

# Corporate Articles

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## Interview with John Buchanan, General Counsel of the Federal Reserve Bank of Dallas

by John Okray



*John Buchanan is Senior Vice President, General Counsel, and Secretary of the Federal Reserve Bank of Dallas. He previously served as Senior Executive Vice President at Regions Financial Corporation and as general counsel and corporate secretary for Regions, AmSouth Bancorporation and SouthTrust Bank. He has served on numerous banking committees and boards and on the board of directors for Mercedes Benz US International. He holds an L.L.M in taxation from New York University School of Law, J.D. from Vanderbilt University School of Law, and B.A. in economics from Washington & Lee University.*

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**Federal Reserve banks were created by an act of Congress in 1913. However, they are not federal government entities or owned by the federal government. Can you clarify the legal status of the Federal Reserve banks and their employees?**

**Buchanan:** The Federal Reserve banks are twelve separate corporate entities established under the Federal Reserve Act. The reserve banks are subject to the general supervision of the Board of Governors of the Federal Reserve System, which is a federal government agency. However, each Reserve bank has its own nine-member board of directors who are responsible for each bank's daily operations. Reserve banks do not receive government appropriations. Reserve bank employees are at-will employees, not federal government employees.

**What are member banks and can you describe the Federal Reserve's role in their supervision?**

**Buchanan:** Member banks consist of state-chartered banks (state-member banks) that elect to become members of the Federal Reserve System, as well as all federally chartered banks (national banks). Member banks subscribe to stock in their Reserve bank district; however, holding stock is a legal obligation for membership and it cannot be sold or pledged as collateral. Holding Reserve bank stock does not convey the control and financial interest that common stock holders have in for-profit organizations. The Reserve banks are the primary federal regulator for their district's state member banks, which includes monitoring, inspecting, and examining the banking organization to assess their condition and compliance with laws and regulations. Reserve banks have supervisory authority to take enforcement action against a member bank found to be noncompliant. State-member banks are also supervised by state banking agencies.

*INTERVIEW continued on page 2*

## Message from the Chair

by John Okray

We are pleased to release another issue of *Corporate Articles*. Please keep in mind that we welcome submissions from members, including legal articles and practice tips. We also extend a sincere thank you to those who have generously contributed content or reviewed submissions for *Corporate Articles*.

The division is co-sponsoring the 5th Bi-annual Labor & Employment Law Conference on May 2-3, 2013 in New Orleans. This conference will provide corporate counsel with an excellent opportunity to hear from industry experts on timely labor and employment issues. Be sure to also check out Jazz Fest while you are in town. Please see page 11 for more information about the conference.

If you have never attended before, you will want to consider attending this year's FBA Annual Meeting and Convention in San Juan, Puerto Rico on Sept. 26-28, 2013. The Annual Meeting provides numerous CLE programs, networking opportunities, and social activities. More information can be found on the FBA's website. ■

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### What is the relationship between the Federal Reserve and the Consumer Financial Protection Bureau?

**Buchanan:** The Consumer Financial Protection Bureau (Bureau) was established by the Dodd-Frank Act as an independent executive agency. The bureau assumed exclusive authority to examine for compliance with federal consumer financial laws and has primary authority to enforce those laws for institutions with total assets of more than \$10 billion. The Federal Reserve retained oversight authority of state member banks with assets of less than \$10 billion for compliance with consumer protection laws and regulations. The bureau also assumed rulemaking authority for most federal consumer protection statutes. Although the bureau has an independent budget, it is funded by the Federal Reserve.

### What part of the country is included in the Eleventh Federal District served by the Federal Reserve Bank of Dallas?

**Buchanan:** The Eleventh Federal Reserve District consists of Texas, northern Louisiana and southern New Mexico.

### What do you think is the most important function of the Federal Reserve Bank of Dallas?

**Buchanan:** The Federal Reserve Bank of Dallas is instrumental in educating the public on its functions which include conducting monetary policy, supervising and regulating banking

institutions, maintaining stability of the financial system, and providing financial services to depository institutions and the U.S. Treasury. This reserve bank supports the Federal Reserve's economic growth objective by promoting community and economic development through conferences, workshops, research and publications.

### What are some of the types of matters that attorneys at the Federal Reserve Bank of Dallas work on?

**Buchanan:** Our attorneys handle typical corporate matters such as contracting, employment, and governance, but also advise on banking supervision and regulation matters as well.

### What is your favorite part of the job?

**Buchanan:** Being a part of the Federal Reserve Bank of Dallas has been an amazing experience so far. In my role as general counsel and corporate secretary, I am privileged to work with the bank's leadership as well as our highly regarded board members who represent various sectors in our district. The amount of talent and knowledge at the bank is tremendous. I've also had the pleasure of getting to work with the other Reserve bank general counsels and am impressed by the wealth of legal knowledge within the Federal Reserve. ■

More information about the Federal Reserve Bank of Dallas can be found on its website at [www.dallasfed.org](http://www.dallasfed.org).

## Electronic Discovery and the Transactional Lawyer

by Todd J. Ohlms

Transactional lawyers are frequently on the scene long before the litigators arrive, and are often in the best position to ensure that businesses promptly take proper preservation steps. Despite these facts, there is a dearth of case law regarding the duty of the transactional lawyer in the preservation of electronic information that may be relevant to existing or foreseeable litigation. Indeed, by the time a litigator is involved, relevant information may already be lost. It is critical for law firms and corporations to ensure that their transactional lawyers know when information preservation duties arise and how to react when they do.

For transactional lawyers, there are numerous situations in which disputes and potential disputes can arise while a transaction is being negotiated and documented. For example, post-acquisition disputes over asset valuation and contract interpretation disputes have long been the subjects of commercial disputes. For this reason, transactional lawyers, contract negotiation and drafting history are frequently the subjects of discovery and trial evidence in commercial disputes.

Until recently, however, few, if any, courts had addressed the transactional lawyers' preservation duties. Recently, Magistrate Judge Joan Azrack of the Eastern District of New York issued a ruling that should be a wake-up call to transactional lawyers. In *FDIC v. Malik*, Judge Azrack held that a transactional lawyer may face sanctions for failing to preserve emails and other documents relating to the drafting and negotiation of a loan agreement. Although the decision turned on document retention regulations and not on a duty to preserve based on the foreseeability of litigation, the case serves to highlight the perils facing a transactional lawyer

with no information preservation experience. There is no reason to believe that transactional lawyers are somehow exempt from the same preservation duties that are imposed on their litigation counterparts and corporate clients who help them negotiate the deal. The lawyer's duty is likely heightened as the court will presume some familiarity with the legal duty to preserve.

What if, during the negotiation, a dispute arises that qualifies as potentially foreseeable litigation? What if that dispute does not ripen into litigation until months after the deal is closed? You can be sure that, in litigation, the parties will request production of, among other information, drafts of contracts, internal and external emails and myriad other information that could be relevant to the dispute. Did the transactional lawyers or their corporate client custodians have a duty to preserve information relevant to the dispute when they became aware of it? Apart from the lawyers, corporate information custodians who are potentially subject to this duty could include anyone in the information chain who possesses relevant information, from the CEO to the mid-level management involved in the transaction.

If a transactional lawyer has no practical guidelines or experience with information preservation, she will not be in a position to provide appropriate advice when such friction points arise during a transaction. The result can be devastating if information relevant to a later dispute is lost at a time when there was a duty to preserve it. Sanctions can be awarded, and the company's litigation position can be compromised.

While many law firms and corporations have made it a priority to train their litigation lawyers to be sensitive to circumstances

giving rise to preservation duties, few have similarly trained their transactional lawyers. A transactional lawyer must be aware that when a dispute arises and litigation is potentially foreseeable, he too may be obligated to take prompt steps to preserve information and advise the company to preserve information so that its litigation position does not suffer later.

To assist our transactional brethren in navigating the murky waters of electronic discovery and preservation duties, here are five practical questions that may help transactional lawyers and their clients avoid claims of spoliation if the deal turns sour.

#### **Do the transactional lawyers know what the client's data retention policy requires?**

Too often, counsel expend much effort to design and draft document/data retention policies, only to have them filed away and not regularly referenced, applied or audited for compliance. We have litigated multiple cases in which the opposition openly admitted to facts that evidenced conduct that clearly violated their own data retention policies. If there is any doubt as to whether your client's document/data retention policy requires you to preserve documents (electronic or otherwise) that you created, used or received during the course of your transaction, you should resolve that doubt immediately. One pointer that we often give to our transactional colleagues is that they should consult the client's document/data retention policy in advance of negotiations and remind all involved of the duties that policy imposes. Violating your client's own policy will be embarrassing and could force you to resolve a dispute over a failed deal from a position of weakness.

#### **Did anyone threaten litigation or consult a litigation attorney during negotiations?**

In one piece of litigation we handled resulting from a deal gone bad, the transactional lawyer on the other side testified during his deposition (with some degree of apparent pride) about the number of times he had to consult his litigation colleagues as a result of extremely adversarial circumstances or heated exchanges during the negotiations. Apparently the witness thought that this made our client appear litigious or unreasonable. The same witness readily agreed that he was not merely seeking updates on pending litigation for a due diligence checklist. Instead, he was going to his colleagues for advice as to how to respond to threats during the negotiations. Toward the end of the deposition, this same witness was much more reserved when asked when he began to preserve electronic documents in relation to his frequent visits to his litigation colleagues. He was wise to seek their counsel, but he was foolish to not preserve documents at the same time he sought their advice.

As the litigation proceeded, his client argued that anything that the transactional lawyer might have had but not preserved would have been shielded from production by the attorney-client privilege or the attorney work-product doctrine. That was a logical argument and might even be true in some circumstances. However, adverse-inference case law and resulting jury instructions do not provide an exception for spoliated documents that were likely privileged simply based on the fact that the author or recipient is a lawyer. Instead, the law requires you to preserve the documents when you reasonably anticipate litigation and, if privileged, include them on a privilege log to prevent their production to the other side. The takeaway here: It is much better to have a paralegal create a lengthy privilege log based on the documents you have preserved than to run the risk of an adverse-inference instruction to the jury.

#### **What led to the negotiations and proposed deal?**

Often clients find themselves at the negotiating table after receiving or sending a cease-and-desist letter threatening litigation

unless one side hands over the world to the other. In these situations, litigation is not only reasonably foreseeable, but it has actually been threatened. But too often, we learn of clients who stopped their preservation efforts the minute the parties began to make serious efforts to resolve the dispute. In these situations, you should make every effort to ensure that all key custodians are continuing to preserve documents while the parties work to resolve the dispute.

#### **Has anyone proposed a break-up provision, a fee shift or liquidated damages to be paid in case of bad faith?**

Sometimes opposing counsel on the transaction might not be so direct as to threaten litigation or mention that she has been consulting with litigation counsel. But that does not mean that everything is rosy. In many transactions that have become the subject of litigation, we have seen the seeds of the dispute being planted when one side proposes break-up fees, fee-shift provisions or liquidated damages tied to a finding of bad faith. These are signposts that a court might later interpret to be triggers for a duty to preserve.

#### **Does the deal involve an earn-out agreement?**

Earn-out agreements are agreements that include the possibility of the seller paying additional purchase price compensation based on the performance of the sold entity after the closing. Earn-out agreements sometimes can bridge the gap between the seller's valuation of her company and the buyer's valuation of it. The devil is always in the details, and in earn-out agreements, trouble typically arises if the parties do not fully understand or appreciate how to measure the post-closing financial performance of the entity being sold. As a result, earn-out agreements often end up in litigation with the seller asserting that she is entitled to additional earn-out compensation or the buyer asserting that he overpaid for the company and should not have to pay any earn-out compensation. Based on the track record of earn-out agreements, a court could very well interpret the parties' inability to agree upon a firm valuation for the company at closing as circumstances that may indicate a reasonable anticipation of subsequent litigation.

In short, these are five practical questions that may help you or a transactional colleague determine whether the circumstances in your deal have triggered a duty to preserve. ■



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## Self-Diagnose Your E-Discovery Pain

by Troy Dunham

### How is e-discovery like health screening?

In our personal lives, we tend to put items on our to-do list in either a *need* or *want* category. For example, going to the doctor for a health screening is typically a *need* and not a *want*. On the other hand, dining at a nice restaurant likely goes in the *want* category. A similar approach can be used for a professional to-do list. For 99 percent of general counsel and litigators, e-discovery falls into the *need* category, rather than *want*. However, just like a timely doctor's visit can help diagnose and treat an illness, a customized electronic discovery strategy can do the same for many litigation challenges. And if left untreated, the symptoms of an inefficient—or even non-existent—e-discovery plan can fester into a much larger issue. The aim of this article is to simplify the e-discovery conundrum, enable a pain-free self-diagnosis and suggest some manageable and impactful steps for full recovery.

### What is e-discovery and why is it a big deal?

In its broadest sense, electronic discovery is the process of “discovering” electronic documents. Compared to traditional discovery, today's process has greater potential for cost escalation, and presents more inherent risk in the form of sanctions, adverse inferences, or production of privilege. An estimated 10 billion dollars is spent per year on e-discovery, 70 percent of which is on attorney review of documents (RAND Institute for Civil Justice study)<sup>1</sup>. In fact, McKinsey estimates that companies with 1,000 or more employees already have over 200 terabytes of stored data (equivalent to a billion documents)<sup>2</sup>. Since the amount of data in the world is estimated to grow by fifty times by 2020 (IDC Digital Universe study)<sup>3</sup>, having the right e-discovery plan in place is essential. The more tech-savvy your team, the more quickly you can find critical information compared to opposing counsel.

### Quiz: do you have an e-discovery problem?

If you are a general counsel, or associate general counsel running litigation, or a senior litigator, please take the test below. These seven questions will diagnose the scale of your “e-discovery problem.” *A*'s are one point, *B*'s are two and *C*'s are three.

- Which of the following most clearly describes the litigation profile of my company?**
  - We rarely have litigation, and when we do we settle early, before full blown discovery.
  - We had more than two matters last year with significant discovery, and we seem to be on an upward trend.
  - For a number of years we have had a steady stream (five or more litigation matters) requiring discovery each year.
- How much does your company spend on litigation per year?**
  - Less than five million dollars.
  - Five to 10 million dollars.
  - More than 10 million dollars.
- How would you describe the systems and processes that your company has in place for preserving and collecting data associated with litigation?**
  - Like sending a package FedEx – all handled efficiently with minimum fuss.
  - It's a little ad hoc/piecemeal, but we get it done.
  - I lie awake at night worrying because I know there are big holes in the process.

- Once data has been preserved and collected, how would you describe the systems and processes your company uses (or procures) to handle the minimization, review and production of data associated with e-discovery?**
  - We have a consistent set of documented processes used repeatedly on every matter, and the processes are constantly being evaluated and improved.
  - We figure it out on a case-by-case basis, working in conjunction with outside counsel and a set of preferred providers.
  - We are “hands off”—we send the data to outside counsel and have little idea what happens next.

- If during an upcoming matter you had to put someone from your team on the stand to defend the way your company handles e-discovery, would you:**
  - Feel supremely confident—I already have someone in mind.
  - Feel nervous, but confident enough to find a way through.
  - Feel a sense of panic and doom.

- Not including redundant/backup center, in approximately how many locations does your company's data reside (i.e., the total corpus of your company's post-collection discoverable data)? Include counsel representing you, as well as your-discovery service providers.**
  - One location.
  - Two to five locations.
  - Five or more locations.

- What measures do you track to know how effectively your litigation data is being managed, and is helping to control your cost and risk?**
  - I have a dashboard similar to the one in my car.
  - A few—like the average rate of data minimization prior to review.
  - None.

If you scored more than 10 points, your company is in dire need of an e-discovery renovation.

### How can I fix the problem, and what's in it for me?

There are three potential wins if you fix your e-discovery problems. First, you can reduce the amount of money you spend today on document review. In general, your company may have an opportunity to reduce review costs by 40 to 90 percent.

Second, you can reduce your risk. This is more difficult to measure. It is like life insurance, or a home security system. You only really understand the value when something bad happens and you are not covered. This is where looking to other companies' mistakes helps. In fact, several US corporations have put robust e-discovery processes in place only after enduring costly sanctions. Think about an upcoming matter, or one in which you are currently involved. What are the potential risks and the costs? Imagine you received sanctions, adverse inferences, or that you were forced to pay opposing party costs. Estimate what the cost impact would be—including all the negative publicity beyond the matter at hand. Put some discount factor to the likelihood of it happening (i.e., five percent)—and you will have an idea of what it will take to fix the issue.

Third, you can settle expensive cases earlier. Can you think of a case where you realized: “If I had only known that information,

I would have settled earlier and saved the cost of discovery”? If so, put a value to the savings, and estimate how many times per year this might happen.

### What are your options for fixing the problem?

*Create repeatable processes.* Whatever path you choose, the key to fixing the problem is creating repeatable processes. If you have time to read another book, consider Atul Gawande’s *Checklist Manifesto*. While it does not mention e-discovery specifically, Gawande shares data on how the use of checklists and process development lead to positive results.

*Questions to ask yourself.* There are four primary questions to ask yourself in order to help you map out your e-discovery options:

#### 1. Should we create the processes ourselves, or have outside help and guidance?

Consider this: Do we have the internal expertise needed to create the processes? Do we have someone internally who could guide/oversee process development using a team of outside professionals? Or would we want someone outside to do that?

#### 2. Should we deliver on the processes using a team that we build (or have already) internally, or using an external resources?

Consider this: Do we have “spare” resources to form the e-discovery delivery team? Do we have the budget to build a team? Do we have budget to hire someone to coordinate delivery using a team of outside professionals?

#### 3. Should we buy software or not?

Some considerations: Are we familiar enough with the processes to apply software to them? What is the cost trade-off between owning software and using software licensed by others? What is the risk of buying incorrect or outdated software?

#### 4. Should our data be behind our firewall/on-premise, or off-premise?

Some considerations: Do we want to be in the “data management business”? Do we have an infrastructure (or could we create one) to support this? Can we find partners with strong security processes?

There are no right or wrong answers to these questions, but they will help to guide you through the following solution options:

#### Solution options

- Four potential preservation and collection solutions (Figure A, pg. 6).
- Downstream e-discovery process (post preservation and collection). There are broadly three categories of potential solutions for the downstream e-discovery process.
  1. **Build.** In this model, corporations hire a team to define, build and operate an in-house e-discovery function. The team comprises project managers, specialist consultants (e.g. on search and review), data management professionals, technical support professionals, DBAs, and IT professionals.
  2. **Managed Service.** In the managed services model, corporations get an e-discovery function without building it all themselves.
    - **Total Outsource.** The corporation outsources all the process building and staffing. Software can still be procured, but is typically managed and maintained by a managed services partner.

- **Partial Outsource/Off-Premise.** Process building and staffing are shared with a managed services partner. The corporation staffs and delivers the bulk of the “front end” (project management), with the managed services provider accountable for the “back end” (e.g. data processing, hosting, technical and web support) and supporting the “front end” with burst capacity (project management and technical support). The corporation may still procure software, which is typically managed and maintained outside its firewall by a managed services partner.
- **Partial Outsource/On-Premise.** Process building and staffing are shared with a managed services partner. Unlike the off-premise model, data is managed and maintained behind the corporation’s firewall, and part of the managed services team is on-site at the corporation.

3. **Preferred Providers.** In this model (Figure B), corporations partner with a number of preferred providers (typically three to five), outsourcing work between them on a case-by-case basis. The corporation does not procure software but rather relies on the software licensed by its preferred partners.

### Which option should you pick?

There is no right or wrong option, as corporations have been successful with each of these models (Figure C, pg. 6).

### Where should you start and what pitfalls should you avoid?

An ever-increasing number of corporations are working through “the e-discovery challenge.” Some have met with great success, others with abject failure. Based on an observation of these experiences, here is a suggested list of do’s and don’ts:

- **Do:**
  - **Put someone in charge that is senior enough to deliver a plan.** There have been many instances where the general counsel or head of litigation has said “Bob is in charge of this,” and yet Bob is not an authority figure who can push through a solution. Put someone in charge that can truly get the job done. The best test of this is a simple: “Has Bob implemented something like this in the past?” Past performance is an outstandingly good predictor of future success.
  - **Empower that person.** Give this person the resources and backing that they need to get it done. Support them in all hands meetings and in written communication. Announce their role and the plan.
  - **Create clear lines of decision-making power and authority.** Make it clear up front who has final decision-making authority for final decisions.
  - **Ensure relevant voices are heard, but not at the expense of action.** Ensure that key stakeholders are consulted (e.g. IT), but not to the extent that the process gets stuck.
  - **Set goals and timelines.** Stick to milestones and timelines down. It’s hard to score a goal without a goal.
  - **Read the Checklist Manifesto.** It’s the best two hour investment you could make in understanding e-discovery.

SELF-DIAGNOSE continued from page 5

- o **Start.** “The beginning is the most important part of the work.” (Plato)

Please note, the author works at SFL Data and will make a consultant available to discuss any specific questions from in-house counsel by using this [simple form](#).

- **Don’t:**
  - o **Outsource the thinking and process to procurement.** This is not paperclips. When was the last time you had procurement tell you which counsel to hire? Or whether to bring in McKinsey? These are complex professional services.
  - o **Run a reverse auction.** Ditto. And worse still, there is a direct inverse correlation between unit rates and total cost risk. In other words, the winner of the reverse auction is almost guaranteed to increase your total spend and your risk. In order to deliver that price to you, they will have to cut back on exactly the things that would have driven value—talent, process development and high-quality technology.
  - o **Get mired in information management / governance.** Corporations often think that organizing information systems and reducing data will better prepare the company for e-discovery. The catch is that fixing information management is a business-wide initiative, not a legal one. It is an ongoing endeavor, requiring stakeholders across the business. While all CIOs and records management teams should consistently work on streamlining information management, there is no reason to wait on e-discovery. Run the processes in parallel, and the returns to fixing e-discovery will be much faster.
  - o **Wait.** “Change will not come if we wait for some other person or some other time.” (Barack Obama) ■



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Endnotes

<sup>1</sup>See [www.rand.org/content/dam/rand/pubs/monographs/2012/RAND\\_MG1208.pdf](http://www.rand.org/content/dam/rand/pubs/monographs/2012/RAND_MG1208.pdf)  
<sup>2</sup>See [www.mckinsey.com/insights/mgi/research/technology\\_and\\_innovation/big\\_data\\_the\\_next\\_frontier\\_for\\_innovation](http://www.mckinsey.com/insights/mgi/research/technology_and_innovation/big_data_the_next_frontier_for_innovation)  
<sup>3</sup>See [www.computerworld.com/s/article/9217988/World\\_s\\_data\\_will\\_grow\\_by\\_50X\\_in\\_next\\_decade\\_IDC\\_study\\_predicts](http://www.computerworld.com/s/article/9217988/World_s_data_will_grow_by_50X_in_next_decade_IDC_study_predicts)

	Invented and Delivered Here	Outside guide and “burst capacity”	Outsourced single source of truth	Maximum outsourcing
Process	Developed internally	Developed by third party, signed off / owned internally	Developed by third party, signed off / owned internally	Developed by third party, signed off internally
People	Staffed internally by a team which owns collections and management of the litigation hold repository	Core internal staff, with burst capacity third party, who know the processes intimately	Collections staffed internally / with burst capacity support. Litigation hold repository management outsourced to third party.	Staffed externally by a team which owns collections and management of the litigation hold repository
Software purchase	Yes once scale and process development justifies it	Yes once scale and process development justifies it	Yes once scale and process development justifies it	Potentially once scale and process development justifies it
Location	All behind the firewall	All behind the firewall	Collections a mixture of on-premise and remote; lit hold repository off-site	Mixture

Figure A

		Build	Flavors of Managed Service			Preferred Providers
			Total Outsource	Partial Off Premise	Partial On Premise	
Process	Internal Development	✓✓		✓	✓	
	External Development		✓✓	✓	✓	✓✓
People	Internally staffed	✓✓		✓	✓	
	Externally staffed		✓✓	✓	✓	✓✓
Software	Buy	✓✓	✓	✓	✓	
	Use third party		✓	✓	✓	✓✓
Location	On premise	✓✓			✓✓	
	Off premise		✓✓	✓✓		✓✓

Figure B



Figure C



# Managing e-discovery requires visibility.



You need a bird's-eye view to manage e-discovery risks and costs. Wise corporate counsel and law firms turn to SFL Data to gain a world-class e-discovery function without building it themselves. Our **fixed-price e-discovery managed service** improves legal outcomes using best-of breed software, proven methodology and a secure data infrastructure. With 300+ years of collective experience in forensics, information security and litigation technology, we expertly **handle case load spikes, deliver defensible results and mitigate risk**. Plus, our repeatable processes and technology shrink the amount of data requiring attorney review, thus **reducing litigation costs by over 50 percent**. Counsel at Oracle, VMware, Facebook, Autodesk, and more than 100 AmLaw 250 law firms enjoy our **end-to-end e-discovery support**. Call us today to learn more.

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## The America Invents Act: Driving Patent Quality and Resolving Patent Litigation through Discovery of Prior Art

by Cheryl Milone

The America Invents Act (AIA) has gotten a lot of well-deserved attention since it was passed in 2011. Some of the more significant impacts will become reality in March of this year. As parties of interest in the value of patents as an asset class, all patent holders and applicants of every size and industry segment, and more importantly their legal representatives, should be informed and taking action to ensure they leverage the intent of the laws to better navigate and mitigate an otherwise complex and litigious environment.

Any observer will quickly agree that patent litigation has been skyrocketing over the past few years. While this may be a great opportunity for lawyers, it casts the image of a very negative future for innovation and entrepreneurship.

Mid-size and smaller companies in a host of industries are being targeted by a species of litigant known as “patent trolls.” More broadly, Non-Practicing Entities (NPEs), a subset of which are pejoratively known to some as “patent trolls,” acquire patents (namely those of low quality) and use the power of their purchased intellectual property to sue technology companies for suspicious violations of broadly applied patents. The cost—both in time and money—of defending against patent litigation can have detrimental effects on funding that would otherwise be segmented for research and development. This loss of focus on research and development subsequently harms innovation and progress in the industry.

### Adopting a New Legal Offensive

The results of NPE attacks vary widely. Many choose to settle with NPEs or pay steep licensing fees. Some are forced to close their businesses in response to threats<sup>1</sup>. Other companies opt to move their headquarters outside of the United States market<sup>2</sup>. One industry group even warned members to avoid using QR codes because of the potential patent threat<sup>3</sup>. Regardless, if companies continue to react in fear when faced with an NPE assertion, the NPEs will continue to profit from their tactics through the utilization of low quality patents.

The rampantly increasing issue of NPE is a relatively new one. For the most part, and as has been the case historically, key litigation is between practicing entities with mutual arsenals of patents and product and revenue turf to protect. The patent owner in these circumstances is faced with the dampening prospect of a countersuit if that owner asserts one of their patents as a response. As a result, the patent owner is forced to seriously consider whether assertion is worth the risk. Today's potential defendants against NPEs can take a page out of this playbook and present themselves not as an attractive target, but as a high-risk proposition by fighting back.

The risk created when NPEs assert a patent against a company is predicated on the strength and quality of the patent itself. If the patent is later deemed to be of low quality or even invalid, the NPE loses its momentum and no longer has any power in their assertion. What's more, their supposed asset evaporates.

Therefore, companies of all sizes can defend themselves against NPE attacks by investing in prior art search, the results of which can provide powerful ammunition to stave off litigation or to strengthen their case in an ensuing legal fight. If the defendant can show a clear invalidity position based on prior art, the asset relied on by the NPE, the patent, is put at the highest level of risk, potential annihilation.

[New research](#) by Colleen Chien at the University of Santa Clara School of Law found that small and mid-sized companies with less than \$1 billion in revenues now comprise 90 percent of unique defendants in patent troll suits. Firms with less than \$100 million in revenue represent 66 percent of defendants.<sup>4</sup> The cost of such litigation to businesses is remarkably steep. A 2011 Boston University School of Law study found that patent litigation has cost public companies roughly \$80 billion in lost wealth in each of the last four years—and an astonishing \$500 billion in lost wealth over the past 20 years as a whole.<sup>5</sup>

### Enter Key Legislation: The America Invents Act

With the recent passing of provisions of the new AIA patent reform law of 2011, beginning on March 16, 2013, several new kinds of prior art will also be able to transform a U.S. patent from a potent competitive weapon into literally a worthless piece of paper. New processes introduced through the AIA will allow opportunity for additional review of patents, increasing the level of scrutiny and validity assessments of each patent at various stages. This can help to stave off patent assertions from NPEs. Between new *inter partes* reviews conducted by the USPTO and litigation of patents in court, about half of the patents asserted against companies are invalidated. Including patents with narrowed claims or completely invalidated patents, [a staggering 89 percent of all patents](#) subsequently reviewed by the *United States Patent and Trademark Office* (USPTO) post grant are judged either partly or wholly invalid.

One of the interesting, yet often overlooked, components of the AIA is the inclusion of a report to Congress examining the impacts of NPEs over a year's time. This report could be a game changer for encouraging Congressional action to resolve the problem of NPEs.

According to the implementation guidelines published by the USPTO, “Congress requires [the publication of a study examining] the consequences of patent litigation by non-practicing entities or patent assertion entities in consultation with the USPTO. This study will include the volume of litigation in the 20 years before enactment of the AIA, the volume of cases which are found to be without merit after judicial review, the impact of litigation on the time to resolve patent claims, the costs with such litigation, its economic impact on the U.S. economy and job creation, and any benefits created.”

By September 16, 2013, a report must be delivered to Congress describing the results of the study and providing insight into the ongoing impact of NPEs or patent assertion entities. This study will also include recommendations for methods of reducing negative consequences from patent litigation caused by such entities.



### Finding the Key to Patent Invalidation

The key to invalidating patents—and thus conquering the NPEs—lies within the concept of prior art. Prior art refers to any previous patent, technical paper, or public knowledge (in any language, anywhere in the world) or use of an invention that makes it ineligible for a patent; a dauntingly large corpus of content. Under the law, a patent may only be issued if an invention is useful, novel (i.e., not previously known or described) and non-obvious—meaning, not an obvious or inevitable outgrowth of an existing technology or invention. The prior art determines the credibility of a patent, whether the invention meets the novelty and non-obviousness criteria of being a fair and valid patent.

Despite recent improvements through the passing of the AIA and similar progress, the USPTO still does not possess a perfect system for determining the merits of a potential patent. Though USPTO examiners do their best to review all applications as thoroughly as possible, limitations of time, available data, technological search tools, and human experience dictates that prior art will sometimes be missed. Therefore, patents are being issued that will later be shown to be invalid, thanks to new evidence.

To further complicate the patent granting process, the number of patent applications has quadrupled over the past two decades—yet there has been no matching increase in funding or staffing for the USPTO to adequately meet its increasing needs. As a result, the office cannot meet the extraordinary demand for sufficient prior art searches and comprehensive validity assessments of applications.

### Updating the Definition of Prior Art

The recent amendments to Sections 102 and 103, initiated as a result of the AIA, help to make the “who”, “what”, “where” and “when” of prior art much more transparent. While the inspiration for these changes is to harmonize with international law and recognize the globalization of business activities, the added bonus is making the concept and importance of prior art simpler for the public to understand.

#### Prior Art: The “What”

First, the “what” of prior art has been clarified. The AIA goal of global harmonization is reflected in amended 102(a)(1). Two types of prior art that are the most difficult to research are those related to public use and on-sale activities. Historically, on sale activity or public use had to be “in this country” to be considered as prior art. Under the amended statute, there is no longer such a geographic limitation. The amended statute deletes this phrase so that on sale activity or public use activities that happen globally can be considered prior art. Public use, both pre and post AIA, is also limited to those uses that are available to the public, and can be executed by either the inventor or a third party.

The “on sale” bar to patentability in AIA 35 U.S.C. 102(a)(1) is treated as having the same meaning as “on sale” in pre-AIA 35 U.S.C. 102(b), with the exception that the sale must make the invention available to the public. One change in this standard under 35 U.S.C. 102(a)(1) is that “on sale” does not cover secret sales or offers for sale. For example, if the sale or offer for sale takes place among individuals having an obligation of confidentiality to the

inventor of the application, it would not be covered by the changes.

Under the AIA as amended, prior art is defined as “a printed publication, or in public use, sale, or otherwise available to the public,” according to 102(a)(1). “Otherwise available to the public” is a new catch-all category of prior art that is added in this reformed statute. The PTO has asked the public to comment on the meaning of this phrase and its application to the other categories of prior art., while also providing its own interpretation of the new catch-all phrase, including new forms of prior art like posters and documents on the internet. These information sources historically have been the source of disagreement in case law precedent. In addition, even a printed publication or other disclosure, including an activity that is not a sale, may be considered prior art based on the “otherwise available to the public” provision (i.e., the invention is made sufficiently available to the public) of AIA 35 U.S.C. 102(a)(1).

When the USPTO presented in its guidelines for implementing these AIA amendments, it stated that “otherwise available to the public” is a “new additional category of potential prior art not provided for in pre-AIA law ... This ... permits decision-makers to focus on whether the disclosure was ‘available to the public,’ rather than on the means by which the claimed invention became available to the public or on whether a disclosure constitutes a ‘printed publication’ or falls within another category of prior art.” The USPTO posits that publicly available information can arise in situations such as “student thesis in the university library, a poster display or other information disseminated at a scientific meeting, subject matter laid-open in patent application, a document electronically post on the Internet, or a commercial transaction that does not constitute a sale under the Uniform Commercial Code.”

As the public prepares for the upcoming AIA changes to be implemented in March, the notion of information being public should prompt a consideration of filing patent applications to avoid creating prior art. For the patent industry, these new areas of prior art can be mined to determine the validity of patents in building assets or addressing patent litigation.

#### Prior Art: The “Who”

Second, the AIA clarifies who can create prior art and when prior art can be available. Historically, the statute talked about prior art created “by another.” In the newly amended AIA section 102, the limitation that art must be created “by another” is eliminated. As a result, publications or activities by a patent applicant are treated in the same way in 102(a)(1) as those of other individuals. As a concession to the historic first-to-invent system (and its constituencies), the AIA creates an exception for certain prior patents and applications of coworkers and collaborators, which are not considered prior art under 102 or 103. However, this exception applies to only limited types of prior art, including US patent applications or co-published applications that were filed but not published prior to the effective filing date.

#### Prior Art: The “When” and the “Where”

Finally, significant improvements had been made for the variety of dates used in the patent filing process. In an effort to harmonize existing patent application rules in the United States with more widely accepted first-to-file international rules, the AIA has

changed the effective filing date of a patent to align with other patent offices across the globe.

The first-to-file system is based on the filing date of the application, regardless of the location of the filing. If an inventor filed for a patent through the EPO, their patent would be on par with a patent filed through the USPTO. This is a notable change, as historically, patents initially filed outside of the US were considered differently than those filed within the US. This caused significant discrepancies and made the patent filing process, the discovery of prior art, and the granting of patents much more complicated processes. The new AIA changes will help to eliminate this confusion and improve the quality of patents granted across the globe.

The new amendments take full effect on March 16, 2013, so now is the time to reassess your IP strategy in order to leverage offensive opportunities and proactively defend your company and its IP under these new AIA amendments.

So what is a real world example of the new definition of prior art? Under the new rules, even a seminar discussion about some interesting new technology at an engineering conference in Korea or China—presented in the Korean or Mandarin language—will be able to kill a U.S. patent that is later acquired on that technology. All that's required is that the "public use" occurred 12 months prior to the filing of the patent.

The changes in accepting global evidence of prior art are significant. Prior art evidence discovered outside of the United States has played a major role in invalidating low quality patents. In perhaps the most famous case, Blackberry device maker Research in Motion (RIM) agreed to pay \$612 million to patent holder NTP in 2006 to settle an infringement case. But would RIM have paid up had it known that [the USPTO would later rule the majority of NTP patent claims invalid](#) after the discovery by RIM investigators of a university research paper predating the NTP patents in a library somewhere in Norway.

### Implementing New Legal Strategies

"Success" in prior art searching is not simply defined as finding the smoking gun piece of prior art to invalidate a patent. Patent quality is the goal. Given that, "success" should really be defined as either invalidating the patent or conversely confirming that the patent is valid. A prior art smoking gun can prove invalidity. But validity, on the other hand, can never be 100 percent certain. Rather, confidence in validity depends upon the exhaustiveness of the search. Critics and supporters of the patent system all agree on one point: a better method of locating prior art and determining which inventions truly merit a patent or not is in the interests of business and the nation as a whole.

By understanding these new forms of prior art and how they can be leveraged to better navigate the opportunities available to patent applicants, attorneys can increase their value and better help their clients secure meaningful assets upon which they can base their future investments. ■



*Cheryl Milone is the founder and CEO of [Article One Partners](#), the world's largest crowdsourced patent research community. Milone created the global online community to add a crucial level of review to the U.S. patent system—strengthening legitimate patents and aiming to improve patent quality overall. A frequent speaker at industry conferences and thought leader, Milone is regularly featured and quoted in*

*publications including, [AllThingsD](#), [ArsTechnica](#), [BusinessWeek](#), [CBC TV](#), [Corporate Counsel](#), [Forbes](#), [IAM Magazine](#), [IPWatchDog](#), [World IP Review](#), and [VentureBeat](#).*

### Endnotes

<sup>1</sup> *Electronic Frontier Foundation*, "When Bad Patents Hurt Good People," Jan. 5, 2011. [www.eff.org/deeplinks/2011/01/when-bad-patents-hurt-good-people-patent-threat](http://www.eff.org/deeplinks/2011/01/when-bad-patents-hurt-good-people-patent-threat)

<sup>2</sup> *Electronic Frontier Foundation*, "Patent Trolls Drive App Developers From US Market," July 2011. [www.eff.org/deeplinks/2011/07/patent-trolls-drive-app-developers-u-s-market](http://www.eff.org/deeplinks/2011/07/patent-trolls-drive-app-developers-u-s-market)

<sup>3</sup> *Connecting Directors*, "Tread Lightly, Memorial QR Code Patent Controlled by SCI, Funeral Homes Face Liability Issue," 20 February 2012. <http://connectingdirectors.com/articles/4292-tread-lightly-memorial-qr-code-patent-controlled-by-sci-funeral-homes-face-liability-issue>

<sup>4</sup> Colleen Chien, "Startups and Patent Trolls," Santa Clara University School of Law, Research Paper No. 09-12, September, 2012, derived from: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2146251](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2146251).

<sup>5</sup> James Bessen, Jennifer Ford, and Mike Meurer, "The Private and Social Costs of Patent Trolls," Boston University School of Law Working Paper No. 11-45, Nov. 9, 2011, derived from: [www.bu.edu/law/faculty/scholarship/workingpapers/2011.html](http://www.bu.edu/law/faculty/scholarship/workingpapers/2011.html)



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## Murky Water: Why In-house Counsel Need to Navigate the Foreign Corrupt Practices Act

by Rachel V. Rose

For corporate counsel, overlooking the implications of non-compliance with the Foreign Corrupt Practices Act may quickly plunge the company and the individual attorney into murky water. The U.S. Securities and Exchange Commission's (SEC) announcement that, "[e]nforcement of the Foreign Corrupt Practices Act (FCPA) continues to be a high priority area for the SEC,"<sup>1</sup> coupled with the November 14, 2012 publication, *FCPA: A Resource Guide to the U.S. Foreign Corrupt Practices Act (FCPA Guide)*,<sup>2</sup> which was issued by both the U.S. Department of Justice (DOJ) and the SEC,<sup>3</sup> should be viewed as navigational beacons designed to assist corporate counsel and outside counsel navigate both the immediate and distant risks.

When considering the False Claims Act (FCA),<sup>4</sup> the FCPA,<sup>5</sup> and Dodd-Frank Act,<sup>6</sup> it is useful to consider the following: both the SEC whistleblower program<sup>7</sup> and the FCA are conduits for bringing violations to the government's attention for enforcement action. For companies and individuals, a whistleblower action can cause significant financial and reputational harm. In light of this, it is imperative that corporations not only address the anti-bribery provision, but, also, the accounting provisions of the FCPA.

### The FCPA Provisions

The primary purpose of enacting the FCPA was to "mak[e] it unlawful for certain classes of persons and entities to make payments to foreign government officials to assist in obtaining or retaining business."<sup>8</sup> Meaning, utilizing the various "instrumentalit[ies] of interstate commerce"<sup>9</sup> to induce a certain action in a foreign country by offering or promising to pay money or another item of value. This can be thought of as the bribery provision prong. There is another equally important prong—the accounting provisions.<sup>10</sup>

The accounting provisions have two primary components: the books and records provisions and the "internal controls" provision.<sup>11</sup> As such, a company's duties include the requirement that publicly traded companies maintain accurate books that reflect, in identifiable detail, an issuer's representation of their assets, liabilities and stock holder equities. In reality, these standards parallel those required under various securities laws, regulations, financial statements and Generally Accepted Accounting Principles (GAAP). The "internal controls" provision requires a compliance system of internal mechanisms to assure management's control, authority and responsibility for the accounting items of the company. Here, corporate counsel should, in tandem, look at Sarbanes-Oxley and Dodd-Frank for guidance.<sup>12</sup>

Another consideration, as the SEC has advised, is that, [t]he FCPA can apply to prohibited conduct anywhere in the world, even, in certain circumstances, where there is no U.S. territorial connection, and extends to publicly traded companies ("issuers") and their officers, directors, employees, agents, and stockholders. Agents can include third party agents, consultants, distributors, joint-venture partners, and others.<sup>13</sup>

It is not hard to recognize that the implications for non-compliance are potentially significant. Moreover, including agents acting on behalf of a company casts a much broader net in terms of liability. Therefore, violating either of these two prongs, as recent SEC enforcement activity has indicated, can open the door to liability through the FCA or the Dodd-Frank Whistleblower Program.<sup>14</sup>

### Corporate Counsel's Obligations as an Attorney

In general, Section 922 of the Dodd-Frank Act was established to compensate individuals who provide information, which leads to a successful enforcement action and, also, provides protection against retaliation actions.<sup>15</sup> The broad requirements include: voluntarily providing the SEC with original information that meets the public disclosure requirements and leads to a successful SEC enforcement action in either a federal court or administrative agency, whereby the SEC obtains sanctions in excess of \$1 million. Interpreting these requirements leads one to believe that anyone can bring a whistleblower suit.

Of course, with the overwhelming majority of laws and regulations, there are exceptions. Under the whistleblower program, which was established as part of the Dodd-Frank Act, certain individuals may generally be excluded for awards because they may have a pre-existing duty to report it. Such persons include: attorneys, foreign government officials, corporate fiduciaries (*i.e.*, officers and directors), who receive information from an employee, compliance and internal audit personnel and public accountants. These provisions do not establish a "bright line" rule.<sup>16</sup> Hence, there are also exceptions to the exceptions.

[U]nder certain circumstances, compliance and internal audit personnel, as well as public accountants, can become whistleblowers when: (1) the whistleblower may prevent substantial injury to the financial interest or property of the entity or investors; (2) the whistleblower believes that the entity is engaging in conduct that will impede an investigation, *or* at least 120 days have elapsed since the whistleblower reported the information to his or her supervisor or the entity's audit committee, chief legal officer, chief compliance officer—or at least 120 days have elapsed since the whistleblower received the information, if the whistleblower received it under circumstances indicating that these people are already aware of the information. (*emphasis added*).<sup>17</sup>

Likewise, an attorney could qualify. In fact, the circumstances identified to be permissible mirror those found in the American Bar Association's Model Rules of Professional Conduct. In general, Rule 1.6(a) indicates that, "[a] lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation or the disclosure is permitted by paragraph (b)."<sup>18</sup>

Part (b) of Rule 1.6 identifies circumstances where an attorney "may reveal information relating to the representation of a client." Two such exceptions are:

- (2) to prevent a client from committing a crime or fraud that is reasonably certain to result in substantial injury to the financial interests or property of another and in furtherance of which the client has used or is using the lawyer's services;
- (3) to prevent, mitigate or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime or fraud in furtherance of which the client has used the lawyer's services.<sup>19</sup>

It is important to note the phrase “may reveal.” Given this language, an attorney may choose not to. But, the FCA, Dodd-Frank (including the related SEC whistleblower program) provide a conduit for an attorney to reveal the information relating to the crime or fraud. Thereby, making it possible for an attorney to serve as a whistleblower, receive the compensation award and act in accordance with his/her professional responsibilities<sup>20</sup> and fiduciary duties.

### Conclusion

As the *FCPA Guide* cites, “[e]thical culture is the single biggest factor determining the amount of misconduct that will take place in a business.”<sup>21</sup> This should serve as the compass as corporate counsel evaluates a company’s activities and advises the entity on the risks associated with the FCPA. Additionally, in-house counsel should review both their professional responsibilities and the option to report discovered violations as a whistleblower. Again, this option an attorney may want to consider as a last result. Effectuating an ethical culture, evaluating an entity’s practices in light of both prongs of the FCPA and knowing what reporting options exist if a company compromises an attorney’s professional and legal duties in relation to reasonable financial harm due to fraud enables corporate attorneys to better navigate the murky waters associated with the FCPA.



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### Endnotes

<sup>1</sup>U.S. Securities and Exchange Commission, *SEC Enforcement Actions: FCPA Cases*, available at, <http://www.sec.gov/spotlight/fcpa/fcpa-cases.shtml> (listing the SEC’s FCPA enforcement initiatives and recoveries by calendar year. Significantly, the overwhelming majority of cases were from the health care industry. All of the enforcement actions listed in 2012 focused on one prong of the FCPA – the antibribery provisions).

<sup>2</sup>The *FCPA Guide* is available at [www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf](http://www.sec.gov/spotlight/fcpa/fcpa-resource-guide.pdf) or [www.justice.gov/criminal/fraud/fcpa/](http://www.justice.gov/criminal/fraud/fcpa/).

<sup>3</sup>Both agencies are responsible for jointly enforcing the FCPA.

<sup>4</sup>The False Claims Act, 31 U.S.C. §3729-2730. Dating back to the Civil War, the False Claims Act is a law, which enables either the government or a private citizen to bring a claim on behalf of the government in relation to a suspected fraud. If a private citizen brings a claim and the government joins the suit, the citizen is entitled to between 15-30% of the total recovery. As the U.S. Department of Justice recently indicated, it is a key tool to protecting the interests of the U.S. government and tax payers. See, U.S. Department of Justice – Office of Public Affairs, *Justice Department Recovers Nearly \$5 Billion in False Claims Act Cases in Fiscal Year 2012* (Dec. 4, 2012), available at [www.justice.gov](http://www.justice.gov).

<sup>5</sup>The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. 78dd-1, et seq.

<sup>6</sup>15 U.S.C. § 78u-6; see also Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 922, 124

Stat. 1376, 1841-49 (2010).

<sup>7</sup>For detailed information about the program, including eligibility requirements and certain limitations that apply, see Section 922 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, available at [www.sec.gov/about/offices/owb/dodd-frank-sec-922.pdf](http://www.sec.gov/about/offices/owb/dodd-frank-sec-922.pdf), and the final rules on eligibility, Exchange Act Rule 21F-8, 17 C.F.R. § 240.21F-8.

<sup>8</sup>Department of Justice, *Foreign Corrupt Practices Act – An Overview*, available at, [www.justice.gov/criminal/fraud/fcpa/](http://www.justice.gov/criminal/fraud/fcpa/) (referencing The Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et. seq.).

<sup>9</sup>*Id.*

<sup>10</sup>15 U.S.C. §78m.

<sup>11</sup>Michael Cohn, *SEC and DOJ Release Foreign Corrupt Practices Act Guide* (Nov. 14, 2012), available at, [www.accountingtoday.com](http://www.accountingtoday.com).

<sup>12</sup>Stephen J. Friedman, *Remarks to University of Kentucky – The Accounting Provisions of the Foreign Corrupt Practices Act* (Feb. 25, 1981) (indicating “that the Act’s accounting provisions are a logical and temperate response to a valid concern felt by Congress; they neither require accounting perfection nor establish the Commission as an unchecked force, roving the business landscape to avenge real and imagined ills. Compliance with these provisions is no different from compliance with any of the flexible standards which cover a wide variety of conduct, such as the concepts of fiduciary obligations or materiality.”).

<sup>13</sup>SEC Office of Investor Education and Advisory, *Investor Bulletin: The Foreign Corrupt Practices Act – Prohibition of the Payment of Bribes to Foreign Officials*, available at, [www.investor.gov](http://www.investor.gov).

<sup>14</sup>*Supra* n. 1.

<sup>15</sup>Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 922.

<sup>16</sup>J. Androphy, A. Gargour and K. Nelson, *The Intersection of the Dodd-Frank Act and the Foreign Corrupt Practices Act: What All Practitioners, Whistleblowers, Defendants, and Corporations Need to Know*, Vol. 59, The Advocate: Litigation Section of the State Bar of Texas (2012).

<sup>17</sup>*Id.*

<sup>18</sup>American Bar Association, Model Rules of Professional Conduct, Rule 1.6 – Confidentiality of Information.

<sup>19</sup>American Bar Association, Model Rules of Professional Conduct 1.6(b)(2),(3).

<sup>20</sup>While most states’ Rules of Professional Responsibility closely mirror the ABA Model Rules of Professional Conduct, it is important to specifically consult the individual state(s) where the attorney is licensed.

<sup>21</sup>The *FCPA Guide* at fn. 312, Ethics Resource Center, *2009 National Business Ethics Survey: Ethics in the Recession* (2009), at 41.

## CACD Recent Events

On Jan. 29, 2013, CACD co-sponsored the 27th Annual Federal Civil Practice Seminar at the Belo Mansion in Dallas, Texas, with the event's principal sponsors, the Dallas and Fort Worth FBA chapters. The half-day program featured a number of timely and relevant presentations by local in-house counsel; Hon. Carl E. Stewart, chief judge of the U.S. Court of Appeals for the Fifth Circuit; Scott Brister, former Texas Supreme Court justice, and

several other judges and law firm attorneys. The "General Counsel Panel: Advice and Tips from the Client's Perspective" was particularly insightful regarding best practices between in-house counsel and their outside counsel. We hope that CACD members in attendance enjoyed the program and thank the Dallas and Fort Worth FBA chapters for allowing our division to participate in this dynamic program.

## Federal Bar Association Calendar

<b>April 4-6, 2013</b>	2013 Midyear Meeting // West Arlington Gateway // Arlington, VA
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<b>May 1-5, 2013</b>	Biannual Labor & Employment Law Conference (Sponsored by the FBA Labor & Employment Section & Corporate & Association Counsel Division) Westin New Orleans Canal Place // New Orleans, LA
<b>May 28, 2013</b>	FBA Supreme Court Admissions Ceremony // U.S. Supreme Court // Washington D.C.
<b>May 30-31, 2013</b>	25th Annual Insurance Tax Seminar // J.W. Marriott // Washington, D.C.
<b>Sept. 26-28, 2013</b>	2013 Annual Meeting and Convention // The Caribe Hilton // San Juan, PR
<b>Sept. 4-6, 2014</b>	2014 Annual Meeting and Convention // The Westin // Providence, RI

Please watch your email for details on other programs and events. For a full calendar and details of FBA events, see [www.fedbar.org/calendar](http://www.fedbar.org/calendar).

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**THREE WAYS TO APPLY TODAY:** ① Join online at [www.fedbar.org](http://www.fedbar.org); ② Fax application to (571) 481-9090; or ③ Mail application to FBA, 1220 North Fillmore St., Suite 444, Arlington, VA 22201. For more information, contact the FBA membership department at (571) 481-9100 or [membership@fedbar.org](mailto:membership@fedbar.org).

## FEDERAL BAR ASSOCIATION APPLICATION FOR MEMBERSHIP (CONTINUES ON REVERSE)

### Applicant Information

First Name \_\_\_\_\_ M.I. \_\_\_\_\_ Last Name \_\_\_\_\_ Suffix (e.g., Jr.) \_\_\_\_\_ Title (e.g., Attorney At Law, Partner, Assistant U.S. Attorney) \_\_\_\_\_

Male  Female Have you been an FBA member in the past?  yes  no Which do you prefer as your primary address?  business  home

Firm/Company/Agency _____		Number of Attorneys _____	
Address _____		Suite/Floor _____	
City _____	State _____	Zip _____	Country _____
( ) _____	( ) _____		
Phone _____	Fax _____	E-mail _____	

Address _____			Apt. # _____
City _____	State _____	Zip _____	Country _____
( ) _____	( ) _____		
Phone _____	Fax _____		
// _____			
Date of Birth _____		E-mail _____	

### Bar Admission and Law School Information (required)

U.S.	Court of Record: _____
	State/District: _____ Original Admission: / /

Tribal	Court of Record: _____
	State: _____ Original Admission: / /

Foreign	Court/Tribunal of Record: _____
	Country: _____ Original Admission: / /

Students	Accredited Law School: _____
	State/District: _____ Expected Graduation: / /

### Practice Information

#### PRACTICE TYPE

- Private Sector:  Private Practice  Corporate/In-House  
 Public Sector:  Government  Association Counsel  
 Nonprofit  University/College  
 Military  Judiciary

#### PRIMARY PRACTICE AREAS

- |  |  |
|--|--|
| <input type="radio"/> Administrative         | <input type="radio"/> Health                 |
| <input type="radio"/> Admiralty/Maritime     | <input type="radio"/> Immigration            |
| <input type="radio"/> ADR/Arbitration        | <input type="radio"/> Indian                 |
| <input type="radio"/> Antitrust/Trade        | <input type="radio"/> Intellectual Property  |
| <input type="radio"/> Bankruptcy             | <input type="radio"/> International          |
| <input type="radio"/> Communications         | <input type="radio"/> Labor/Employment       |
| <input type="radio"/> Criminal               | <input type="radio"/> Military               |
| <input type="radio"/> Environment/Energy     | <input type="radio"/> Social Security        |
| <input type="radio"/> Federal Litigation     | <input type="radio"/> State/Local Government |
| <input type="radio"/> Financial Institutions | <input type="radio"/> Taxation               |
| <input type="radio"/> General Counsel        | <input type="radio"/> Transportation         |
| <input type="radio"/> Government Contracts   | <input type="radio"/> Veterans               |

### Membership Levels

#### SUSTAINING MEMBERSHIP

Members of the association distinguish themselves when becoming sustaining members of the FBA. Sixty dollars of the sustaining dues are used to support educational programs and publications of the FBA. Sustaining members receive a 5% discount on the registration fees for all national meetings and national CLE events.

	<u>Private Sector</u>	<u>Public Sector</u>
Member Admitted to Practice 0-5 Years .....	<input type="radio"/> \$155	<input type="radio"/> \$135
Member Admitted to Practice 6-10 Years .....	<input type="radio"/> \$215	<input type="radio"/> \$190
Member Admitted to Practice 11+ Years .....	<input type="radio"/> \$255	<input type="radio"/> \$220
Retired (Fully Retired from the Practice of Law).....	<input type="radio"/> \$155	<input type="radio"/> \$155

#### ACTIVE MEMBERSHIP

Open to any person admitted to the practice of law before a federal court or a court of record in any of the several states, commonwealths, territories, or possessions of the United States or in the District of Columbia.

	<u>Private Sector</u>	<u>Public Sector</u>
Member Admitted to Practice 0-5 Years .....	<input type="radio"/> \$95	<input type="radio"/> \$75
Member Admitted to Practice 6-10 Years .....	<input type="radio"/> \$155	<input type="radio"/> \$130
Member Admitted to Practice 11+ Years .....	<input type="radio"/> \$195	<input type="radio"/> \$160
Retired (Fully Retired from the Practice of Law).....	<input type="radio"/> \$95	<input type="radio"/> \$95

#### ASSOCIATE MEMBERSHIP

Foreign Associate Admitted to practice law outside the U.S. ....  \$195  
Law Student Associate Currently enrolled in an accredited law school ....  \$30

Dues Total: \$ \_\_\_\_\_

#### Practice Area Sections

<input type="radio"/> Alternative Dispute Resolution.. \$15	<input type="radio"/> Indian Law ..... \$15
<input type="radio"/> Antitrust and Trade Regulation.. \$15	<input type="radio"/> Intellectual Property Law..... \$10
<input type="radio"/> Banking Law..... \$20	<input type="radio"/> International Law..... \$10
<input type="radio"/> Bankruptcy Law..... \$10	<input type="radio"/> Labor and Employment Law..... \$15
<input type="radio"/> Civil Rights Law ..... \$10	<input type="radio"/> Securities Law Section ..... \$0
<input type="radio"/> Criminal Law..... \$10	<input type="radio"/> Social Security..... \$10
<input type="radio"/> Environment, Energy, and Natural Resources..... \$15	<input type="radio"/> State and Local Government Relations..... \$15
<input type="radio"/> Federal Litigation..... \$10	<input type="radio"/> Taxation..... \$15
<input type="radio"/> Government Contracts..... \$20	<input type="radio"/> Transportation and Transportation Security Law..... \$20
<input type="radio"/> Health Law..... \$10	<input type="radio"/> Veterans Law..... \$20
<input type="radio"/> Immigration Law..... \$10	

#### Career Divisions

<input type="radio"/> Corporate & Association Counsel (in-house counsel and/or corporate law practice).....	\$20
<input type="radio"/> Federal Career Service (past/present employee of federal government).....	N/C
<input type="radio"/> Judiciary (past/present member or staff of a judiciary).....	N/C
<input type="radio"/> Senior Lawyers* (age 55 or over).....	\$10
<input type="radio"/> Younger Lawyers* (age 36 or younger or admitted less than 3 years) .....	N/C

\*For eligibility, date of birth must be provided.

Sections and Divisions Total: \$ \_\_\_\_\_

### Chapter Affiliation

Your FBA membership entitles you to a chapter membership. Local chapter dues are indicated next to the chapter name (if applicable). If no chapter is selected, you will be assigned a chapter based on geographic location. \*No chapter currently located in this state or location.

<b>Alabama</b> <input type="radio"/> Birmingham <input type="radio"/> Mobile <input type="radio"/> Montgomery <input type="radio"/> North Alabama	<b>Georgia</b> <input type="radio"/> Atlanta-\$10 <b>Hawaii</b> <input type="radio"/> Hawaii <b>Idaho</b> <input type="radio"/> Idaho <b>Illinois</b> <input type="radio"/> Chicago <b>Indiana</b> <input type="radio"/> William D. Browning/ Tucson-\$10 <b>Arkansas*</b> <input type="radio"/> At Large <b>California</b> <input type="radio"/> Central Coast <input type="radio"/> Inland Empire <input type="radio"/> Los Angeles <input type="radio"/> Northern District of California <input type="radio"/> Orange County <input type="radio"/> Sacramento <input type="radio"/> San Diego <input type="radio"/> San Joaquin Valley <b>Colorado</b> <input type="radio"/> Colorado <b>Connecticut</b> <input type="radio"/> District of Connecticut <b>Delaware</b> <input type="radio"/> Delaware <b>District of Columbia</b> <input type="radio"/> Capitol Hill <input type="radio"/> D.C. <input type="radio"/> Pentagon <b>Florida</b> <input type="radio"/> Broward County <input type="radio"/> Jacksonville <input type="radio"/> North Central Florida-\$25 <input type="radio"/> Orlando <input type="radio"/> Palm Beach County <input type="radio"/> South Florida <input type="radio"/> Southwest Florida <input type="radio"/> Tallahassee <input type="radio"/> Tampa Bay	<b>New Jersey</b> <input type="radio"/> New Jersey <b>New Mexico*</b> <input type="radio"/> At Large <b>New York</b> <input type="radio"/> Eastern District of New York <input type="radio"/> Southern District of New York <input type="radio"/> Western District of New York <b>North Carolina</b> <input type="radio"/> Eastern District of North Carolina <input type="radio"/> Middle District of North Carolina <input type="radio"/> Western District of North Carolina <b>North Dakota*</b> <input type="radio"/> At Large <b>Ohio</b> <input type="radio"/> John W. Peck/ Cincinnati/ Northern Kentucky <input type="radio"/> Columbus <input type="radio"/> Dayton <input type="radio"/> Northern District of Ohio-\$10 <b>Oklahoma</b> <input type="radio"/> Oklahoma City <input type="radio"/> Northern/ Eastern Oklahoma <b>Oregon</b> <input type="radio"/> Oregon <b>Pennsylvania</b> <input type="radio"/> Eastern District of Pennsylvania <input type="radio"/> Middle District of Pennsylvania <input type="radio"/> Western District of Pennsylvania	<b>Puerto Rico</b> <input type="radio"/> Hon. Raymond L. Acosta/ Puerto Rico-\$10 <b>Rhode Island</b> <input type="radio"/> Rhode Island <b>South Carolina</b> <input type="radio"/> South Carolina <b>South Dakota*</b> <input type="radio"/> At Large <b>Tennessee</b> <input type="radio"/> Chattanooga <input type="radio"/> Memphis Mid-South <input type="radio"/> Nashville <input type="radio"/> Northeast Tennessee <b>Texas</b> <input type="radio"/> Austin <input type="radio"/> Dallas-\$10 <input type="radio"/> Del Rio-\$25 <input type="radio"/> El Paso <input type="radio"/> Fort Worth <input type="radio"/> San Antonio <input type="radio"/> Southern District of Texas-\$25 <input type="radio"/> Waco <b>Utah</b> <input type="radio"/> Utah <b>Vermont*</b> <input type="radio"/> At Large <b>Virgin Islands</b> <input type="radio"/> Virgin Islands <b>Virginia</b> <input type="radio"/> Northern Virginia <input type="radio"/> Richmond <input type="radio"/> Roanoke <input type="radio"/> Tidewater <b>Washington*</b> <input type="radio"/> At Large <b>West Virginia*</b> <input type="radio"/> At Large <b>Wisconsin*</b> <input type="radio"/> At Large <b>Wyoming</b> <input type="radio"/> Wyoming
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Chapter Total: \$ \_\_\_\_\_

## Payment Information and Authorization Statement

#### TOTAL DUES TO BE CHARGED

(membership, section/division, and chapter dues): \$ \_\_\_\_\_

Check enclosed, payable to Federal Bar Association  
Credit:  American Express  MasterCard  Visa

\_\_\_\_\_  
Name on card (please print)

\_\_\_\_\_  
Card No.

\_\_\_\_\_  
Exp. Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

By signing this application, I hereby apply for membership in the Federal Bar Association and agree to conform to its Constitution and Bylaws and to the rules and regulations prescribed by its Board of Directors. I declare that the information contained herein is true and complete. I understand that any false statements made on this application will lead to rejection of my application and/or the immediate termination of my membership. I also understand that by providing my fax number and e-mail address, I hereby consent to receive faxes and e-mail messages sent by or on behalf of the Federal Bar Association, the Foundation of the Federal Bar Association, and the Federal Bar Building Corporation.

\_\_\_\_\_  
**Signature of Applicant**

\_\_\_\_\_  
**Date**

(Signature must be included for membership to be activated)

\*Contributions and dues to the FBA may be deductible by members under provisions of the IRS Code, such as an ordinary and necessary business expense, except 4.5% which is used for congressional lobbying and is not deductible. Your FBA dues include \$14 for a yearly subscription to the FBA's professional magazine.