PUBLIC

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION
OFFICE OF ADMINISTRATIVE LAW JUDGES
FTC DOCKET NO. D09423

ADMINISTRATIVE LAW JUDGE: JAY L. HIMES

IN THE MATTER OF:

NATALIA LYNCH **APPELLANT**

THE AUTHORITY'S BRIEF ON REDACTED DOCUMENTS

Pursuant to the Administrative Law Judge's Order entered on July 11, 2024, the Authority hereby submits the following response to the questions posed in Paragraph 5 of the Order.

As previously articulated, Mr. Boehning is a Covered Person as that term is defined in the ADMC Program, as well as in the Horseracing Integrity and Safety Act of 2020. He is also registered with the Authority and is the Designated Owner of at least one Covered Horse. The public database Equibase identifies the owner of that particular Covered Horse as Blue Bison Stable and Hoffman Thoroughbreds. Mr. Boehning (c/o Paul Weiss Rifkind et al.) is listed as the agent for service of process of Blue Bison Stable on the New York Department of State Website. Based on a search in Equibase, the trainers that Blue Bison Stable has used from the period of 2009 to 2024 include Ray Handal, Jeremiah Englehart, Rick Dutrow, Jr., Linda Rice, Michelle Nevin, Conor Murphy, Chad Brown, Michael Hushion, Carl Domino, Monk Hall, and James Jerkens.

Paragraph 5(a)(3) of the Court's July 11, 2024 Order presents a hypothetical in which the attorney to whom disclosure is prohibited "has no business relationship with, or a financial interest in, the recipient party [i.e., Ms. Lynch] other than that arising from the attorney's engagement as counsel in the litigation or as counsel in other matters." This, however, is not the relationship that is of concern to the Authority and HIWU with respect to the information redacted in the two documents at issue. Rather, the concern stems from the relationships Mr. Boehning may have as an Owner and Covered Person with third parties who are mentioned in the redacted portions of the document, or who are in competition with the third parties mentioned in the redacted portions of the documents.

Although we did not find any authority directly on point, *Interactive Coupon Mktg. Grp., Inc. v. H.O.T. Coupons LLC*, is instructive. 1999 WL 618969, *2 (N.D. Ill. Aug. 9, 1999) (attached

hereto). In *Interactive Coupon*, the court denied certain retained counsel access to confidential materials because in addition to their role as trial counsel, those lawyers prosecuted patents for the plaintiff. In weighing whether counsel should have access to the defendant's confidential information, the court "balance[d] the risk of inadvertent disclosure of trade secrets to competitors against the risk of impairing the process of litigation by denying access." *Id.* at *2. The court determined that the patent prosecution activities could be "shaped by confidential information. . . obtained through the discovery process" to the detriment of the defendant and therefore found it appropriate to withhold such information from patent counsel. *Id.* at *3-4. The concern here is similar, namely that Mr. Boehning will gain access to competitively sensitive information about third parties that could be used to the detriment of those parties, others in competition with those third parties, or ongoing investigations. Indeed, the redacted portions in the second document provided to the Court include information about various allegations and pending investigations for which no notices or charges have been filed and disclosure could potentially undermine ongoing investigations.

Given the irrelevance of the redacted portions of the document, the fact that the document is not responsive to the document subpoena entered in this case, but rather HIWU disclosed the unredacted portions of this document voluntarily, we urge the Court to permit HIWU to maintain the redactions.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 12th day of July, 2024.

/s/*Bryan H. Beauman*

BRYAN BEAUMAN
REBECCA PRICE
333 W. Vine Street, Suite 1500
Lexington, Kentucky 40507
Telephone: (859) 255-8581

bbeauman@sturgillturner.com
rprice@sturgillturner.com
HISA ENFORCEMENT COUNSEL

MICHELLE C. PUJALS
ALLISON J. FARRELL
4801 Main Street, Suite 350
Kansas City, MO 64112
Telephone: (816) 291-1864
mpujals@hiwu.org
afarrell@hiwu.org
HORSERACING INTEGRITY & WELFARE UNIT, A DIVISION OF DRUG FREE SPORT LLC

LEE POPKIN
Eleven Times Square
New York, NY 10036-8299
Telephone: (212) 969-3326
PROSKAUER ROSE LLP
lpopkin@proskauer.com

PAUL J. GREENE
254 Commercial Street, Suite 245
Portland, Maine USA 04101
Telephone: (207) 747-5899
GLOBAL SPORTS ADVOCATES, LLC
pgreene@globalsportsadvocates.com

CERTIFICATE OF SERVICE

Pursuant to Federal Trade Commission Rules of Practice 4.2(c) and 4.4(b), a copy of this Statement is being served on July 12, 2024, via Administrative E-File System and by emailing a copy to:

Hon. Jay L. Himes
Office of Administrative Law Judges
Federal Trade Commission
600 Pennsylvania Ave. NW
Washington DC 20580
Via e-mail: Oalj@ftc.gov

April Tabor
Office of the Secretary
Federal Trade Commission
600 Pennsylvania Ave. NW
Washington, DC 20580
Via email: electronicfilings@ftc.gov

H. Christopher Boehning and Grant S. May
Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019
(212) 373-3061
Via email: cboehning@paulweiss.com
gmay@paulweiss.com
Attorney for Appellant

/s/ *Bryan Beauman*

Enforcement Counsel

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United States District Court, N.D. Illinois, Eastern Division.

INTERACTIVE COUPON MARKETING GROUP, INC. d/b/a Coolsavings, Plaintiff,
v.
H.O.T! COUPONS, LLC., Defendant.

No. 98 C 7408.
|
Aug. 9, 1999.

MEMORANDUM OPINION AND ORDER

GOTTSCHALL, J.

***1** Plaintiff, Interactive Coupon Marketing Group, Inc. ("Coolsavings") has filed a motion to reconsider this court's Memorandum Opinion and Order of June 7, 1999 (the "Opinion"), which barred plaintiff's attorneys who are engaged in patent prosecution work from reviewing H.O.T. Coupons' confidential information produced in the course of this litigation. For the reasons stated below, plaintiff's motion to reconsider is denied and its motion for clarification is granted.

BACKGROUND

In the Opinion, the court set forth the factual scenario which underlies this litigation. Briefly, Coolsavings sues its competitor H.O.T. Coupons for patent infringement. H.O.T. Coupons moved to disqualify plaintiff's counsel because the firm acted as both trial counsel and patent prosecution counsel for Coolsavings and might be called as witnesses at trial. In the Opinion, that motion was denied and it is not challenged here. However, the court barred plaintiff's patent prosecution counsel from reviewing any of H.O.T. Coupons' confidential information. Coolsavings seeks review of that portion of the Opinion.

In the Opinion, the court relied on the declaration of Coolsavings' president, Hillel Levin, in assessing the extent of plaintiff's counsel's involvement in Coolsavings' affairs. In his declaration, Levin emphasized the critical role that the law firm Niro, Scavone, Haller & Niro ("Niro Scavone") plays as Coolsavings' counsel. Specifically he made the following statements:

> "Niro, Scavone, Haller & Niro is currently responsible for maintaining all of Coolsavings' intellectual property and has done so since almost the inception of the company...." Decl. Hillel Levin (April 30, 1999) ("Levin Decl. I"), at ¶ 3.
>
> Niro Scavone "has become intimately familiar with Coolsavings' technology and business operations. Also, counsel has become involved with various licensing and litigation matters." *Id.* at ¶ 4.
>
> Niro Scavone "know[s] our personnel, they reviewed our documents, and participated in several high level management meetings regarding intellectual property. This history uniquely qualifies Niro, Scavone, Haller & Niro to represent Coolsavings in litigation matters involving its '648 patent." *Id.* at ¶ 5.

In Coolsavings' motion to reconsider, it submitted a second declaration by Hillel Levin that presumably is intended to paint a different picture of Niro Scavone's role in Coolsavings' affairs. Levin explained that the firm's representation was limited to legal advice relating to intellectual property matters and stated that the firm has no involvement in business planning. Levin testified:

> Niro Scavone "has become intimately familiar with CoolSavings' technology and business operations, but only in connection with its representation of CoolSavings on intellectual property matters, such as litigation, licensing and patent prosecution." Decl. Hillel Levin (June 21, 1999) ("Levin Decl. II"), at ¶ 4.
>
> ***2** Niro Scavone "do[es] not act as CoolSavings' 'business advisors' or participate in CoolSavings' 'competitive business decisions.' Moreover, the Niro Scavone law firm does not participate in decisions about CoolSavings' pricing or design." *Id.* at ¶ 5.
>
> "While CoolSavings' personnel have met with attorneys at the Niro Scavone law firm, such meetings have been limited to discussions about CoolSavings' intellectual property, not general business planning or strategizing meetings." *Id.* at ¶ 6.
>
> "No one at the Niro Scavone law firm is a member of the CoolSavings' Board of Directors. To my knowledge, no one

at the Niro firm is related to anyone at CoolSavings." *Id.* at ¶ 8.

DISCUSSION

The issue to be decided is whether plaintiff's patent prosecution counsel at Niro Scavone should be denied access to H.O.T. Coupons' confidential information. "In evaluating whether ... counsel should have access, a court should balance the risk of inadvertent disclosure of trade secrets to competitors against the risk of impairing the process of litigation by denying access." *Thomas & Betts Corp. v. Panduit Corp.,* No. 93 C 4017, 1997 WL 603880, * 12 (N.D.Ill. Sep. 23, 1997) (*citing* *Brown Bag Software v. Symantec,* 960 F.2d 1465, 1470 (9th Cir.1992). A key factor in assessing the risk of inadvertent disclosure of trade secrets is whether counsel is engaged in competitive decisionmaking. *Brown Bag Software,* 960 F.2d at 1470. Involvement in competitive decisionmaking refers to counsel's actual "advice and participation in any or all of the client's decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor." *United States Steel Corp. v. United States,* 730 F.2d 1465, 1468, n. 3 (Fed.Cir.1984)).

H.O.T. Coupons argues that it is not necessary to find that Niro Scavone was involved in Coolsavings' business affairs because the firm's involvement in patent prosecution is enough to find that it was engaged in competitive decisionmaking. For this proposition, H.O .T. Coupons relies on two district court decisions that denied access to outside patent counsel engaged in patent prosecution work because the nature of patent prosecution work constituted involvement in competitive decisionmaking. *See* *Mikohn Gaming Corp. v. Acres Gaming Inc.,* 50 U.S.P.Q.2d 1783 (D.Nev.1998); *Motorola, Inc. v. Interdigital Tech. Corp.,* 1994 U.S. Dist. LEXIS 20714 (D.Del.1994). In *Mikohn,* the plaintiff sought to deny outside defense counsel access to plaintiff's confidential technical information during the course of the patent infringement action. Defense counsel testified that his only association with the defendant was as its outside patent counsel, providing counseling and legal advice in the field of intellectual property. *Mikohn,* 50 U.S.P.Q.2d at 1784. He denied that he participated in marketing, product development, design, or pricing. *Id.* Although the court credited the attorney's statements, the court still denied access because the law firm was prosecuting patent applications directly related to the patents-in-suit. *Id.* at 1785. The court concluded that the advice rendered by the firm was "intensely competitive." *Id.* The court also noted that the defendant had invested in the attorney's technical training and concluded that it "cannot be doubted that as patent prosecution counsel [the attorney] works very closely with and advises [defendant] on matters relating to product design." *Id.* at 1786. The court found that the risk of inadvertent disclosure outweighed the burden that the defendant would experience if the firm was denied access, particularly since the defendant had already retained additional outside counsel to litigate the action. *Id.*

***3** In *Motorola,* defendant's attorneys were involved in patent prosecution and trial work for the defendant. The court held that involvement in patent prosecution constituted involvement in competitive decisionmaking and/or scientific research and created a high risk of inadvertent disclosure. The court stated that, like activities that define the scope and emphasis of a client's research and development efforts, "[t]he process of prosecuting patent applications also involves decisions of scope and emphasis...." *Motorola, supra,* at * 11. Further, the court concluded that the attorneys "who were to view Motorola's voluminous confidential information and then later prosecute the patents would have to constantly challenge the origin of every idea, every spark of genius. This would be a sisyphean task, for as soon as one idea would be stamped 'untainted', another would come to mind. The level of introspection that would be required is simply too much to expect, no matter how intelligent, dedicated, or ethical the ... attorneys may be." *Id.* at * 14–15. Accordingly, the court denied access to the attorneys because they prosecuted patents.

The court is not persuaded that it is appropriate to disqualify patent prosecution counsel from an active role in its client's litigation as a matter of course. However, in the case at bar, the Niro Scavone firm has represented and is likely to represent Coolsavings in the prosecution of numerous related patents, and it appears that the firm is deeply involved in representing the client in multiple, related infringement cases in the context of a fluid, developing technology. The court needs to ask whether the firm's prosecution activities are likely to be shaped by confidential information about competitors' technology obtained through the discovery process. The concern is whether the firm's involvement in developing a patent prosecution strategy will be informed by such information to the competitors' detriment.

Coolsavings' submissions have not been helpful to the court. In his first declaration, Mr. Levin, in an obvious attempt to

persuade the court that disqualification of the Niro Scavone firm would have a catastrophic impact on Coolsavings, suggested that the Niro Scavone firm was deeply involved in Coolsavings' business decisionmaking in the area of intellectual property; that is how the court interpreted his declaration, although with the wisdom of hindsight the declaration appears rather vague in spots. Then, in his second declaration, Mr. Levin attempts to persuade the court that the Niro Scavone firm is not involved in business decisions. This declaration, however, is even more vague than the first one and really says nothing. This court cannot make much sense of a statement like, "[T]he Niro Scavone law firm has become intimately familiar with CoolSavings' technology and business operations, but only in connection with its representation of CoolSavings on intellectual property matters...." In this court's view, competitive decisionmaking is not limited to decisionmaking about pricing and design but can extend to the manner in which patent applications are shaped and prosecuted. *See* *U.S. Steel,* 730 F.2d at 1468, n. 3 (Involvement in competitive decisionmaking refers to counsel's actual "advice and participation in *any or all of the client's decisions* (pricing, product design, etc.) *made in light of similar or corresponding information about a competitor."*) (emphasis added). Levin's vague declaration does not provide a basis for reconsideration. Courts confronted with such vague statements have no choice but to assume disabling involvement. *See* *Carpenter Tech. Corp. v. Armco, Inc.,* 132 F.R.D. 24 (E.D.Penn.1990) (denying access to in-house attorney because his vague testimony that he had "no *direct* responsibility or authority over competitive decisions" led the court to assume that he had at least some involvement) (emphasis added).

***4** Coolsavings has attempted to walk a fine line, using careful wording to try to persuade the court first of Niro Scavone's central involvement with Coolsavings' activities and then of its peripheral status. It has been too shrewd for its own good, convincing the court of nothing other than that the concerns raised by H.O.T. Coupons have not been answered. Accordingly, the motion to reconsider is denied. The court's order of June 7, 1999 is, however, clarified as follows: all of plaintiff's attorneys who are privy to confidential information obtained from defendant in discovery shall not participate in the prosecution of any patent application for plaintiff relating to the subject matter of the patents in suit during the pendency of this case and for one year after the conclusion of this litigation, including appeals.

All Citations

Not Reported in F.Supp.2d, 1999 WL 618969

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