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Selling to an LLC?

Think Twice and Draft Carefully

By Alisa E. Moen

Late last fall, the Delaware Court of Chancery issued a decision that surprised many business law observers and practitioners. The Chancery Court dismissed creditors' derivative claims brought against the board of directors of a failed and insolvent limited liability company. The Delaware Supreme Court agreed and affirmed the decision.

Plaintiff CML V, LLC ("CML") lent funds to JetDirect Aviation Holdings, LLC ("JetDirect"), a private jet management and charter company. Beginning in 2005, JetDirect undertook an expansion program pursuant to which it acquired other charter and service companies. It was this acquisition campaign that the plaintiff blamed upon the company's eventual demise into bankruptcy. The Complaint alleged, among other claims, that the directors failed to adequately supervise the acquisition efforts and failed to educate themselves on the true financial condition before approving further expansions. Such claims for breaches of fiduciary duties to the company and its ownership would be readily available in the corporate context when the enterprise is insolvent. Not so, when the company is formed as an alternative business entity, such as a limited liability company or a limited

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Taking Advantage of Changing Patent Landscapes

By T. Gregory Peterson

The America Invents Act (AIA), signed into law by President Obama on Sept. 16, 2011, is widely thought to constitute the most significant set of changes to the American patent system since the 1950s. While the most publicized change is the shift from a "first-to-invent" to a "first-to-file," system, the AIA ushers in a number of additional changes that will be phased in over the next 18 months (*see* www.uspto.gov/aia_implementation/aia-effective-dates.pdf for a table providing effective dates for each new provision). The exact impact of the AIA may not be known for some time, as both the federal government and the courts will no doubt provide guidance on the new law's implementation and interpretation. What is clear, however, is that in-house legal departments that are proactive in revisiting their internal strategies will be in the best position to maximize the value of their intellectual property assets in light of the AIA.

'First to File' Provisions

One section of the AIA that deserves careful scrutiny is the revised 35 USC 102. The new section 102 becomes effective March 16, 2013 and codifies the "first-to-file" provisions. The AIA actually provides a hybrid first-to-file system as it retains a modified "grace period" provision. The latter provide that a "disclosure" made one year or less before filing is not prior art if the disclosure is made by an inventor or by someone who obtained the information directly or indirectly from an inventor. In addition, a public disclosure by a third party that is before the inventor's filing date is not considered prior art if the inventor, or someone who obtained the information directly or indirectly from an inventor, made a public disclosure before the third party's disclosure and the inventor's filing was made within a year of the inventor's disclosure. As a result of this change, a first inventor who conceives and reduces an invention to practice but loses the race to file at the U.S. Patent and Trademark Office (USPTO) may lose the right to patent the invention.

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Patent Landscapes

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It should also be noted that the definition of "disclosure" is not provided in the new statute. The relevant statutory text can be read so that commercial activities are not exempted by the new grace period provisions. Companies should carefully monitor their own activities and future court interpretations of the statute to ensure that patent rights are not lost.

The USPTO

There is also a conflict between the AIA's first-to-file mandate and current USPTO examination practice, particularly with respect to how much support a filer must provide for the claimed invention to obtain broad claim scope. While the AIA may suggest that companies adopt a strategy where applications are filed sooner in the development process, with less support for the claimed invention, rather than later, the USPTO's current application of 35 USC 112 suggests otherwise. The USPTO is increasingly demanding that applicants provide more support, not less, for the claimed invention, especially in the unpredictable arts. This factor suggests a strategy of filing later in the development process when more support for the claimed invention may be provided. In-house legal departments should carefully consider both of these opposing conditions when developing filing strategies.

What In-House Legal Departments Should Do

To effectively deal with the changes introduced by the AIA, in-house legal departments should review internal IP disclosure programs and decision-making processes to make sure internal procedures are flexible enough to provide feedback earlier on in the evaluation process, and to consider the increased impact of pre-filing disclosures by inventors and third parties. In addition to expedited review of disclosures, increased due diligence on the R&D and publication activities of others in the field will be beneficial in developing timely filing strategies.

Pre-emptive Disclosures

A strategy for the use of pre-emptive disclosures, whether in the form of a public disclosure or a provisional patent filing, should also be developed. If foreign patent protection is of secondary importance, the early use of pre-filing disclosures by the inventor should be considered to preserve patent rights in the U.S., as such disclosures are subject to the grace-period exceptions and can trump disclosures of third parties made prior to filing. If foreign patent rights are important, the use of provisional patent filings should be considered to secure an early filing date for the invention while at the same time preserving options for foreign filing.

Allow the Inventor Time

In-house legal departments should make sure any disclosure strategy allows the inventor sufficient time fully develop the invention. Since filing dates may be pushed earlier into the development process, one potential strategy is to file several narrowly tailored provisional applications covering distinct embodiments that can be fully supported during the convention year rather than filing one patent application covering a range of embodiments.

Review Prior Art

Another important change in the new 35 USC 102 is that the scope of what is available as prior art against a patent applicant will be expanded. For instance, the "public use" and "on sale" criteria under the current 35 USC 102(b) were only applicable to activities that occurred in the U.S. while under the AIA the "public use" and "on sale" criteria are applied on a worldwide basis. In addition, the term "or otherwise available to the public" is also included without definition and may allow a wider scope

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Common Mistakes That Encourage Employees to Seek Legal Advice

By R. Scott Oswald

Have you ever wondered why current and former employees seek the advice of outside legal counsel? Below is a list of the most common, yet avoidable, mistakes that can leave a company's current and former employees disillusioned and cause them to seek out outside legal advice.

Failing to Provide COBRA Notices

The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) requires covered employers to permit qualified employees to purchase health care coverage at group rates temporarily. Covered employers must provide notice to qualified beneficiaries of their right to purchase COBRA coverage within 30 days of the occurrence of a qualifying event. 29 U.S.C. § 1166(a)(2). A qualifying event includes, *inter alia*, the death of the covered employee, the termination of a covered employee (unless the employee was terminated for gross misconduct), and the divorce or legal separation of the covered employee from the employee's spouse. 29 U.S.C. § 1163. When employers fail to provide their employees with a COBRA notice in a timely fashion, employees become concerned and seek legal assistance in obtaining the continuation of their benefits.

Employers should maintain form COBRA notices on file so that when they terminate employees, they can send the employee the requisite notice, informing employees of their rights relating to extending their health care coverage, as expeditiously as possible. The Department of Labor (DOL) provides a comprehensive guide to COBRA at www.dol.gov/ebsa/pdf/cobraemployer.pdf.

Failing to Compensate Employee Wages Due

The Fair Labor Standards Act of 1938, 29 U.S.C. § 201 *et seq.* (FLSA), and many state wage and hour laws require employers to pay their employees their wages earned on a timely and regular basis. Many states also require employers to pay their employees the balance of their accrued leave when their employment terminates. An employer's failure to pay the employee's outstanding wages and/or vacation time, to the extent required, in a prompt manner often prompts an employee to seek legal assistance in obtaining the compensation owed to them. *See* D.C. Code Ann. § 32-1301(3).

Employers should seek the advice of counsel to determine whether they are required to pay their terminated employees their outstanding leave balances. They should then include a statement as to what monies will be paid to departing employees in their employee manual so that all employees are aware, at the beginning of their employment, of what will be paid to them when they depart.

Employers also fail to carefully analyze the relevant portions of the FLSA and the Code of Federal Regulations relating to which employees must be paid overtime. Although employers should seek legal advice as to whether they must pay overtime to their employees, the relevant portion of the Code of Federal Regulations is quite thorough. *See* 29 U.S.C. §213, 29 C.F.R. § 778.0, *et seq.*

A complaint for unpaid regular or overtime wages due can be quite costly. Should an employee prevail on such a claim, an employer can be liable not only for the employee's unpaid wages, but also for the employee's reasonable attorneys' fees, and an equal amount as liquidated damages. 29 U.S.C. § 216(b).

Ignoring Employee Complaints

Federal law does not require an employer to establish or to follow its own written protocols relating to receiving and investigating employees' complaints. However, failing to acknowledge or discuss employees' complaints regarding, for example, discrimination, waste, or fraud can demonstrate an employer's bad faith or can constitute admissible evidence in support of punitive damages. If an employer establishes a protocol for handling its employee complaints and follows its protocol, an employer is more likely to avoid a finding of discrimination and to avoid the imposition of punitive damages.

Frequently, employees simply wish to have their complaints acknowledged. If an employer receives an employee complaint, it should acknowledge the employee's complaint, in writing, regardless of the facial validity of the complaint. The employer should also inform the employee of the general actions that the employer plans to take regarding the employee's complaint. When the employer concludes its process, it should inform the employee of the actions it took in examining his or her complaint, and of the conclusions the employer has reached. Keeping the employee informed as to the status of his or her complaint will persuade the employee that the employer is taking his or her complaint seriously.

Disregarding Employee Discipline Protocols

Nor does federal law require private employers to establish employee discipline protocols. As when employers ignore their complaints, employees feel wronged when

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Common Mistakes

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employers do not follow their own written protocols relating to discipline of employees.

For example, issuing performance improvement plans (PIPs) when a deficiency is discovered could protect an employer's interest practically and legally. By issuing PIPs, employers could prevent chagrin on their part and on the part of their employees, as well as legal action. Employers could even revitalize problem employees by issuing detailed PIPs that clearly lay out their expectations for their employees' conduct and the specific actions that employees may take to meet those expectations. By issuing performance improvement plans when an employee's performance suffers, employers can insulate themselves from retaliation claims should they need to terminate an employee who has engaged in statutorily protected activity.

Delaying Response to Accommodation Request

The Americans with Disabilities Act (ADA) permits a qualified individual with a disability to seek an accommodation from his employer that would permit him or her to continue working. The ADA contemplates an interactive process through which both the employer and the employee seek to identify a reasonable accommodation of the employee's disability.

Once an employer learns that an employee requires an accommodation to continue performing his or her job, the employer must engage in "an interactive process with the employee to identify and implement appropriate reasonable accommodations." *Barnett v. U.S. Air*, 228 F.3d 1105, 1114 (9th Cir.2000). "The interactive process requires communication and good-faith exploration of possible accommodations between employers and individual employees, and neither side can delay or obstruct the process." *Humphrey v. Mem'l Hospitals Ass'n*, 239 F.3d 1128, 1137 (9th Cir. 2001), citing *Barnett* at 1114-15; *Beck v. University of Wis. Bd. of Regents*, 75 F.3d 1130, 1135 (7th Cir.1996). *See also* 29 C.F.R. § 1630.2(o)(3), *Crabill v. Charlotte Mecklenburg Bd. of Educ.*, 423 F. App'x 314, 322-23 (4th Cir. 2011), *Taylor v. Phoenixville School Dist.*, 184 F.3d 296, 311–12 (3d Cir.1999); *Taylor v. Principal Fin. Group, Inc.*, 93 F.3d 155, 165 (5th Cir.1996).

Like the good practice of immediately acknowledging employees' complaints, an employer should immediately acknowledge an employee's request for an accommodation in writing, and should inform the employee of what steps the employer will take to address the employee's request. The employer should be sure to meet with the employee to discuss his or her needs even if the employee has already submitted a detailed written request.

An employer's prompt response to an employee's request can preserve the parties' relationship. Conversely, an employer's delay in responding to the employee's accommodation request or in discussing the employee's desired accommodation can lead an employee to seek advice as to his or her rights under the ADA.

Terminating an Employee on FMLA Leave

In addition to providing covered employees up to 12 weeks of unpaid (qualified) medical leave annually, the FMLA also protects employees from retaliation for exercising their rights to request or use that leave. 29 U.S.C. § 2615. An employer's termination of an employee who is currently using FMLA leave can be direct evidence of FMLA retaliation. It would also limit the employer's ability to prove that its reason for terminating the employee was non-discriminatory or non-retaliatory. For example, an employee who is on FMLA leave likely cannot engage in misconduct and cannot demonstrate poor performance.

If an employer finds that it must terminate an employee who is out on FMLA leave, it should ensure that it has an independently confirmable legitimate business reason for terminating that employee. Further, the employer should be able to demonstrate that its legitimate business reason does not in any way relate to the employee's use of FMLA leave, or the circumstances surrounding that employee's use of FMLA leave.

Providing Inadequate Notice of Terminations

An employer can also cause an employee to seek legal advice when the employer does not notify an employee of his termination in a prompt manner. If an employee learns of his termination through a third party or through the employer's work schedule (*i.e.*, the employee is not scheduled to work), an employee is more likely to seek legal advice regarding his employment rights.

When an employer decides to terminate an employee, it should provide a terminated employee with a written notice of termination as soon as is practicable. The employer should not disclose the fact of or reason for the employee's termination to anyone within the company, unless necessary, to avoid gossip. Further, although employers may not prefer to state a reason for the termination of an employee, the notice of termination should also provide a reason for the employee's termination and should provide the employee's internal appeal rights, if any.

Escorting Employee Off Employer's Premises

Employees are also prompted to contact employment attorneys after suffering the indignity of being escorted from their employers' premises by security or management. Where an employee is terminated for engaging in severe misconduct, an employer's desire to escort him off the premises is understandable. Nonetheless, the employer should avoid making a spectacle of the employee's termination. The employer should quietly and discretely ask the employee to gather his or her things and to leave the premises, with a manager or security officer following the employee only if the employee

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WARNING! Time To Appeal Orders Compelling or Denying Arbitration Is NOW

By Fernando M. Pinguelo and Andrew D. Linden

The Supreme Court of New Jersey recently delivered a clear message regarding the time within which to appeal decisions concerning arbitration: Any order compelling or denying arbitration is deemed final and appealable as of the date entered, even if the arbitration order is limited to some, but not all, claims and parties.

In *GMAC v. Pittella*, 205 N.J. 572 (2011), the court clarified any previous confusion regarding whether an order compelling arbitration as to one or more parties, but not all parties, is final for purposes of appeal. New Jersey's position on this issue is rather unique, as it joins Maryland as the only other state to decide definitively that orders affecting the rights of some parties or claims, but not all, are final for purposes of appeal. *See Thompson v. Witherspoon*, 12 A.3d 605 (Md. App. 2011).

Other Jurisdictions

Courts in other jurisdictions have found that orders compelling or denying arbitration are immediately appealable because the orders are deemed to be "final" or affect a "substantial right," albeit not in the same context of whether an order compelling or denying arbitration as to some parties, but not all, is ripe for immediate appeal. *See, e.g.*, Connecticut, Iowa, Louisiana, Mississippi, and Nebraska. Meanwhile, courts in some jurisdictions have held that an order compelling arbitration is interlocutory and not directly appealable at the time the order is entered. *See, e.g.*, California.

The Case in New Jersey

In *GMAC*, Pittella entered into a contract with Pine Belt Enterprises to finance a car she purchased from the car dealer. Pittella also signed an arbitration agreement, affording either party the choice of having the dispute resolved through binding arbitration. The dealer assigned the contract to GMAC, which subsequently repossessed the car for non-payment. Thereafter, GMAC initiated a lawsuit against Pittella to recover the deficiency balance. Pittella filed an answer, counter-claim and a third-party complaint against the dealer. The dealer filed a motion for summary judgment to compel arbitration, which the trial court granted. Several months later, Pittella and GMAC resolved the dispute pending in state court and filed a stipulation of dismissal.

> ***Any order compelling or denying arbitration is deemed final and appealable as of the date entered …***

Pittella filed a notice of appeal within 45 days of the filing of the stipulation of dismissal. The dealer moved to dismiss the appeal as untimely, arguing that Pittella's time to appeal ran from the date the order compelling arbitration was entered, not from the date the state court action was resolved via her settlement with GMAC. Pittella maintained that her time to appeal did not run from the entry of the order compelling arbitration because that order did not dispose of all issues as to all parties, and therefore, was not final for purposes of appeal. The appeals court found in favor of Pittella, denying the dealer's motion to dismiss. The dealer then appealed to the Supreme Court of New Jersey.

The Appeal

The court decided to hear the appeal to determine whether orders compelling arbitration as to some, but not all parties, are excepted from the holding of *Wein v. Morris*, 194 N.J. 364 (2008), which stated that orders compelling arbitration are final and can be appealed immediately as of right. Specifically, in *Wein*, the court held that once a trial court compelled the parties to proceed in arbitration, that decision ended the litigation in the euperior court and was final because there was nothing left to decide between the parties. Pittella argued that *Wein* did not apply to her case because the order compelling her to arbitrate did not resolve all issues as to all parties — GMAC's deficiency claim remained with the trial court. Conversely, *Wein* addressed arbitration orders resolving all of the issues as to all parties.

The *GMAC* court, citing the Uniform Arbitration Act's directives to promote uniformity and expeditious arbitrations, held that all orders compelling or denying arbitration are final orders for appeal purposes. The court added that a party must make a timely appeal from the entry of the order, rather than "await[ing] the results of the arbitration and gambl[ing] on the results."

Fortunately for Pittella, the *GMAC* court found that prior to its decision, it was not clear whether an order compelling arbitration, which did not address all issues and all parties, was final for purposes of appeal.

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Selling to an LLC?

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partnership. To some, until recently, this was a distinction without a difference. Now — lender beware.

The Plain Language of the Delaware LLC Act

The court explained that in a corporate setting, Delaware law is well-settled — when a corporation is insolvent, its creditors become the principal constituents injured by any fiduciary breaches that diminish the corporation's value. The creditors therefore have standing to pursue derivative claims against the directors of an insolvent corporation. Defendant Jet Direct, however, is a Delaware limited liability company. In the Court of Chancery, CML argued that the same equitable considerations of judicially conferred standing to a party who can bring claims in the name of the entity should apply in the context of an LLC, and should entitle creditors to sue derivatively in the name of the insolvent entity. The court declined this invitation to extend the prevailing corporate analysis by analogy to LLCs because such entities are created by statute. In writing the dismissal, Vice Chancellor J. Travis Laster noted that prior decisions and scholarly commentary have either presumed derivative standing for creditors of alternative entities, without directly addressing the issue, or avoided the question entirely. But, when confronted with the actual fact pattern and in the absence of precedent, the court found that the literal terms of the governing statute — the Delaware LLC Act — must control. The LLC Act, similar to other alternative entity statutes (in Delaware and other states), creates both a right to bring a derivative claim and defines a proper plaintiff. Indeed, when dealing with any alternative entity it is not just prudent due diligence to review the formation agreements, but also to review the statute pursuant to which the entity is created.

In this case, under the plain language of the Delaware LLC Act, only a member or an assignee of a member can bring a derivative suit. The lower court cautioned that it is not the court's job to go beyond the clear and unambiguous legislative directive stated in the LLC Act and inject into the statute concepts borrowed from corporate common law precedents. The Supreme Court agreed. Sitting en banc, the court affirmed Vice Chancellor Laster's decision dismissing all claims.

On Appeal

On appeal, CML focused the court's review on two issues: 1) that 6 Del. C. §§ 18-1001 and 18-1002 do not deprive creditors of standing to bring derivative actions on behalf of insolvent LLCs; but 2) if they do, those provisions unconstitutionally deprive the Court of Chancery of its equity jurisdiction. The Supreme Court rejected both contentions.

Not surprisingly, the Supreme Court started its inquiry by reviewing the plain language of the statute. It instructed that when "statutory text is unambiguous, [the courts] must apply the plain language without any extraneous contemplation of, or intellectually stimulating musings about, the General Assembly's intent." Indeed, the court found that §§ 18-1001 and 18-1002 serve very different purposes, one creating the right to bring a derivative action on behalf of an LLC and the other conferring derivative standing on members and assignees. In so doing, the legislature was both free and "well suited," the court found, to make policy choices and impose statutory limitations on derivative standing on entities other than corporations. While the Delaware LLC Act otherwise provides numerous protections to creditors, the legislature did not see fit to confer standing to creditors to sue in the name of the company. For instance, members are precluded from making distributions when the company's liabilities exceed its assets. Here, the court was not inclined to employ judicial activism to expand the legislative boundaries.

Indeed, the court then emphasized that in the LLC context specifically, the Delaware legislature had espoused a clear legislative intention to allow interested parties to define the contours of their relationship with each other. Creditors, therefore, have significant contractual flexibility to protect their unique interests and must employ tools already available to them. And going forward, creditors should draft carefully the provisions they deem appropriate keeping in mind that they otherwise would have no standing to sue derivatively.

On the question of constitutionality, CML argued that the Delaware LLC Act impermissibly curtailed the Court of Chancery's equitable jurisdiction to less than that extant in 1792 when Delaware ratified its first constitution. The Supreme Court disagreed. It noted that LLCs did not come into existence until 1992, when the LLC Act was signed into law. As such, when adjudicating the rights, remedies, and obligations associated with Delaware LLCs, the courts must look to the LLC Act as the only statute that creates those rights, remedies and obligations. In so reasoning, the court held that §§ 18-1001 and 18-1002 embody a valid exercise of legislative authority, and the limitation so imposed on derivative standing does not impinge upon the constitutional jurisdiction of the Court of Chancery. Under these circumstances, there was no room for the common law to override the statutory mandate.

Conclusion

This ruling is important to the lending community. It will be critical, in the future, for banks and other lenders to LLCs and other alternative statute-created entities to protect their rights in the event of a default. As it stands right now, under Delaware law, present creditors of insolvent LLCs have one less avenue to be made whole.

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Expert Witness Evaluation

Strategic Uses of Online Information

By Timothy W. Hoover and David V. Dilenschneider

The last several years have seen an explosion as to the online availability of information that can be used to investigate an expert witness: transcripts of testimony, expert reports, verdict and case reports, curriculum vitae — the list goes on and on. Almost any legal professional who has researched an expert knows that such information is available through commercial vendors or via a search of the "open Web." So, this article will not address how to find such information. Rather, what follows are some insights — some strategic tips — on what to do with that information once you have it.

Transcripts

In addition to uncovering inconsistencies, many other strategic uses of transcripts exist. An obvious use of transcripts of an expert's prior testimony is simply to read them to determine whether anything said in a prior lawsuit is inconsistent with what that expert is prepared to say in yours. Such an inconsistency might be used to discredit the expert during a deposition or at trial.

But use transcripts in other creative ways. For instance, transcripts that merely mention the expert, but are not her own words, are valuable as well. When attorneys depose an expert, they often ask that person about the other experts involved in the case. If this occurs, sometimes a responding expert will be very candid and say something along the lines of: "opposing expert Dr. Smith is not qualified to testify about this area, as his expertise lies elsewhere … " Understanding how an expert is "viewed" by his peers is very important and may shed light on his credibility in the relevant community.

Another way to use transcripts is to understand how that expert testifies. As you read the words, did it seem that the expert was cool, calm and collected — she had her testimony down pat? Or, perhaps, the expert got argumentative, suggesting that she is a "hot head" and is easily rattled. Maybe the expert was evasive when it came to a certain line of questioning. Does it seem that the expert has the propensity to not answer questions and, instead, tap dances around a clean, crisp answer? Understanding such matters will better prepare you for taking that expert's deposition.

Finally, as you review the testimony of expert, notice even the little things. A keen eye might recognize a brief Q and A that is seemingly meaningless and not relevant to the issues of the case. But then consider why that Q and A took place at all. Was the deposing attorney trying to make a less-than-explicit point with the expert?

For instance, we have both seen and heard of instances when a deposing attorney, in the midst of a deposition, has referenced personal information about the expert (*e.g.*, a personal bankruptcy, ownership of a second home, etc.). Relevant to the issues involved in the case? Likely not. An inappropriate and possibly objectionable inquiry? Possibly yes. The strategic use? To subtly put that expert on notice that the deposing attorney has thoroughly researched him, and knows everything about him. It really happens.

Expert Reports

Like transcripts, the reports an expert has authored for other lawsuits can be used in a couple ways: One is obvious, the other is not. Again, the obvious use is in the context of inconsistent statements. That is, is something that expert wrote two years ago in a report inconsistent with a position she is taking in your case?

However, as you compare old reports with the report the expert has prepared for your case, also look for tremendous consistency. This is necessary because some experts repurpose (basically, "cut and paste" from) old reports. A prominent example of this was reported several years ago. Specifically, an expert on sports economics was shown to have created "virtually identical" pages in a report for a lawsuit involving the Seattle SuperSonics from pages in a report he had authored three years previously for a lawsuit involving the Anaheim Angels. *See* "City Witness Crossed Up. Sonics Lawyer Stymies Sports Economist." *The Seattle Post-Intelligencer* (June 18, 2008).

Curriculum Vitae: Biographical Information

An expert's current curriculum vitae ("CV") provides a number of opportunities for strategic investigation. First of all, check for lies and inconsistencies when it comes to basic current biographical information — that is, simply verify what is stated on that CV. Double-check claimed licensure and certifications, degrees, institutions attended, employment history, etc.

In addition, compare the credentials on that CV with any other current biographical information you can find about that expert. Check out information posted by that expert in any expert directories. Consider viewing the expert's LinkedIn (or other professional or social networking site) profile. Access the expert's website to review any credentials listed there. The point is — gather as much biographical information as you can and then do a side-by-side comparison, looking for discrepancies.

Also compare what the expert currently has listed on her CV with older, dated biographical information. Such older information (*i.e.*, an expert's old CVs) can be obtained not only though online databases,

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but also by contacting attorneys involved in lawsuits the expert worked on previously.

Moreover, consider using the Wayback Machine (www. archive.org) to uncover what the expert listed as his credentials on his website — in the past. The Wayback Machine archives versions of websites as they have existed over time, thereby possibly enabling you to see what the expert listed as her credentials at her website several years ago, and then compare what you find with the current claims on that expert's CV. Are there any inconsistencies? Did the expert previously claim to have attended MIT when, in fact, she got her degree from another, less-prestigious institution? Importantly, several judges have found that printouts of the results from the Wayback Machine are admissible. *See, e.g., Sam's Riverside, Inc. v. Intercon Solutions, Inc.*, 2011 U.S. Dist. LEXIS 62280, *36-37 (S.D. Iowa 2011); *Telewizja Polska USA, Inc. v. Echostar Satellite*, 2004 U.S. Dist. LEXIS 20845, *17-18 (N.D. Ill. 2004).

Finally, double-checking an expert's CV may lead to other interesting information. Inside Job is a 2010 documentary that addressed the worldwide financial meltdown that occurred in the late 2000s. Near the end of the movie, an economics professor from Columbia University is interviewed about a discrepancy on his CV. Specifically, at the time of the interview, the professor's CV listed authorship of a paper titled "Financial *In*stability in Iceland." Yet the actual title of that paper was "Financial *Stability* in Iceland." When confronted with the inconsistency, the professor stated that the CV had a typo. Whether it was, in fact, a typo or not, it illustrates the importance of going through an expert's CV with a fine-tooth comb, looking for anything peculiar.

Curriculum Vitae: Authored Works

Take several approaches when it comes to an expert's authored works, typically listed on the last several pages of an expert's CV. First, verify whether the expert did, in fact, write the articles, books, etc. listed. This is important because some works are ghostwritten; that is, someone else writes the article, but authorship is claimed by another (*e.g.*, the expert in question).

Second, undertake research to uncover articles written by the expert but not noted on her CV. If an expert has authored a paper that has been criticized by the relevant professional community or that makes points which contradict what that expert intends to say during the course of the lawsuit, it is unlikely that that expert will claim authorship on the CV, hoping that it will not be found.

Third, determine whether any articles have been repurposed. Again, just like reports, some experts will re-use an article — taking an article that has already been published, changing its title (and possibly even making some minor changes to the text) and then submitting it to another organization for publication. If this is done enough times, that single article could generate numerous seemingly unique entries in that expert's CV.

Verdict, Settlement, Case Reports

Verdict (and Settlement and Case) reports present valuable opportunities for analysis and additional research. These reports are one-page summaries of lawsuits that have gone to trial, been non-confidentially settled or even just set for trial (in the future). Besides listing identifying information about the lawsuit itself (*e.g.*, case name, case number, type of case, jurisdiction), these reports typically include others types of information, including the names of experts retained by the parties.

As a first step, analyze the reports for any suggestion of bias. For instance, does it appear that the expert always testifies for one side of the lawsuit (*e.g.*, plaintiff or defense), for a certain law firm, or for a particular party? If so, it might suggest favoritism. In and of itself, such information could be beneficial, but take it to the next level. Specifically, compare the results of your analysis with how the expert has represented himself on his website. For example, if the reports indicate that the expert in question always testifies on behalf of plaintiffs, yet his website claims that he is neutral and unbiased (even the most-biased expert never writes "I'm a defense expert" on her website), that might warrant further inquiry in a deposition or at trial.

Second, use the contact information noted for the attorneys listed in the reports. Call the attorneys who "opposed" the expert and ask whether they would be willing to provide you with information about her. More often than not, the attorneys you contact will decline to assist you. Sometimes, however, one will offer to forward to you the expert's report and transcripts of her testimony.

Finally, use such reports (and other similar information) to double-check an opposing expert's disclosure. For instance, Federal Rule of Civil Procedure 26(A)(2)(b) requires that an expert disclose to the opposing side a list of the lawsuits she has worked on over the prior four years. Yet some experts fail, either deliberately or inadvertently, to make complete disclosures. To track down lawsuits that may have been omitted from a disclosure, search databases of verdict/settlement/case reports (as well as other sources, such as dockets) and then simply do a side-by-side comparison to uncover any omissions. If you find one, use it as a basis of a motion to disqualify (if you deem it significant enough). Although the vast majority of judges will not find such an omission to be egregious and will simply require the expert to supplement the disclosure, some judges will be offended by such shenanigans if they perceive them as deliberate. *See, e.g., Siegel v. Warner Bros. Entm't, Inc.*, 2009 U.S. Dist. LEXIS 66115, *16-17 (C.D. Cal. 2009) (court finds "disturbing" an expert's failure to disclose a lawsuit from the prior year in which his testimony was excluded: "the Court can only conclude that the failure

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Expert Witness

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was a deliberate effort to bury negative information").

Conclusion

A thorough vetting of an expert involves more than just obtaining information about him or her. The savvy practitioner must also understand how to get the most out of that information, by thinking strategically. As related in this article, problems with some experts do exist, often hiding in plain sight and waiting to be discovered and exploited by the prepared and creative attorney. Although "gotcha" discoveries of such problems — relating to an expert's background, findings, or reports — do not occur in every case, retrieving as much information about an expert, and then strategically thinking about it, is always recommended. At a minimum, engaging in that process will better prepare you to take on the expert and her conclusions.

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Patent Landscapes

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of art to be considered depending on how the provision is interpreted. Furthermore, the current grace period provisions generally exempt disclosures made by third parties. As a result of the changes to section 102, patent filers will have to contend with a more robust collection of prior art during the prosecution process.

Evaluate R&D Activities

In anticipation of the 2013 implementation date, patent filers should immediately evaluate their research and development activities and consider filing any patent applications prior to March 16, 2013 to take advantage of the current law. Corporate IP budgets may also have to be adjusted accordingly.

The Post-Review Grant Process

The AIA also provides new tools for companies to attack patents without resorting to litigation by creating the new post-grant review process. The new law also replaces *inter partes* reexamination with *inter partes* review. Under post-grant review (effective Sept. 16, 2012), an entity that is not the patent owner can, within nine months of the issuance/reissuance of a patent, request that one or more claims of the patent be cancelled. The standard for granting review is whether the information presented, if not rebutted by the patent owner, "would demonstrate that it is *more likely than not* that at least one of the claims challenged" is unpatentable. (Emphasis added.) A key feature of post-grant review under the AIA is that any invalidity argument available under current law or by raising "a novel or unsettled legal question" can be presented. Current mechanisms to challenge patents at the USPTO are essentially limited to grounds under 35 USC 102 and 103, and are limited to patents and printed publications. Furthermore, the AIA allows that statements made by a patent owner in a federal court or with the USPTO can be used in post-grant review (as well as *inter partes* review) solely to determine the proper meaning of a claim. The post-grant review provisions prevent the petitioner from concurrently filing both a civil action and an administrative proceedings at the USPTO and contain estoppel provisions that limit the ability to set forth arguments that were raised or reasonably could have been raised during post-grant review in other proceedings before the USPTO or in subsequent civil actions.

While the standard for securing post-grant review is increased somewhat as compared with the previous standard for *inter partes* review and the current standard for *ex parte* review, the grounds under which such attacks can be made have been significantly expanded. As a result, post-grant review presents an attractive opportunity for substantive patent challenge outside of the litigation arena, and allows an opportunity to bring invalidity arguments that could not previously be presented in administrative proceedings at the USPTO.

To prepare for this change, companies should carefully evaluate their own patent applications pregrant to identify any grounds for attack under the post-grant review process, and take steps to correct these issues during prosecution. For offensive use, companies should evaluate competitor's patents for vulnerability under the post-grant review process and consider this mechanism as a cost-effective alternative to litigation. The post-grant review procedure will also impact patent licensing activities, as the value of patent claims will need to be evaluated in light of post-grant review both for in-licensing and out-licensing activities.

***Inter-Partes* Review**

The AIA also phases out *inter partes* reexamination and replaces it with *inter partes* review (also effective Sept. 16, 2012). Importantly, the threshold for the grant of *inter partes* review (reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged in the petition) is higher under the AIA than the old standard under *inter partes* reexamination. The new standard will also be applied to *inter partes* reexaminations filed after Sept. 16, 2011. In addition, a patent owner will not be able to request *inter partes* review under the AIA. The *inter partes* review provisions contain prohibitions against concurrent actions and estoppels provisions similar to those for post-grant review. The use of *inter partes* review should be considered when the time period for post-grant review has passed.

Pre-Issuance Submission

The AIA also adds a pre-issuance submission provision under 35 USC 122(e) (effective Sept. 16, 2012) that gives companies an additional avenue for impacting the scope and validity of a competitor's claims before issuance. Companies may submit a patent application, a patent, a published patent application or other printed publication relevant to the claims being asserted in the

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competitor's application — accompanied by a concise description of the relevance of the submitted information. Submissions must be filed either before a notice of allowance is issued, or within six months of the first publication or date of first rejection of a claim during examination, whichever is later. Using this process may have drawbacks, however, because once a company makes a submission it will have no further opportunity to comment. It could happen that the USPTO grants the competitor's application despite the submission — effectively increasing the strength of the resulting patent. The use of the post-grant attack procedures discussed above should be considered before resorting to the pre-issuance submission provision.

The Impact on Patent Litigation

The AIA also contains several provisions that impact patent litigation. Effective immediately, the AIA brings much-needed relief to patent holders by limiting the ability of third parties to bring false marking suits. This new provision is a direct response to the recent Federal Circuit decision that spawned hundreds of frivolous suits in the patent marking arena. In addition, effective immediately, marking a product with a patent that once covered that product but has since expired no longer violates the false marking statute. Together, these new rules will significantly reduce the exposure of patent holders to suits based on false marking claims. As a result, companies currently facing such suits should consider filing motions to dismiss. The AIA also makes management of the patent-marking process more straightforward by allowing "virtual marking."

In another provision beneficial to patent owners, joinder or multiple defendants in patent cases is now more difficult, decreasing the ability of third parties, such as non-practicing entities, to file large-scale litigation. These provisions became effective Sept. 16, 2011. Patent holders also receive much-needed protection from charges of inequitable conduct often brought during patent litigation. Patent holders may, effective Sept. 16, 2012, request supplemental examination of a patent by the USPTO to correct any deficiencies that have come to light. Regardless of whether the reexamination is granted, the information submitted cannot later be used as a basis for inequitable conduct in litigation. Patent holders should evaluate their patent estate and take advantage of this opportunity when appropriate.

Conclusion

While this article discusses certain provisions of the AIA, it does not address them all. By preparing for these changes as soon as possible, companies will be in the best position to maximize the value of their patent portfolios for continued success.

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Common Mistakes

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has a confirmed or suspected history of violence.

However, in non-misconduct cases, an employee will feel that his reputation has been tarnished if he is escorted from the employer's premises. In non-misconduct cases, to limit an employee's post-termination access to the employer's assets, most employers need only restrict the employee's access to the computer network. Again, the employer should quietly and discretely ask the employee to gather his or her things and to leave the premises.

Giving Negative References

Employees also seek legal advice when their employer does not have or they do not understand their employer's post-termination reference policy. Employers can push their former employees to seek legal advice if they provide negative references to potential employers.

The employer should incorporate a reference protocol in its employee manual that applies regardless of the manner in which the employee's employment terminates. Negative references could, unfairly, reflect poorly upon the employee and later subject the employer to claims of defamation. Instead, the employer should confirm nothing more than the employee's position, employment status and/or title, dates of employment, and salary.

Conclusion

While the above is not an exhaustive list, by instituting preventive measures to avoid the above mistakes, a prudent employer will not only have a happier workforce, but will reduce its risk of costly employment claims.

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Warning

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Thus, the Supreme Court affirmed the Appellate Division's judgment denying the dealer's motion to dismiss.

Conclusion

Litigants, however, will not be so lucky in the future. The *GMAC* court declared that: "[It is] now crystal clear: orders compelling or denying arbitration are deemed final and appealable as of right as of the date entered." To dispel any doubt, the court also issued the following warning: "as of today, litigants and lawyers in New Jersey are on notice that all orders compelling and denying arbitration shall be deemed final for purposes of appeal, regardless of whether such orders dispose of all issues and all parties, and the time for appeal therefrom starts from the date of entry of that order."

Litigants will no longer be permitted to participate in arbitration, and, if unsatisfied with the result, appeal the order that compelled arbitration. Going forward, litigants in New Jersey's state courts must file an appeal from any order compelling or denying arbitration within 45 days from the entry of that order, even if that order does not resolve all issues as to all parties.

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Communications Problems and Solutions

Law Departments Work Best When General Counsel Emphasize Key Themes and Information Flows Freely

By Rees W. Morrison

Communication — the life blood of law departments, but at times a hemorrhage of complaints. Who is told what and when makes a big difference to the effectiveness of a law department. This article describes a handful of the communication complaints that law departments often encounter, and offers some ways to address them.

Before starting, note some broader points. Each of these communication challenges looms more significantly as law departments become larger, and even more so as they become geographically dispersed. Aside from structural aspects, how well information flows goes beyond up and down the ladder of authority; communication across levels deserves recognition. For example, paralegals and administrative assistants ought to exchange information, as they chronically feel left out. As will be seen, the tools that enable communication within the department run the gamut. Meetings always serve a good communicative purpose.

And one more note: This article does not address communication with clients, which may well be even more fundamental than communication within the law department. There are similarities, to be sure, between inward and outward flows of information. Getting the word out accurately, timely and sufficiently benefits both the law department and its corporate clients. Good management means good communication.

Rees W. Morrison, a member of this newsletter's Board of Editors, was for more than two decades a management adviser to general counsel. He founded General Counsel Metrics (GCM), which offers a benchmark report of law departments, likely exceeding 1,000 legal departments in 2011. This article also appeared in *The National Law Journal*, an ALM sibling publication of this newsletter.

1. Too Little Messaging by the General Counsel of Key Themes

General counsel need to repeat key themes many times with the same message, somewhat like politicians and their well-polished stump speeches. Whatever is believed to be vital — responsiveness, risk management, proactivity, teamwork — the general counsel must say it, explain it and beat the drums for it over and over. Listeners hear messages at different times, need different modes and reinforcement of the messages and interpret them individually, and leaders learn you can never emphasize too much what is most worth telling. An e-mail alone won't do; wise words spoken once from the podium will fall short. General counsel may forget this imperative or tire of sounding like a broken record, but they must remember to say it often and then do so again tomorrow.

Aside from the constant chorus, one of the solutions to this problem is an open door. If members of the department feel they can speak to the top, then the tumor of poor communication goes into remission. With a different approach, the general counsel of Westinghouse Electric Corp. and Reebok International Ltd. once published statements of principals that laid out with some specificity their core beliefs. Another technique is to have the general counsel host periodic breakfasts or lunches with a cross-section of the department. The meals serve as forums for emphasizing key messages. And, despite the huge importance of repeated statements, the GC must listen carefully and ask questions to learn whether the points have gotten through. What the GC stresses will be less effective if she is isolated or only learns sugar-coated versions of what people understand. And, always and above all, actions speak louder than words.

2. Little Disclosure of Staff Group Discussions

When a law department is large enough to have a senior legal team that reports directly to the top lawyer and meets periodically, the rest of the department wants to know what goes on behind closed doors. Much of what is discussed in the weekly or bi-weekly sessions may be mundane, such as the schedule for the lawyer offsite or who will report on a high-potential lawyer, but those in the law department who are not privy to what they imagine to be portentous deliberations yearn to know more. Rumors abound where silence resounds.

The way to reduce speculation and improve morale is to spread the word as much as possible. One way to promote this openness is to publish the meeting agendas. An insurance company for which I consulted sent monthly newsletters in hard copy, and a pharmaceutical company distributed one by e-mail, portions of which opened the door on the senior legal team's deliberations. Or perhaps each staff meeting could appoint a scribe who would summarize the discussions that could be disclosed, somewhat like minutes of the Federal Reserve Board that are released later. It would help simply to have a creed that everything in staff meetings is disclosable unless expressly restricted and that disclosure is encouraged. The general counsel should remind reports to get the highlights out, and they will trickle down.

3. Secrecy and Confusion About Administrative Processes

A third communication challenge that smolders in many law departments comes from too little administrative transparency. For instance, everyone in law departments wants to understand what it takes to be promoted. They want to know how compensation is set and where they stand relatively on bonuses. Who gets a new title? Is the reduction in force finally done? How are cubicles assigned? Not every decision, they hope, is subjective or based on favoritism. Partly, they want to feel that processes work fairly and consistently. Partly, they want to feel that outcomes are deserved. Often this kind of information, unlike substantive legal information, applies generally throughout the law department. Think of it as administrative communication and appreciate that it is uniformly felt to be extremely important.

As for partial solutions, posted process rules and guidelines, such as career path expectations, do the most to assuage the desire to be treated fairly — assuming the department's managers honor them. Another technique is candor in evaluations, but the problem is that evaluations generally occur only

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2011 Law Department Compensation Benchmarking Survey

Some Good News for Legal Departments

News reports about the overall U.S. economy may still be trending negative, but there is good news in the results of *Corporate Counsel's* 2011 Law Department Compensation Benchmarking Survey. In the analysis of compensation data from 4,951 lawyers in nine law department positions, employed within 225 corporate law departments, the survey showed that compensation for in-house lawyers (both salary and bonus) is finally on the upswing this year after stalling out last year.

A review of the Law Department Compensation Benchmarking Survey Charts (www.law.com/jsp/cc/PubArticleCC.jsp?id=1202514400404) reveals that law departments reported positive gains in bonuses for all positions. Compared with last year, bonuses increased from a low of 0.44% ($180,800) CLOs/GCs to a high of 58% ($23,700) for in-house attorneys. All positions except CLO/GC saw double-digit increases in bonuses.

Two of the four management positions reported an increase in salary from last year: Division general counsel is up 3.1% ($233,500) and managing attorney went up 5.0% ($200,000), while CLO/GC decreased –3.5% ($329,400) and deputy CLO decreased –4.9% ($229,500).

Four of the five non-management positions also reported salary increases: high level specialists were up 5.9% ($180,000), senior attorneys saw gains of 0.8% ($148,200), attorneys were up 4.1% ($115,800), and recent graduates notched an increase of 2.3% ($65,600). Only the staff attorney position showed a slight decline, down –1.6% ($78,700).

A copy of the Law Department Compensation Benchmarking Survey report may be purchased by visiting almlegalintelligence.com.

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Communications

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once a year if at all. Much about morale and engagement in law departments pivots on the degree that people feel they are in the know about operational decisions and respected by being told what is happening on time and completely. Policies and guidelines codify communication and ease the burden of one-off explanations to the discontented. Some departments post information on intranet sites while others use collaboration tools such as wikis. Even old-fashioned bulletin boards can help satiate people's craving to know what is happening and why. Perceived equity and fairness are the tests of transparency. Stated differently, decent explanations of procedures dampen gossip and discontent.

4. Silos As Barriers to Communication

Clumps of mostly autonomous groups in law departments create another familiar communication challenge. Lawyers dedicated to support of the apple unit don't talk to the orange unit's lawyers; mergers and acquisitions specialists won't deal with the patent group. The barriers don't amount to Montagues versus Capulets. But the lawyers who support a particular business unit probably feel no inclination to let others know what is happening in their domain. To be fair, much of the time, the work they do and what they learn and produce has relatively little bearing on others in the law department. But some information has consequences outside the stovepipe. Even if what's worked on and created has no practical use, people like to know what's up on the other side of the fence. Morale and collegiality build as communications boundaries give way.

One solution to the silence of the silos is practice groups, sometimes called communities of practice, that bring together lawyers and others who share similar problems. Anti-money laundering, to pick one from the financial industry, has become pervasive and lends itself to pooled efforts. Or project teams mix together representatives from across functions, such as to choose a matter management system or wade through Dodd-Frank. Both provide a way to make more porous the information barriers that otherwise exist. Physical locations of offices can improve cross-unit communication or impede it. E-mail messages have become the preferred mode of communication but in their flood, plus the tributaries flowing in chats and texts, much can get lost. Nothing beats talking, especially in person.

5. Hoarding Practice Knowledge

Communication about work product and learning is knowledge management in a different guise. What is codified, stored in directories, indexed or otherwise made available to others becomes memorialized communication. We all know about the proverbial wheel, but that doesn't make us eager to share our learning. This field of communication — knowledge management — has many land mines, but law departments keep charging ahead with expertise databases, circulated material, post-mortems, shared directories with naming conventions, document management systems, webinars, brown-bag lunches, group e-mail lists, CLE teams, knowledge analysts and other efforts to corral and disseminate knowledge.

Let's summarize in positive terms the aspirations of a law department that wants to become communicatively advanced. Its general counsel spreads the word clearly and frequently; it opens the books on meetings of the direct reports; it clarifies administrative rules; its lawyers share what's happening; and its legal learning accumulates and flows freely. It's easy for those in the know to overestimate what others understand or to feel powerful in the restriction of information. Both mistakes are pernicious. Effective communication being as crucial as it is, all law departments should give thought to their own flows and how to improve them.

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