 711.

18. *Id.*

19. *Id.* at 712.

20. *Id.* at 713.

21. MercExchange, LLC v. eBay, Inc., 401 F.3d 1323, 1338 (Fed. Cir. 2005), *vacated by* 126 S. Ct. 1837 (2006).

22. *Id.* at 1339.

23. For an excellent overview of the amici briefs, *see Review:* EBay v. MercExchange *Amici Briefs*, Jan. 31, 2006, *available at* http://patentlaw.typepad.com/patent/2006/01/ebay_v_mercexch.html.

24. eBay, Inc. v. MercExchange, LLC, 126 S. Ct. 1837 (2006).

25. *Id.* at 1840.

26. *Id.*

27. *Id.*

28. *Id.* at 1840–41.

29. *Id.* at 1841.

30. *Id.* at 1842 (Kennedy, J., concurring).

31. *Id.*

32. *Id.* at 1841 (Roberts, C.J., concurring).

33. Correy E. Stephenson, *Supreme Court Creates New Hurdles for Patent Holders*, ST. LOUIS DAILY REC., June 8, 2006, *available at* www.lexis.com/research/retrieve?_m=a4d535be30220e76ac5c16b7be16c9c4&docn.

34. 434 F. Supp. 2d 437, 438 (E.D. Tex. 2006).

35. *Id.* at 438–39.

36. *Id.* at 438.

37. *Id.* at 440.

38. *Id.*

39. *Id.* at 441.

40. *Id.* at 442–43.

41. Shiels, *supra* note 10.

42. John A. Artz, *Restoring the Patent Balance of Power*, June 9, 2006, *available at* http://news.com.com/2102-1030_3-6081277.html?tag=st.util.print.

WHEN EMPLOYEE SECRETS BECOME AN EMPLOYER'S PROBLEM

(Continued from page 1)

civil and criminal liability when it neglects to take any action or limits its action against the employee and fails to notify authorities of illegal activities. The scope of the article is narrowly limited; the article does not address an employer's potential liability with respect to an employee's privacy rights, software piracy, copyright infringement, or e-discovery issues. Rather, this article focuses on an employer's derivative liability that may result from its employee's illegal behavior and the employer's failure to enforce or implement appropriate internal policies.

Employer Turns a Blind Eye

The facts of *Doe v. XYC Corporation*[8] are disturbing but not unique. XYC Corporation employed 250 people including "John," the plaintiff's husband. John worked in a small cubicle along a wall of cubicles next to a corporate officer's corner office. XYC's website activity and email policy stated that emails were the property of the company and anyone who became aware of misuse of the Internet for other than business reasons was to report it to the company's personnel department. In a routine review of computer log reports, XYC noticed that John visited pornographic websites. XYC's IT staff told John to stop but did not inform any of his supervisors. A year later, John's immediate supervisor raised concerns and had John's Internet usage reviewed. The review uncovered pornographic sites, including bestiality and necrophilia. XYC's senior network administrator was admonished for violating company rules prohibiting monitoring of employees' Internet activity and told not to access any employee logs, including John's, ever again.[9]

> Almost every state has held that an employer is not liable for an employee's misconduct committed outside the course and scope of his employment.

Subsequently, John was often seen shielding his computer screen from others. His coworkers suspected that he was viewing pornography over the Internet. While John was at lunch, his supervisor went to his computer, pulled up a list of his recent websites, and saw that he was continuing to visit pornographic sites, including what appeared possibly to be child porn sites. John's supervisor did not take any action beyond instructing him to stop using the computer inappropriately. XYC knew John was married and had a young child.

A few months later, authorities executed a search warrant on John's work space and found multiple images of child pornography. Prosecutors discovered that John was also videotaping and photographing his 10-year-old stepdaughter at his home and transmitting these images over XYC's system.[10]

Failure to Report Employee's Illegal Internet Activities

On behalf of the child, the mother filed a negligence action against XYC. The mother asserted that XYC breached a duty owed to the child because it had the right and ability to monitor John's Internet usage and had reason to know John was visiting child porn sites. The mother claimed that the company had a duty to report John to the authorities for the crimes he committed while at XYC, and XYC's failure to report John rendered it liable to the child and her mother. The trial court granted summary judgment to XYC.[11]

The Superior Court of New Jersey reversed the trial court's summary judgment order and held that an "employer who is on notice that one of its employees is using a workplace computer to access pornography, possibly child pornography, has a duty to investigate the employee's activities" and "to take prompt and effective action to stop the unauthorized activity, lest it result in harm to innocent third-parties."[12] In reaching its holding, the appellate court highlighted that XYC had the capability and right to monitor John's activities on his work computer and was on notice that John was possibly viewing pornography on his computer. The appellate court stated that an abiding sense of basic fairness determined whether XYC owed a duty and noted that John's actions constituted federal and state crimes. Public policy imposed a duty on XYC to report John's activities to the proper authorities and to take effective internal action to stop that conduct. The appellate court held that an employer has the duty to control its employee to prevent the employee from "intentionally harming others or from so conducting himself as to create an unreasonable risk of bodily harm to them," even while the employee is acting outside the scope of his employment.[13] XYC had a duty to exercise reasonable care to stop John's conduct, "which by its very nature has been deemed by the state and federal lawmakers to constitute a threat to others."[14]

In this circumstance, would your state follow New Jersey's lead? Maybe. Almost every state has held that an employer is not liable for an employee's misconduct committed outside the course and scope of his employment.[15] However, about half of the states have carved out exceptions to this general rule and have held an employer liable to a third party for an employee's nonwork-related act. Some states have imposed liability on an employer when the employer ratifies, confirms, or adopts the employee's act.[16] Other states have held an employer liable when its employee's conduct is of the kind the employee is hired to perform and when the employee's conduct occurs substantially within authorized time and space and is motivated at least in part to serve the employer.[17] Still other states have imposed liability on an employer when the employer had the power to discharge the employee for failure to perform the task in an acceptable manner[18] or when the injury was foreseeable.[19] Arguably, John's situation fits into several of these exceptions. Thus, in light of the many circumstances in which courts have imposed liability on employers for the employee's wrongful conduct, it is likely that courts in most states would reach the same result as the *XYC* court and impose a duty on an employer to protect a third party from the bad acts of its employees.

Concealment of Employee's Illegal Internet Activities

Having a records retention policy assures that a company retains records needed for regulatory, compliance, legal, and business purposes and is properly disposing of those records when they are no longer needed.[20] Many companies have adopted records retention policies to preserve the propriety of disposition of records in the regular course of business.[21] However, disposing of records that may show criminal activity on an employee's part can expose an employer to more than just civil liability. With knowledge of illegal activity, destruction of records evidencing the employee's crime could expose the company to criminal charges.

Employers could theoretically be prosecuted once they become aware of the illegal activity if the records are destroyed and not reported to prosecutors.[22] Concealment of a crime has been condemned throughout our history.[23] Everyone has a duty to "raise the 'hue and cry' and report felonies to the authorities."[24] "Gross indifference to [this] duty to report known criminal behavior remains a badge of irresponsible citizenship."[25] An employer can be criminally liable for turning a blind eye to its employee's suspected criminal activity.[26]

The little-known crime of misprision of felony can occur when an employer has knowledge and conceals an employee's crime.[27] The elements of misprision of felony under 18 U.S.C. § 4 are (1) the employee committed and completed the felony alleged; (2) the defendant had full knowledge of that fact; (3) the defendant failed to notify authorities; and (4) the defendant took steps to conceal the crime.[28] Misprision requires both knowledge of a crime and some affirmative act of concealment or participation.[29] Mere failure to report a known felony, which may expose the company to civil liability, would not violate 18 U.S.C. § 4.[30]

Knowledge and concealment of any federal felony crime is sufficient to establish criminal liability under the misprision of felony statute.[31] In addition to child pornography, the most likely criminal misuse of company computers is Internet gambling and illegal downloading of music and videos. The Department of Justice views Internet gambling as illegal under the Wire Wager Act, 18 U.S.C. § 1084. Despite its illegality, an estimated four to seven million Americans are Internet gamblers. With poker driving the latest surge, Internet gambling is a $12 billion-a-year industry.[32] One popular site, PartyPoker.com, touts itself as dealing more than 10 million hands a day in 185 countries.[33] Perhaps even more rampant than pornography is music and video piracy. The music industry estimates that piracy is responsible for 2.6 billion illegal downloads of copyrighted files every month through the use of peer-to-peer services such as KaZaA and Grokster.[34] Indeed, KaZaA, the leader in online music piracy, has become the most downloaded software program in the world with an estimated 278 million people using its program and allegedly participating in online music piracy.[35] Given the widespread use of these sites, an employer likely employs at least some of the four to seven million Internet gamblers and 278 million music pirates, making a misprision of felony charge a possibility.

> Employers could theoretically be prosecuted once they become aware of the illegal activity if the records are destroyed and not reported to prosecutors.

We are not aware of any company that has been prosecuted for failure to report an employee's misuse of the company computer. However, while Internet gambling and individual downloading of music are not the Justice Department's highest priorities, child pornography is exactly the type of case in which a criminal prosecution is likely to arise. Attorney General Alberto Gonzales recently announced prosecuting child pornography as one of his highest priorities.[36] Child pornography is a crime that evokes passion in the prosecutors who deal with it every day. Many prosecutors will look for ways to bring criminal charges against a company that knew an employee was using a company computer to download child pornography and, subsequently, disposed of the evidence (whether or not as part of a routine document retention policy).

Conclusion

Ignoring company policies and an employee's nonbusiness activities usually does not lead to employer liability, either civilly or criminally. However, as explained above, an employer may encounter hazards when it learns that an employee is engaged in illegal activities on the company's Internet system. Because of the potential civil and criminal liability, a company cannot ignore information of an employee's illegal activity. At a minimum, once an employer suspects an employee is engaged in criminal activity, the employer should notify authorities. Further, to avoid any potential criminal liability, the employer should adopt an exception into its retention policy for the destruction of records gained during a monitoring investigation of possible criminal activity. ■

James Martin is a partner and Laura L. McLaughlin is an associate at Armstrong Teasdale, LLP, in St. Louis, Missouri. Mr. Martin is the former U.S. Attorney for the Eastern District of Missouri. Prior to law school, Ms. McLaughlin was a Human Resources Manager. Their practice includes compliance programs, white-collar crime, employment, and business litigation.

Endnotes

1. Doe v. XYC Corp., 887 A.2d 1156, 1158 (N.J. App. 2005).

2. *Preserving Family Values in a Media Driven Society*, www.familysafemedia.com/pornography_statistics.html.

3. *Id.*

4. J. Gruber, Commentary: *GPS Monitoring and the Mobile Workforce*, ABA LAB. & EMP. L., Summer 2005, at 7; *2005 Electronic Monitoring & Surveillance Survey*, AMA/EPOLICY INST. RES., www.amanet.org/research/pdfs/EMS_summary05.pdf.

5. *2005 Electronic Monitoring & Surveillance Survey*, *supra* note 4.

6. *Id.*

7. Doe v. XYC Corp., 887 A.2d 1156, 1159 (N.J. App. 2005).

8. *Id.*

9. *Id.*

10. *Id.* at 1158–61.

11. *Id.* at 1161.

12. *Id.* at 1158.

13. *Id.* at 1168.

14. *Id.*

15. Jackson v. Ivory, 120 S.W.3d 587 (Ark. 2003); Matthiessen v. Vanech, 836 A.2d 394 (Conn. 2003); Fisher v. Townsends, Inc., 695 A.2d 53 (Del. 1997); District of Columbia v. Coron, 515 A.2d 435 (D.C. 1986); Clo White Co. v. Lattimore, 590 S.E.2d 381 (Ga. App. 2003); Southport Little League v. Vaughan, 734 N.E.2d 261 (Ind. App. 2000); Cabinet for Families & Children v. Cummings, 163 S.W.3d 425 (Ky. 2005); Com. v. Jerez, 457 N.E.2d 1105 (Mass. 1983); Adams v. Cinemark USA, Inc., 831 So. 2d 1156 (Miss. 2002); State *ex rel*. Green v. Neill, 127 S.W.3d 677 (Mo. 2004); Chrysler Corp. v. Lee Janssen Motor Co., 619 N.W.2d 78 (Neb. App. 2000); Kornton v. Conrad, Inc., 67 P.3d 316 (Nev. 2003); O'Toole v. Carr, 815 A.2d 471 (N.J. 2003); Ocana v. Am. Furniture Co., 91 P.3d 58 (N.M. 2004); Van Klootwyk v. Baptist Home, Inc., 665 N.W.2d 679 (N.D. 2003); Baker v. St. Francis Hosp., 126 P.3d 602 (Okla. 2005); Vargas Mfg. Co. v. Friedman, 661 A.2d 48 (R.I. 1995); Russell v. City of Memphis, 106 S.W.3d 655 (Tenn. App. 2002); Gina Chin & Assoc., Inc. v. First Union Bank, 537 S.E.2d 573 (Va. 2000); Zirkle v. Winkler, 585 S.E.2d 19 (W. Va. 2003).

16. Moman v. Gregerson's Foods, Inc., 570 So. 2d 1215 (Ala. 1990); Denning-Boyles v. WCES, Inc., 473 S.E.2d 38 (N.C. App. 1996).

17. Laidlaw Transit, Inc. v. Crouse *ex rel*. Crouse, 53 P.3d 1093 (Alaska, 2002) (explaining that the conduct of an employee is within the scope of employment if, but only if, (a) it is of the kind he is employed to perform; (b) it occurs substantially within the authorized time and space limits; (c) it is actuated, at least in part, by a purpose to serve the employer; and (d) if force is intentionally used by the employee against another, the use of force is not unexpected by the employer; on the other hand, conduct of a employee is not within the scope of employment if it is different in kind from that authorized, far beyond the authorized time or space limits, or too little actuated by a purpose to serve the employer); Wardley Better Homes & Gardens v. Cannon, 61 P.3d 1009 (Utah 2002) (considering three factors to determine whether the employee's acts are within the scope of employment: (1) an employee's conduct must be of the general kind the employee is employed to perform; (2) the employee's conduct must occur within the hours of the employee's work and the ordinary spatial boundaries of the employment; and (3) the employee's conduct must be motivated, at least in part, by the purpose of serving the employer's interest.); *see also* Smith v. Am. Exp. Travel Related Serv. Co., 876 P.2d 1166 (Ariz. App. 1994); Destefano v. Grabrian, 763 P.2d 275 (Colo. 1988); Fernandez v. Fla. Nat. Coll., Inc., 925 So. 2d 1096 (Fla. App. 2006); Henderson v. Prof'l Coatings Corp., 819 P.2d 84 (Haw. 1991); Rausch v. Pocatello Lumber Co., 14 P.3d 1074 (Idaho. App. 2000); Riniker v. Wilson, 623 N.W.2d 220 (Iowa App. 2000); Russell v. Noullet, 721 So. 2d 868 (La. 1998); Henderson v. AT&T Info. Sys., Inc., 552 A.2d 935 (Md. App. 1989); Schlichte v. Granite Sav. Bank, 662 N.E.2d 238 (Mass. App. 1996); Hagen v. Burmeister & Assocs., Inc., 633 N.W.2d 497 (Minn. 2001); Roberts v. Pegasus Gold Corp., 903 P.2d 782 (Mont. 1995); Pierson v. Hubbard, 802 A.2d 1162 (N.H. 2002); Groob v. Key Bank, 843 N.E.2d 1170 (Ohio 2006); Vinsonhaler v. Quantum Residential Corp., 73 P.3d 930 (Or. App. 2003); R.A. *ex rel*. N.A. v. First Church of Christ, 748 A.2d 692 (Pa. Super. 2000); Murphy v. Jefferson Pilot Commc'n Co., 613 S.E.2d 808 (S.C. App. 2005); Drew v. Stanton, 603 N.W.2d 79 (S.D. 1999); Green v. Ransor, Inc., 175 S.W.3d 513 (Tex. App. 2005); Doe v. Forrest, 853 A.2d 48 (Vt. 2004); Killian v. Caza Drilling, Inc., 131 P.3d 975 (Wyo. 2006).

18. Clark v. Chorey, Taylor & Feil, P.C., 522 S.E.2d 472 (Ga. App. 1999).

19. Farmers Ins. Group v. County of Santa Clara, 906 P.2d 440 (Cal.1995); Gaffney v. City of Chicago, 706 N.E.2d 914 (Ill. App. 1998); Riniker v. Wilson, 623 N.W.2d 220 (Iowa App. 2000); Commerce Bank of St. Joseph, N.A. v. State, 833 P.2d 996 (Kan. 1992); Prugue v. Monley, 28 P.3d 1046 (Kan. App. 2001); Colon v. Wal-Mart Stores, Inc., 703 N.Y.S.2d 863 (N.Y. Sup. 1999); S.D. Pub. Entity Pool for Liab. v. Winger, 566 N.W.2d 125 (S.D. 1997).

20. Rae Cogar & R. Thomas Howell, *Retention: More Important Than Ever*, 13:1 ABA BUS. L. TODAY 45 (2003), *available at* www.abanet.org/buslaw/blt/2003-09-10/cogar.html.

21. Arthur Andersen LLP v. United States, 125 S. Ct. 2129, 2135 (2005) (stating that document retention policies "are common in business"); Cogar and Howell, *supra* note 20.

22. Matthew E. Beck & Matthew E. O'Brien, *Corporate Criminal Liability*, 37 AM. CRIM. L. REV. 261, 272 (2000); *see also* MO. REV. STAT. § 568.110 (1998) (service provider commits a misdemeanor by

not reporting child pornography images).

23. Roberts v. United States, 445 U.S. 552, 557 (1980); *see also* 18 U.S.C. §§ 4 (misprision), 1519 (obstruction of justice).

24. Branzburg v. Hayes, 408 U.S. 665, 696 (1972).

25. *Roberts*, 445 U.S. at 558.

26. U.S. v. Mapelli, 971 F.2d 284, 286 (9th Cir. 1992) ("A deliberate ignorance instruction, sometimes called a *Jewell* instruction, is appropriate only when the defendant purposely contrives to avoid learning all the facts."); United States v. Lara-Velasquez, 919 F.2d 946, 951 (5th Cir. 1990) ("This Court has consistently upheld deliberate ignorance instructions as long as sufficient evidence supports their assertion of the charge."); United States v. Jewell, 532 F.2d 697, 701–03 (9th Cir. 1976) (Model Penal Code's knowledge requirement is satisfied by proof of "deliberate indifference," a "conscious purpose to avoid learning the truth").

27. This statutory "misprision of felony" is different from the obsolete common law claim of "misprison of felony," which is related to failing to report a known felony. 4 WHARTON'S CRIMINAL LAW § 572 (15th ed.).

28. United States v. Gebbie, 294 F.3d 540, 544 (3d Cir. 2002); United States v. Cefalu, 85 F.3d 964, 969 (2d Cir. 1996); United States v. Ciambrone, 750 F.2d 1416, 1417 (9th Cir. 1984); United States v. Baez, 732 F.2d 780, 782 (10th Cir. 1984); Neal v. United States, 102 F.2d 643, 646 (8th Cir. 1939).

29. Itani v. Ashcroft, 298 F.3d 1213, 1216 (11th Cir. 2002); United States v. Weekley, 389 F. Supp. 2d 1293, 1297–98 (S.D. Ala. 2005) (citations omitted).

30. *Weekley*, 389 F. Supp. 2d at 1297–98.

31. 18 U.S.C. § 4.

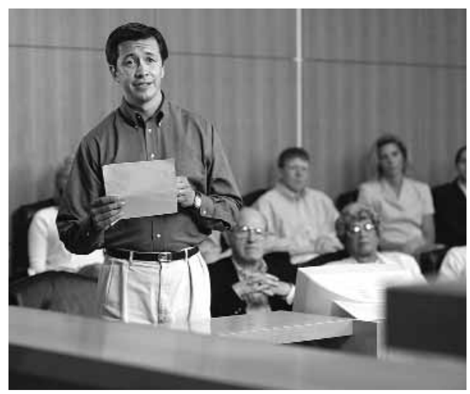
32. *Internet Gambling May Be Illegal but It's Not Going Away*, PITTSBURGH POST-GAZETTE (June 11, 2006), *at* www.post-gazette.com/pg/06162/697357-84.stm.

33. *Id*.

34. *Online Music Piracy Effects*, www.afm.org/public/departments/leg_issues_05.php.

35. *Id*.

36. Att'y Gen. Alberto R. Gonzales, Announcement of Criminal Charges in International Internet-Based Child Pornography Investigation (Mar. 15, 2006) ("The prosecution of cyber crimes—especially those that target children—is one of the highest priorities at the Justice Department. The Internet must be a safe place for all Americans.").



Visit Our Website to Keep Up with Current Cases!

Full text of the case notes by litigators who are leaders in their jurisdictions:
www.abanet.org/litigation/committee/business/casenotes.html

If you learn of a new business torts case that should be included in the case notes, please contact the Business Torts Litigation Committee's case notes editors:

Mark S. Davidson (mdavidson@wkg.com)
Laura L. McLaughlin (lmclaughlin@armstrongteasdale.com)

BUSINESS TORTS COMMITTEE ROSTER

Chairs
David A. Soley
Portland, ME
dsoley@bssn.com

Bart L. Greenwald
Louisville, KY
bgreenwald@fbtlaw.com

Douglas L. McCoy
Mobile, AL
dmccoy@handarendall.com

Vice Chairs
Stephanie M. Byerly
Irvine, CA
byerlyS@howrey.com

Vernon F. Dunbar
Greenville, SC
vfd@tbgl.com

Bradley P. Nelson
Chicago, IL
nelson@sw.com

Journal Editors
Jeffrey R. Teeters
Cincinnati, OH
jteeters@fbtlaw.com

Amy G. Doehring
Chicago, IL
adoehring@mwe.com

Programs
Erick Howard
San Francisco, CA
ech@sfglaw.com

Kent A. Lambert
New Orleans, LA
klambert@bakerdonelson.com

Dori Ann Hanswirth
Washington, DC
dhanswirth@hhlaw.com

Thomas E. Propson
Minneapolis, MN
tpropson@meagher.com

Case Note Editors
Mark S. Davidson
Seattle, WA
mdavidson@wkg.com

Laura L. McLaughlin
St. Louis, MO
lmclaughlin@
armstrongteasdale.com

Web Page
Michael Mihm
Denver, CO
mmihm@starrslaw.com

David Cannella
Orlando, FL
dcannella@carltonfields.com

Judicial Intern
Patrick Keating
Dallas, TX
patrick.keating@haynesboone.com

Evidence
Christine Lipsey
Baton Rouge, LA
cl@bswllp.com

Diane Webb
San Francisco, CA
dwebb@morganlewis.com

Fiduciary Duties
Patrick Keating
Dallas, TX
patrick.keating@haynesboone.com

Remedies
Eric C. Olson
Salt Lake City, UT
eolson@kmclaw.com

Technology/eDiscovery
Michael K. Winston
West Palm Beach, FL
mwinston@carltonfields.com

Tortious Interference
Charles McAleer
Washington, DC
cmcaleer@milchev.com

Trade Secrets
Daniel J. Gleason
Boston, MA
gleason@nutter.com

Philip S.Wellman
Springfield, MA
pwellman@massmutual.com

Unfair Trade Practices
Tom Grace
Las Vegas, NV
tgrace@nevadafirm.com

Gerardo R. Barrios
Mandeville, LA
gbarrios@bakerdonelson.com

Membership
Felicia R. Banks
Tallahassee, FL
fbanks@psc.state.fl.us

Dale Weppner
St. Louis, MO
dweppner@dmfirm.com

Lisa Cooper
Mobile, AL
ldcooper@handarendall.com

Distance CLE
William L. Rikard, Jr.
Charlotte, NC
williamrikard@parkerpoe.com

Jennifer J. Waldner
Los Angeles, CA
jwaldner@pwkllp.com

Regional CLE
Charles McAleer
Washington, DC
cmcaleer@milchev.com

John C. Sciaccotta
Chicago, IL
jsci@shefskylaw.com

Anthony J. Carriuolo
Ft. Lauderdale, FL
acarriuolo@bergersingerman.com

Regional Education
John Gilligan
Columbus, OH
jgilligan@szd.com

Law Student Liaisons
Mark S. Davidson
Seattle, WA
mdavidson@wkg.com

Neil Riemann
Raleigh, NC
Neil.rieman@tprr.com

ListServe Chairs
Edward J. Heath
Hartford, CT
eheath@rc.com

Daniel Kaufmann
Huntsville, AL
dkaufmann@bradleyaraut.com

Books
Merrick Gross
Miami, FL
merrick.gross@akerman.com

Tom Dye
Orlando, FL
tadye@carltonfields.com

Midyear Meeting Cochair
Kenneth R. Berman
Boston, MA
kberman@nutter.com

First Circuit
Yalonda T. Howze
Boston, MA
yhowze@nutter.com

Second Circuit
Catherine Dugan O'Connor
Stamford, CT
cdoconnor@dbh.com

Third Circuit
Elizabeth S. Fenton
Philadelphia, PA
efenton@reedsmith.com

Fourth Circuit
Deborah L. Edney
Charlotte, NC
debbieedney@parkerpoe.com

Fifth Circuit
Sofia Androgue
Houston, TX
sadrogue@ebglaw.com

Sixth Circuit
Erwin Roberts
Louisville, KY
eroberts@fbtlaw.com

Seventh Circuit
Bethany N. Schols
Chicago, IL
bschols@scgk.com

Eighth Circuit
Laura L. McLaughlin
St. Louis, MO
lmclaughlin@
armstrongteasdale.com

Ninth Circuit
Timothy L. Ashcraft
Tacoma, WA
tashcraft@wkg.com

Tenth Circuit
Elizabeth J. Hyatt
Denver, CO
ehyatt@starrslaw.com

Eleventh Circuit
Angela C. de Cespedes
Miami, FL
angela.decespedes@akerman.com

DC Circuit
Richard C. Smith
Washington, DC
richard.smith@akerman.com

SECTION of LITIGATION
AMERICAN BAR ASSOCIATION

Source Code

RLT6MNWS

Customer Id ______

Name ______

Organization ______

Address ______

City/St/Zip ______

Country ______

Email ______

Membership Options

- ☐ Lawyer $55
- ☐ Associate* $55
- ☐ Law Student Free

Payment Options

- ☐ Check Enclosed
  Payable to the "American Bar Association"
- ☐ Credit Card
  - ☐ Visa
  - ☐ MasterCard
  - ☐ American Express

Credit Card Information

______
Account Number

______
Expiration Date

______
Name as Appears on Card

______
Signature

Other Enrollment Options: Mail in enclosed envelope, Online www.abanet.org/litigation, Call (800) 285-ABA1, or Fax to (312) 988-6234

Committee membership is included with your Section of Litigation membership. Please check up to three committees below:

____ Alternative Dispute Resolution
____ Antitrust Litigation
____ Appellate Practice
____ Aviation Litigation
____ Bankruptcy and Insolvency Litigation
____ Business Torts Litigation
____ Children's Rights Litigation
____ Class Actions and Derivative Suits
____ Commercial and Business Litigation
____ Condemnation, Zoning, and Land Use Litigation
____ Construction Litigation
____ Consumer and Personal Rights Litigation
____ Corporate Counsel
____ Criminal Litigation
____ Employment and Labor Relations Law
____ Energy Litigation
____ Environmental Litigation
____ Ethics and Professionalism
____ Expert Witnesses
____ Family Law Litigation
____ First Amendment and Media Litigation
____ Health Law Litigation
____ Immigration Litigation
____ Insurance Coverage Litigation
____ Intellectual Property Litigation
____ International Litigation
____ Mass Torts Litigation
____ Minority Trial Lawyer
____ Pretrial Practice and Discovery
____ Pro Bono and Public Interest
____ Products Liability
____ Professional Liability Litigation
____ Real Estate Litigation
____ Securities Litigation
____ Solo and Small Firms
____ Technology for the Litigator
____ Trial Evidence
____ Trial Practice
____ The Woman Advocate
____ Young Advocate Training Outreach

ABA membership is a prerequisite for Section membership. ABA dues are separate from Section dues and are not included in the dues listed above. Membership dues in the American Bar Association and ABA Sections are not tax deductible as charitable contributions for federal income tax purposes. However, such dues may be deductible as a business expense.
*ABA Associate status is available to lawyers licensed outside the United States, as well as legal educators, paralegals and legal assistants, law-office administrators, law librarians, consultants, and any other individuals interested in the law.

ABA
Defending Liberty
Pursuing Justice

If this issue of the *Journal* does not answer your technology questions,


Business Torts Journal
Technology Issue
Hazards of Employee Monitoring: When Employee Secrets Become an Employer's Problem
By James Martin and Laura L. McLaughlin
Inside This Issue

try our online archives of past *Business Torts Journal* articles on technology:

- "The Computer Fraud and Abuse Act: Combating the Theft of Trade Secrets" by Matthew J. Morelli (Spring 2006)
- "Zubalake v. UBS Warburg: An Update on Electronic Discovery" by Dan Harshman, (Fall 2004)
- "Rise of the Machines: A Critical Look at the New Electronic Discovery Standards" by Dan Harshman (Summer 2004)
- "Objections to the Admissibility of E-mail" by Todd Flaming (Summer 2004)
- "Authenticating Computer-Based Evidence: The Evolving Role of Expert Testimony" by Robert Dibert (Summer 2004)
- "Trade Secrets and the Internet: Apocalypse Not Really" by Lauren M. Papenhausen (Winter 2004)
- "Trespass in Cyberspace: An Old Tort for New Tricks" by Todd Flaming (June 2002)

Issues that are focused on technology and all other issues of the *Business Torts Journal* that have been published since 2000 are available and fully text searchable at:

www.abanet.org/litigation/committee/business/home.html.

Defending Liberty
Pursuing Justice

SECTION *of* LITIGATION
AMERICAN BAR ASSOCIATION

LITIGATION PRACTICE SOLUTIONS
Sponsor of the ABA Section of Litigation
LexisNexis®

NONPROFIT ORGANIZATION
U.S. POSTAGE
PAID
AMERICAN BAR ASSOCIATION

American Bar Association
321 N. Clark Street
Chicago, IL 60610