

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

APELDYN CORPORATION,)	
)	
Plaintiff,)	
)	
v.)	
)	C.A. No. 08-568-SLR
AU OPTRONICS CORPORATION; AU)	
OPTRONICS CORPORATION)	
AMERICA; CHI MEI)	
OPTOELECTRONICS CORPORATION;)	
CHI MEI OPTOELECTRONICS USA,)	DM 2
INC.; SAMSUNG ELECTRONICS CO.,)	
LTD; SAMSUNG ELECTRONICS)	
AMERICA, INC.; SHARP)	
CORPORATION; SHARP ELECTRONICS)	
CORPORATION; SONY CORPORATION;)	
AND SONY ELECTRONICS, INC.,)	
)	
Defendants.)	

**SPECIAL MASTER’S REPORT AND RECOMMENDATIONS
REGARDING DISPUTED PROVISIONS OF PROPOSED PROTECTIVE ORDER (DM 2)**

The matter comes before the Special Master on the parties’ joint motion for approval and entry of a proposed Protective Order (the “Protective Order”) to govern the discovery of confidential materials in this case.

Background

On September 14, 2009 the parties submitted a draft protective order (the “Protective Order”) highlighting four areas of disagreement. (see D.I. 142). The Court held a discovery conference on paragraphs 8, 9, 24, and 25 (the “Disputed Provisions”) the same day. (Id.) Following the discovery conference, the Court directed the parties to meet and confer regarding the Disputed Provisions of the

Protective Order. The parties were unable to reach a resolution regarding the Disputed Provisions. On January 6, 2010, the Court referred all discovery matters in this case to the Special Master (D.I. 188).

On January 27, 2010, Plaintiff Apeldyn Corporation (“Plaintiff” or “Apeldyn”) submitted an opening letter brief regarding the Disputed Provisions (D.I. 208). On February 3, 2010, Defendants AU Optronics Corporation, AU Optronics Corporation America, Chi Mei Optoelectronics Corporation, Chi Mei Optoelectronics USA, Inc., Sharp Corporation, Sharp Electronics Corporation, Sony Corporation and Sony Electronics, Inc. (collectively “Defendants”) submitted an answering letter brief regarding the Disputed Provisions (“Defendants’ Answering Brief”) (D.I. 223). On February 8, 2010, Apeldyn submitted a reply letter brief regarding the Disputed Provisions (D.I. 227). A telephonic hearing (the “Hearing”) was held on February 19, 2010 regarding the Disputed Provisions. At the Hearing the parties agreed to further meet and confer regarding several proposals offered by the Special Master discussed herein.

Having read and considered the papers submitted by the parties and having heard and considered the parties’ oral arguments made before the Special Master, the Special Master makes the following recommendations:

I. DISPUTED PROVISIONS

A. Paragraph 8

At the Hearing, the Special Master proposed a template regarding Paragraph 8 for the parties’ review and comment (see Hr’g Tr. at 8:3 to 9:8) and (D.I. 240);

By correspondence dated February 24, 2010, the Special Master has been advised that the parties reached agreement on all aspects of Paragraph 8 except for two words marked with emphasis below:

Each individual who receives any documents, information, or things (other than purely financial documents, information, or things) designated as CONFIDENTIAL – ATTORNEYS’ EYES ONLY -- or testimony or other discovery containing or describing such documents, information or things – from the time the CONFIDENTIAL – ATTORNEYS’ EYES ONLY material is received until one (1) year following the final resolution of all the above captioned action and of any and all appeals of such action, shall not supervise or participate in the drafting, filing, or prosecuting of patent applications broadly related to: liquid crystal video display driver technology, including for example video processing circuits, software for video signal processing, LCD **timing** controllers, drive circuits, or driver methodologies, algorithms, or timing characteristics; **stacked** liquid crystal cell optical retarders; television tuners; or audio drivers; but not including, for example, technology specifically addressed to liquid crystal display manufacturing methods, backlighting, or power supplies.

(see D.I. 243 at 2).

(i.) Plaintiff’s Position

Plaintiff argues that the term “controllers” has no context without the word “timing” before it.

(see D.I. 242 at 2).

Plaintiff also asserts that the word “stacked” is necessary “or the term liquid crystal cell optical retarders can be interpreted far too broadly.” (Id.)

(ii.) Defendants’ Position

Defendants represent that upon further review of their respective document productions, documents disclosing sensitive technical information regarding controllers within their LCD products other than timing controllers, i.e. “host controllers”, were produced to the Plaintiff (see D.I. 243 at 2). Thus, Defendants contend that the word “timing” should be omitted from Paragraph 8. Defendants also confirmed that they have not withheld documents on the basis that the products to which they relate utilize “non-stacked” cell retarders. (Id.)

(iii.) Special Master’s Recommendation Regarding Paragraph 8

The Special Master recommends that Defendants’ position be adopted and that the words “timing” and “stacked” be omitted from Paragraph 8 as set forth above. In this regard, the Special

Master agrees with the Defendants' position that the scope of the parties' document production should be considered in determining the scope of the prosecution bar. (see D.I. 223 at 2).

B. Paragraph 9

Defendants propose the following language in Paragraph 9:

No individual who participates in any way in proceedings before the United States Patent & Trademark Office (including any consultation regarding or preparation or submissions in such proceedings) regarding United States Patent 5,347,382 (“the ‘382 patent”) shall receive CONFIDENTIAL – ATTORNEY’S EYES ONLY material, nor shall such individual consult with any recipient of CONFIDENTIAL – ATTORNEYS’ EYES ONLY material in any way regarding such proceedings.

(i.) Plaintiff’s Proposal

Plaintiff proposes that Paragraph 9 be omitted from the Protective Order, arguing that this Court’s ruling in Kenexa BrassRing Inc. v. Taleo Corp., 2009 U.S. Dist. LEXIS 12002, **2-3 (D. Del. Feb. 18, 2009), obviates its need. (see D.I. 208 at 2).

(ii.) Defendants’ Proposal

Defendants propose that Paragraph 9 be added to the Protective Order, arguing that the same issues that weigh in favor of a broad prosecution bar support specific restrictions on the restrictions between litigation and reexamination counsel, even when the claims are only narrowed. (see D.I. 223 at 3).

(iii.) Special Master’s Recommendation Regarding Paragraph 9

In Kenexa, 2009 U.S. Dist. LEXIS 12002, **2-3, this Court, in denying a request for a similar provision, held that plaintiffs’ litigation counsel may participate in reexamination proceedings because “[t]he scope of claims cannot be enlarged by amendment in a reexamination”; concluding that “reexamination involves only the patent and the prior art” and therefore “defendants’ confidential information is basically irrelevant to the reexamination”. The Court noted that reexamination was “part

and parcel of the [litigation in question]” as the defendant requested reexamination of plaintiff’s patents in suit. (Id. at *3).

It appears to the Special Master that subsequent to Kenexa the majority trend recognizes that the reexamination process mitigates against broadly stated concerns regarding unfair advantage (see Crystal Image Tech., Inc., v. Mitsubishi Electric Corp., 2009 U.S. Dist. LEXIS 32972, *7 (E.D. Pa. April 17, 2009); see also Document Generation Corp. v. Allscripts, LLC, 2009 U.S. Dist. LEXIS 52874, *8 (E.D. Pa. June 23, 2009) (holding that “[b]ecause the reexamination process prohibits claim amendments that would enlarge the scope of the initial patent, Defendants’ fears of expanded claim scope coverage are largely misplaced”, and citing Kenexa for the proposition that defendants’ confidential information is “basically irrelevant” in reexamination)).

At the same time, courts have imposed restrictions where anyone other than the Defendant seeks reexamination. (see Crystal Image Tech., 2009 U.S. Dist. LEXIS 32972, *7-8 (citing Kenexa, 2009 U.S. Dist. LEXIS 12002, **2-3)); see also Hochstein v. Microsoft Corp., 2008 U.S. Dist. LEXIS 72750 at *2 (E.D. Mich. 2008) (relying on Plaintiff’s representation that his litigation counsel would “not draft new claims, or change the claims at the reexamination” based on confidential information disclosed by the defendant during litigation)).

The Special Master therefore recommends that paragraph 9 as proposed by the Defendants be omitted and that language consistent with Crystal Image, 2009 U.S. Dist. LEXIS 32972 at **9-10, which includes what may be referred to as the “Hochstein oath”, be inserted as Paragraph 9 in the Protective Order as follows:

No attorney or other individual who has access to the other parties’
CONFIDENTIAL – ATTORNEY’S EYES ONLY material designated
pursuant to this Order shall be involved thereafter, in the prosecution or
drafting of patent applications, claim language for patent applications, or
arguments made in support of patent applications, excluding a patent in
reexamination initiated by, for the benefit, or on behalf of an opposing

party in this case, before the U.S. Patent and Trademark Office or foreign patent agencies, and proceedings related to United States Patent 5,347,382 (“the ‘382 patent”). For the purposes of reexamination, any individual’s participation in reexamination proceeding(s) also is expressly conditioned on his/her/its legal obligation, established by Order of the Court, not to use in any way an opposing party’s CONFIDENTIAL – ATTORNEY’S EYES ONLY material to draft new claims, or to amend previously existing claims, through the reexamination process. The above conditions and exclusions continue for a period of one (1) year following the final resolution of all the above captioned action and of any and all appeals of such action.

Plaintiff has agreed to abide by the above provision as recommended by the Special Master.

(See Hr’g Tr. at 38:16-18).

Defendants argue that the language adopted by the Crystal Image Court does not go far enough, and that litigation counsel should not have any involvement in reexamination proceedings. (Id. at 44:4 to 44:19).

The Special Master concludes that, in this District given the ruling in Kenexa, coupled with the proposed language, the Defendants are adequately protected.

C. Paragraph 24

As a consequence of meet and confer discussions subsequent to the Hearing, the parties have reached an agreement with respect to Paragraph 24 as follows:

Should any documents be produced in native format (other than source code, which shall be treated in accordance with paragraph 15, and certain electronic product design files, as discussed in paragraph 25) and designated CONFIDENTIAL – ATTORNEY EYES ONLY, such native files shall be stored or viewed using, or printed out on paper from, only those databases, drives, software and/or other comparable programs by which access to such files is restricted (whether by password-protection or other comparable means) such that only those persons who may properly view such files under the terms of this protective order can do so. The provisions of this paragraph do not relate to, and are not a limitation on, the transmission or review of such native files or documents by experts, consultants, third-party vendors, or any other persons who are authorized to have access to such documents in accordance with paragraph 3(b)-(c) and 4(b)-(c).

(See D.I. 242 at 2).

D. Paragraph 25

As a consequence of meet and confer discussions subsequent to the Hearing, the parties have reached an agreement with respect to Paragraph 25 as follows:

Materials constituting electronic product design files that are produced in native form, subject to and in accordance with Paragraph 26, and which are identified by the producing party as “CONFIDENTIAL” – ATTORNEYS’ EYES ONLY – NATIVE DESIGN FILES” shall be subject to all aspects of this Order as materials designated CONFIDENTIAL – ATTORNEYS EYES ONLY, except to the extent any provisions of this Order conflict with this paragraph. All such native documents shall be stored and viewed by the receiving party only on a stand-alone computer that is not networked to other computers or servers that is maintained in a locked office or conference room at the offices of outside counsel of record. The receiving party shall maintain the original production media containing such native files in a locked drawer inside the locked room. Access to the locked room shall be restricted to only persons who are permitted under this Order to review the designated files, a list of whom the receiving party shall provide to the producing party in advance of such review. If any native file is printed, the printed copy shall be labeled on each page with its designation under this Order, the name of the native file, and its Bates number (if different from the file name).

(See D.I. 242 at 2-3).

CONCLUSION

For the reasons set forth above the Special Master concludes that: (i) Defendants’ proposal regarding Paragraph 8 should be adopted; and (ii) neither of the parties’ proposals with respect to Paragraph 9 of the Protective Order should be adopted.

IT IS THEREFORE HEREBY RECOMMENDED THAT:

1. Defendants’ proposal with respect to Paragraph 8 be adopted, i.e. the words “timing” and “stacked” be omitted from Paragraph 8 as set forth herein;

2. Neither of the parties' proposal with respect to Paragraph 9 be adopted, rather the Special Master's proposal regarding Paragraph 9 be adopted as set forth herein;

3. The parties' agreement with respect to Paragraphs 24 and 25 of the Protective Order be adopted as set forth herein;

4. The parties shall submit to the Special Master a final Proposed Protective Order no later than two days after the Special Master's Report and Recommendation becomes final or no later than two days after the Court issues a Final Order subsequent to any Fed. R. Civ. P. 53(f)(2) exceptions having been taken.

THE SPECIAL MASTER'S REPORT AND RECOMMENDATIONS WILL BECOME A FINAL ORDER OF THE COURT UNLESS OBJECTION IS TAKEN IN ACCORDANCE WITH THE ANTICIPATED ORDER OF THE COURT WHICH SHORTENS THE TIME WITHIN WHICH AN APPLICATION MAY BE FILED PURSUANT TO FED. R. CIV. P. 53(f)(2).

ENTERED this 1st day of March, 2010.



Vincent J. Poppiti (DSBA No. 100614)
Special Master