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Supreme Court clamps down on state-court forum shopping

Cos. more likely to get 'home field advantage'

By Pat Murphy

The U.S. Supreme Court capped off its latest term by handing two key victories to corporations seeking to avoid being sued in plaintiff-friendly state courts.

In *Bristol-Myers Squibb Co. v. Superior Court of California*, the Supreme Court held that California courts lacked specific jurisdiction over the claims of out-of-state plaintiffs who had joined a mass action filed in California state court against Bristol-Myers Squibb for injuries allegedly caused by the prescription blood thinner Plavix.

And in *BNSF Railway Co. v. Tyrrell*, the court held that due process did not allow Montana courts to exercise personal jurisdiction over out-of-state plaintiffs suing their employer under the Federal Employers' Liability Act for injuries sustained outside Montana.

Experts say the rulings will increasingly force plaintiffs' attorneys to bring mass tort and class actions on a state-by-state basis while providing defense attorneys the ammunition to argue that the most appropriate forum for a nationwide class action is the corporation's home state.

Six hundred plaintiffs sued Bristol-Myers in California state court, asserting state-law product liability claims for injuries caused by Plavix.

While *Bristol-Myers* is a mass tort case, Boston attorney Donald R. Frederico said the decision provides support for defense arguments in the class action context as well.

"It's clear from the case that a court cannot exercise jurisdiction over a defendant where the defendant is not subject to general jurisdiction, the class representatives are from other states, and the claim did not 'arise' in the forum state," said Frederico, who heads the class action defense practice at Pierce Atwood in

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Duty of co. lawyers extends to non-client minority members

By Kris Olson

The Massachusetts Appeals Court has found that lawyers for a limited liability company could be sued for breaching a fiduciary duty to the LLC's minority members despite the lack of an attorney-client relationship.

Counsel for the LLC were accused of working surreptitiously to eliminate protections afforded the minority members in the LLC's operating agreement. In a companion suit to one filed against majority members of their LLC, the plaintiff minority members sought to hold the company's attorneys liable for their alleged role in a "freeze-out" scheme.

The minority members claimed that the majority members secretly retained the lawyers, including the daughter of a majority member.

The defendant attorneys successfully argued in the Superior Court's Business Litigation Session that the plaintiffs had neither an express nor implied attorney-client relationship with the lawyers, and thus they owed them no fiduciary duty.

But the plaintiffs contended that the fiduciary duty had arisen from the defendants' engagement

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Suit to enforce non-compete must be heard in California

Employer denied choices of forum, governing law

By Pat Murphy

A Massachusetts employer's claims for breach of a non-compete agreement must be litigated in California where the defendant lives and worked for the plaintiff, notwithstanding a Massachusetts forum selection clause in the employment contract, a Superior Court judge has found.

The plaintiff, Oxford Global Resources, LLC, argued that the mandatory forum selection clause in the parties' agreement was enforceable under Massachusetts law, which the employer asserted governed by virtue of a choice-of-law provision.

But Judge Kenneth W. Salinger granted defendant Jeremy Hernandez's motion to dismiss on the ground of forum non conveniens, finding both the choice-of-law and forum selection clauses unenforceable in light of California's strong public policy disfavoring non-competition agreements.

"Since Oxford was hiring Hernandez to work for it in California, the evident reason why Oxford sought to make the Agreement subject to Massachusetts law and require that any lawsuits arising from the contract be brought in Massachusetts was that Oxford wanted to

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Despite Facebook post, worker can get unemployment benefits

By Barry Bridges

In a ruling examining the interplay between social media and the workplace, the Rhode Island Supreme Court has held in a split decision that there was insufficient evidence to show an employee's Facebook post was "connected with his work" so as to disqualify him for unemployment benefits under G.L. §28-44-18.

The statute provides, in relevant part, that "an individual who has been discharged for proved misconduct connected with his or her work shall become ineligible for … benefits."

In writing for the majority, Chief Justice Paul A. Suttell noted the uniqueness of the case, pointing out that the

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court had yet to consider the issue of alleged employee misconduct involving social media and whether it was connected to the workplace.

While there was insufficient evidence in the record speaking to factors that the court found could be relevant, Suttell said the post did not specifical-

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Nurse injured driving home for weekend can get comp

Claim not barred by 'going, coming' rule

By Pat Murphy

The "going-and-coming" rule did not apply to bar the workers' compensation claim of a nurse who sustained serious injuries in an accident that occurred when she was driving home for the weekend during the course of a temporary job assignment in Vermont, a Massachusetts Department of Industrial Accidents Reviewing Board panel has found.

The rule generally bars compensation for injuries suffered in the course of an employee traveling to and from a fixed place of employment.

The insurer argued that the claimant, Valerie Hatch, had a fixed place of employment during the entirety of her three-month job assignment in Vermont. Accordingly, the insurer contended that the employee fell within the scope of the rule because she was merely commuting to her home in Massachusetts at the time of the accident.

But the three-member review panel found the case indistinguishable from the 1979 decision by the Appeals Court in *Swasey's Case*, which addressed the "traveling employee" exception to the rule. Specifically, the panel credited the administrative judge's reliance on *Swasey* to find that the claimant's employment, when "viewed in its entirety," brought her within the class of traveling workers not barred from receiving compensation.

"It was in the 'nature of its business' for the employer in *Swasey* and the employer here to 'assign and dispatch [employees] to distant areas to work on a specific project until completion,'" Administrative Law Judge Carol Calliotte wrote for the panel. "And, as in *Swasey*, it was to the benefit of the employer's business that its employees travel."

The 11-page decision is *In Re: Hatch, Valerie*.

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Case on point

The claimant was represented by Michael K. Landman of Boston. Landman said his client's case was an "identical match" to *Swasey's Case*.

"It wasn't like [my client] was going from her home to her office and back," he said. "She was expected to travel as part of being an employee of this medical [staffing] outfit. She had no fixed place of employment."

Calling *Hatch* an "excellent" decision applied to a unique set of facts, Taunton workers' compensation attorney James K. Meehan said he did not see how the claimant could be categorized as anything but a "traveling" employee.

"Traditionally, the going-and-coming rule applies mostly to commuters, but traveling workers are covered [by workers' compensation]," he said.

Deborah G. Kohl, chair of the Massachusetts Bar Association's Workers' Compensation Law Section, said she also saw *Hatch* as a traveling employee case, not a going-and-coming case.

"The coming-and-going rule is really for commuting purposes, and this woman really wasn't commuting," Kohl said. "She was assigned to a job in another state. When she went home, she was clearly a 'traveler' at that point, not a 'commuter.'"

Worcester workers' compensation attorney Jane Eden saw ambiguity in the language and application of the claimant's employment contract as hindering the insurer's attempt to have the going-and-coming rule applied in the case.

But Eden added that public policy considerations might weigh against giving effect to more explicit contractual restrictions on travel for someone employed in similar circumstances.

"You always need to keep in mind that the workers' compensation law, because it is an exclusive remedy, is meant to compensate the employee in as many situations as it can," she said.

Noting that the going-and-coming rule is one of the more fact-dependent doctrines, Alan S. Pierce of Salem said *Hatch* is a sound decision under existing case law.

"There are so many exceptions to the going-and-coming rule, and this [case] is yet another one," Pierce said. "The wrinkle here is that it involved a three-month assignment out-of-state, so the going-and-coming rule butts up against the traveling employee rule."

Boston attorney Michael T. Henry represented the insurer in the appeal before the board. He declined to comment.

Catastrophic accident

The claimant lived in Danvers, Massachusetts, at the time of her accident on June 24, 2013. A psychiatric nurse for Supplemental Health Care Services, a medical staffing agency, she was assigned to work at Brattleboro Retreat, a mental health facility in Vermont, from May 25 through Aug. 24, 2013.

During her time in Brattleboro, the claimant worked five days a week on the 11 p.m. to 7:30 a.m. shift. At the beginning of her work week, she would drive from her home in Danvers to Brattleboro.

According to the claimant, her understanding was that SHCS paid her food and lodging for only five days a week. Thus, she would book a hotel for five nights in Brattleboro and drive home to Danvers at the end of her work week to avoid having to pay expenses out of pocket.

The claimant acknowledged that she did not notify SHCS when she went home to Massachusetts on her days off, but also asserted that she did not believe she was required to do so.

The senior marketing manager for SHCS would later testify that the company employs local contractors who receive a straight hourly pay, and so-called "travelers" who qualify for a tax-free per diem for meals and lodging if they meet the criteria for a "traveler" under the IRS guidelines.

According to the marketing manager, contractors like the claimant were assumed to remain on location during the contract period and paid $123 per diem seven days a week for food and lodging. The marketing manager clarified that there were exceptions for those who notified SHCS that they were traveling home on their days off.

However, according to the marketing manager, because the claimant never indicated she was returning to her home in Danvers, she was paid her per diem for seven days each week.

On June 24, 2013, the claimant immediately left for home after working the last night shift of her work week. On the way home, she was involved in a serious car accident and suffered injuries that required a number of surgeries.

An administrative judge ordered the insurer to pay the claimant §34 total incapacity benefits from the date of the accident as well as §§13 and 30 medical benefits.

The insurer appealed only on the issue of liability, asserting the going-and-coming rule applied to bar the claimant from receiving compensation. An administrative judge denied the insurer's appeal, finding the case controlled by *Swasey*.

Traveling employee exception

Swasey involved an engineering aide technician who was assigned by his Massachusetts employer to work on a project in Poughkeepsie, New York. Although paid a per diem for food and lodging, the employee returned to his home in Massachusetts every weekend, and was seriously injured while driving home at the end of his work week.

The Appeals Court in *Swasey* rejected the insurer's argument that the going-and-coming rule precluded the employee from receiving benefits because he was injured in the course of traveling home for the sole purpose of being with his family.

The insurer in *Hatch* argued that the claimant did not qualify as a traveling employee within the meaning of *Swasey* because she had a fixed place of employment in Vermont pursuant to the terms of her employment.

In particular, the insurer argued that the claimant's employment contract required her to provide notice when she was traveling home so the employer could cancel the $123 per diem payment for those days. In addition, the insurer pointed to an IRS requirement for the claimant to declare Brattleboro, Vermont, as her temporary residence in order to receive her per diem payments without deduction for taxes.

But Administrative Law Judge Calliotte recognized that the determination of whether an employee is a "traveler" under IRS guidelines does not control whether she is a "traveling employee" for purposes of workers' compensation eligibility.

While Calliotte also acknowledged there was ambiguity as to the terms of the claimant's employment contract relating to per diem payments, the judge found no reason to distinguish *Swasey* on that basis.

"[W]hether, as the employee understood, her per diem was limited to the five days a week she worked, or, as [the marketing manager] testified, it was based on the number of days she remained at her temporary residence, or it was simply paid for seven days per week, we do not see a meaningful difference in the rationale for payment," Calliotte wrote. "As in *Swasey*, the per diem was paid to allow the employee to work at a distance from her permanent home, which was not only a clear benefit to the employer's business, but a necessity to its operation."

Further, Calliotte concluded that the claimant would not be barred from receiving compensation even accepting the insurer's argument that her employment contract required her to provide notice before traveling home. The judge noted the general rule that the violation of an employer rule will not bar payment of benefits unless the violation is intentional and the rule has been clearly communicated and enforced by the employer.

"Here, the [administrative] judge credited the employee's testimony that she believed she was not required to notify the employer, and that there were no conditions placed on her returning to her home in Massachusetts," Calliotte wrote. "In addition, the judge permissibly found the contract itself unclear and the employer's actions inconsistent with it." NEIH

No bankruptcy jurisdiction over severance pay claims

By Thomas E. Egan

The 1st U.S. Circuit Court of Appeals has determined that two corporate executives of a bankrupt hospital could not bring a claim in U.S. Bankruptcy Court for severance payments.

The 1st Circuit upheld a U.S. District Court judge's ruling that subject matter jurisdiction was lacking over the executives' post-confirmation claims for severance payments against the purchaser of the hospital's assets.

"In short, [the executives'] claims do not fit into the narrow category of matters that 'have no existence outside of the bankruptcy,' … or that 'could only arise in the context of a bankruptcy,'" Judge Kermit V. Lipez wrote for the unanimous three-judge 1st Circuit panel.

The 18-page decision is *Gupta, et al. v. Quincy Medical Center*.

Leah L. Miraldi of Providence was counsel for the executives. Chicago attorney Jonathan W. Young represented the purchaser of the hospital's assets.

Asset sale

Appellants Apurv Gupta and Victor Munger were senior executives at Quincy Medical Center.

On June 30, 2011, the debtors — Quincy Medical Center Inc., QMC ED Physicians Inc. and Quincy Physician Corp. — signed an asset purchase agreement whereby they agreed to sell substantially all of their assets to Steward Family Hospital Inc.

One day later, the debtors filed voluntary petitions under Chapter 11 of the Bankruptcy Code, as well as a "sale motion" under sections 363 and 365 of the Bankruptcy Code, seeking Bankruptcy Court approval of the asset purchase agreement.

On Sept. 26, 2011, the bankruptcy judge issued a "sale order" approving the asset purchase agreement as requested in the sale motion. The sale closed on Oct. 1, 2011.

Six days later, the debtors filed a proposed Chapter 11 plan of reorganization. The bankruptcy judge thereafter confirmed the plan.

The sale order, the plan and the confirmation order contained provisions stating that the Bankruptcy Court retained jurisdiction over any disputes arising under them.

The appellant executives received letters from the debtors on Oct. 7 stating that their employment was terminated effective the day the sale closed, Oct. 1, 2011. The appellants subsequently sought severance pay from the debtors by filing motions in the Bankruptcy Court for allowance of administrative expenses against the debtors.

The judge found a basis for subject matter jurisdiction to hear the claims against Steward, which had purchased the debtors' assets. The judge relied on the retention of jurisdiction provisions in the sale order and the plan, ultimately finding Steward liable to the executives under the asset purchase agreement for their severance pay.

Steward then appealed.

On appeal, U.S. District Court Judge Rya W. Zobel concluded that the Bankruptcy Court lacked subject matter jurisdiction over the executives' claims.

Specifically, she found that their claims against Steward fell outside the Bankruptcy Court's statutorily granted jurisdiction. Zobel therefore vacated the judgments against Steward and remanded with instructions to dismiss the executives' claims.

No 'arising in' jurisdiction

The Bankruptcy Code, 28 U.S.C. §1334(b), establishes federal jurisdiction over "proceedings arising under title 11, or arising in or related to cases under title 11."

Thus, "in order for Appellants' severance claims to fall within 28 U.S.C. §1334's statutory grant of jurisdiction, the claims must 'arise under,' 'arise in,' or 'relate to' a case under title 11," Lipez wrote.

Proceedings "aris[e] under title 11" when the Bankruptcy Code itself creates the cause of action, said Lipez, adding that "[w]e have defined 'arising in' proceedings generally as 'those that are not based on any right expressly created by title 11, but nevertheless, would have no existence outside of the bankruptcy.'"

By contrast, "related to" proceedings are those "which 'potentially have some effect on the bankruptcy estate, such as altering debtor's rights, liabilities, options, or freedom of action, or otherwise have an impact upon the handling and administration of the bankrupt estate,'" he explained.

The Bankruptcy Court judge concluded that jurisdiction existed solely on the basis of the retention of jurisdiction provisions in the sale order and the plan, which the 1st Circuit called an erroneous approach.

"[A] bankruptcy court may not 'retain' jurisdiction it never had — i.e., over matters that do not fall within §1334's statutory grant," Lipez stated.

The executives insisted, however, that their claims against Steward "arise in" a bankruptcy case because the asset purchase agreement was approved by the bankruptcy judge.

"This argument misapprehends the relevant law," Lipez said, pointing out that 1st Circuit caselaw makes clear that for "arising in" jurisdiction to apply, the relevant proceeding must have no existence outside of the bankruptcy.

"[T]he fundamental question is whether the proceeding by its nature, not its particular factual circumstance, could arise only in the context of a bankruptcy case," Lipez said.

"In other words, it is not enough that Appellants' claims arose in the context of a bankruptcy case or even that those claims exist only because Debtors (Appellants' former employer) declared bankruptcy; rather, 'arising in' jurisdiction exists only if Appellants' claims are the type of claims that can only exist in a bankruptcy case," he added.

The bankruptcy judge's mere approval of the debtors' sale of assets to Steward did not automatically create jurisdiction over all future contract disputes somehow related to the asset purchase agreement, Lipez said, adding that the appellants failed to identify any provision of the sale order itself or any related questions of bankruptcy law underlying their claims that would require interpretation by the Bankruptcy Court.

A court deciding the executives' claims on the merits would need to perform only a state law breach-of-contract analysis, he said.

"Hence, the bankruptcy court did not possess 'arising in' jurisdiction over Appellants' claims," Lipez wrote. NEIH

"In short, [the executives'] claims do not fit into the narrow category of matters that 'have no existence outside of the bankruptcy,' … or that 'could only arise in the context of a bankruptcy.'"

— 1st Circuit Judge Kermit V. Lipez

Statutory pre-judgment interest OK'd in Wage Act suit

But only on lost pay, not on treble damages

By Eric T. Berkman

Employees who brought a successful class action against their employer for violation of the Wage Act are entitled to statutory pre-judgment interest on their lost pay and benefits, the Massachusetts Supreme Judicial Court has found.

The SJC also decided, however, that the plaintiff employees are not entitled to pre-judgment interest on the mandatory treble damages that the Wage Act, G.L.c. 149, §150, required the defendant employer to pay.

The employer argued that when the Legislature amended the Wage Act in 2008 to make treble damages mandatory as "liquidated damages" rather than discretionary for instances of outrageous behavior, it intended that pre-judgment interest be included within the scope of liquidated damages.

The SJC disagreed.

"Where [G.L.c. 231, §6H] provides for the award of prejudgment interest whenever compensatory damages are awarded, an interpretation of §150, as amended, that would preclude the payment of prejudgment interest on the award of lost wages and benefits under the Wage Act would be an implied repeal of §6H with respect to Wage Act awards," Chief Justice Ralph D. Gants wrote for the court.

"Under our 'long standing rule of statutory interpretation,' the implied repeal of a statute by a subsequent statute has 'never been favored by our law,'" Gants continued, quoting the SJC's 1977 decision in *Commonwealth v. Hayes.*

The 18-page decision is *George, et al. v. National Water Main Cleaning Company, et al.*

Giving clarity

Plaintiffs' counsel Jonathon D. Friedmann of Boston said the decision answers an unsettled question of law.

"Now employers and employees have clarity as to their obligations for interest under the Wage Act," he said.

Friedmann's partner and co-counsel in the case, Adam J. Shafran, said the ruling could promote faster settlement of Wage Act claims.

"Employers knowing that they have to pay pre-judgment interest may impact their decision as to how long they want to actually defend a case before settling," Shafran said.

Richard L. Alfred of Boston, who represented the defendant employer, could not be reached for comment prior to deadline. But John Pagliaro of the New England Legal Foundation, which submitted an amicus brief in the case, described the decision as "second-guessing" the Legislature's choice of a liquidation formula.

"The result will be to make the statute even more onerous for employers and to upset the balance of interests established by the Legislature," he said.

Jack Merrill Jr., an employment lawyer in Needham, Massachusetts, said

The defendant performs sewer, drain, plumbing and related services for municipalities across southern New England.

pre-judgment interest at a statutory rate of 12 percent per year can add up in Wage Act cases.

"I had a recent case where that generated more than $100,000 in interest," he said. "It's certainly something for employers to pay attention to. With the SJC at least taking the penalty part out [of the interest calculus], employers are helped out a little bit, but it's definitely significant in larger cases."

That's why Merrill, who represents both employees and employers, said he counsels employers in wage cases to seriously consider the risks involved and give employees the benefit of the doubt.

Kathy Jo Cook of Boston, who co-authored an amicus brief in the case on behalf of the Massachusetts Academy of Trial Attorneys, said the employer's position — that mandatory treble damages under the amended Wage Act take the place of pre-judgment interest — defied common sense.

"Before treble damages were mandatory, if the judge found the employer's conduct to be outrageous, you'd get treble damages and interest on the single damages portion of the award," she said. "So it makes no sense that they would now impose treble damages on an employer and say, 'Oh, by the way, now that we've made them mandatory, you no longer have to pay interest at all.' It would have been worse on an employer prior to [the amendment] than afterwards, and that doesn't seem to have been their intent."

Elizabeth Ryan, a Boston lawyer who represents plaintiffs in Wage Act cases, said the decision is simply a matter of fairness.

"The longer it takes to recover unpaid wages, or the longer the employer delays in paying them, the greater the loss to the employee," she said. "The SJC's decision … recognizes that employees should be compensated for the lost-time value of their earnings and made whole as to their lost wages and benefits, just like other litigants who have the right to pre-judgment interest on damages."

Unpaid wages

On Dec. 7, 2009, plaintiffs Robert George and Michael Curvin filed a class action in U.S. District Court against their former employer, defendant National Water Main Cleaning Co., which performs sewer, drain, plumbing and related services for municipalities across southern New England. The suit alleged Wage Act violations.

According to the plaintiffs, the employer illegally classified all workers on municipal contracts as "laborers" regardless of their duties; failed to compute overtime pay by using the formula required under the law; did not compensate workers for travel time; and wrongly deducted contributions it made to employee pension plans.

In December 2014, after five years of litigation, the parties reached a settlement agreement that resolved all issues except for the plaintiffs' claim for pre-judgment interest.

As part of the settlement, the parties agreed that the issue would be resolved based on the 1st U.S. Circuit Court of Appeals' decision in a pending case. The 1st Circuit did not rule on the issue, certifying questions to the SJC instead, but the case settled before the SJC rendered a decision and the 1st Circuit withdrew the questions.

"Now employers and employees have clarity as to their obligations for interest under the Wage Act."

— plaintiffs' counsel Jonathon D. Friedmann

Accordingly, the U.S. District Court in *George* certified the question to the SJC as to whether statutory interest pursuant to G.L.c. 231, §6B or §6C is available under Massachusetts law when liquidated damages — in other words, treble damages — are awarded pursuant to the Wage Act.

Pre-judgment interest

The SJC declined to answer whether pre-judgment interest is available pursuant to Sections 6B or 6C, which apply to personal injury and contract damages respectively. Instead the court determined that §6H, which provides for pre-judgment interest in any action in which damages are awarded and interest is not otherwise provided by law, is the more relevant section for Wage Act claims.

The court found that pre-judgment interest for damages stemming from Wage Act violations is indeed available under §6H.

The SJC rejected the employer's argument that when the Legislature made treble damages mandatory in Wage Act cases, it intended for pre-judgment interest to be subsumed in those "liquidated damages."

That interpretation would imply a repeal of §6H as applied to Wage Act claims, and the SJC has long disfavored the notion of a newly enacted statute impliedly repealing an existing statute, Gants stated.

"Where two statutes appear to be in conflict, we do not mechanically determine 'that the more "recent" or more "specific" statute … trumps the other,'" Gants said, quoting the SJC's 2005 ruling in *Commonwealth v. Harris.*

Additionally, Gants pointed out, nothing in the legislative history behind the 2008 amendment to the Wage Act suggests that the Legislature intended to deprive an employee of pre-judgment interest on lost wages and benefits when it characterized what had previously been punitive damages as liquidated damages.

"To do so would mean that an employee who was deprived of wages and benefits because of the outrageous conduct of his or her employer would receive the same treble damages under the amended §150 as he or she would have obtained before the amendment … but would obtain a lesser judgment because of the preclusion of prejudgment interest," Gants observed.

Accordingly, he said, court concluded that "[p]rejudgment interest is still to be added to the amount of lost wages and benefits, and is still not to be added to the trebled portion of the judgment that previously had been punitive damages and is now characterized as liquidated damages." NEIH

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SPECIAL FEATURE

Expediting patent allowance with in-person interviews

Lisa M. Warren

In an age in which so many communications are electronic, perhaps it's not surprising that so few companies take advantage of the opportunity to expedite the allowance of their patents by conducting interviews with patent examiners in person at the U.S. Patent & Trademark Office.

Nonetheless, this is a tool that, when properly used, can have tremendous value for the patent applicant.

Certainly there are other options available for interaction with examiners, including telephone interviews or even videoconferences in some instances. Thus, in-person interviews are not always the answer, particularly given the cost of travel and time required for preparation.

However, despite the benefits that the other modes of connection can provide, sometimes there is simply no substitute for direct interpersonal interaction with an examiner to build rapport and improve the mutual understanding of the issues. Such a foundation can certainly help foster the examiner's willingness to work with the applicant constructively toward allowance.

So, when is a patent application ripe for an in-person interview? There are several relevant considerations:

1. Written prosecution hasn't been fruitful in advancing the case to allowance.

There are times when, for a host of possible reasons, there doesn't seem to be a meeting of the minds between the applicant and the examiner. Perhaps the technology is complex and difficult to describe in writing. Perhaps the differences between the invention and prior art are nuanced. Perhaps there's simply a need to be able to interact in real time while a thought or line of reasoning is fresh in the mind.

2. There are only a couple of main rejections/issues remaining.

Given the limited amount of time allocated for an interview (generally about 30 to 45 minutes for substance), it's difficult to discuss an extensive list of issues. Cases best suited for interview will have only one or two significant issues (rejections, prior art references, etc.) to be addressed.

3. The technology lends itself to demonstration.

Patent examiners spend all day immersed in complicated written documents on complex and nuanced subject matter. Conducting a technology "show-and-tell" gives the applicant the chance to bring the invention to life, making the case for patentability more compelling. Examiners generally find demonstrations of the invention to be helpful in honing claims that patentably distinguish the invention from the prior art.

4. There are multiple applications on related technology.

Related technologies have a significant chance of being assigned to the same examining group and to the same examiner, although this is by no means guaranteed. Accordingly, the time spent educating an examiner about the technology and differentiation over the prior art can produce benefits not only in the case being interviewed but also in other applications on related technology. There are limited opportunities for broader education of examiners on cutting-edge technologies unrelated to a particular patent application that can also be quite valuable, but those opportunities are beyond the scope of this article.

Timing

There are, of course, optimal times to schedule an in-person interview, and PTO rules and initiatives encourage or discourage interviews at different phases of prosecution.

In most instances, however, examiners are amenable to at least one interview in an application, provided the request is courteously made and consistent with PTO protocols.

It can be particularly beneficial if several applications related to the same or similar technology are ripe for interview at the same time; examiners are usually accommodating if they understand an applicant is scheduling several in-person interviews on the same day. This allows the preparation time and cost of travel to be shared across multiple applications and reduces the inconvenience and cost related to multiple trips to the PTO.

Participants

The required participants for any interview are the attorney of record and the patent examiner. While there are advantages to in-person interviews even if the only attendee is the attorney, generally the maximum affect is achieved by including one or two additional participants — most often an inventor and either a representative of the assignee or the licensee, if there is one.

The inventor brings a level of credibility and expertise in the relevant field and provides the examiner with the opportunity to obtain clarification (about the invention, the prior art, etc.) directly from the source. This is particularly helpful when the inventor is preeminent in his field.

Moreover, the enthusiasm that the inventor has for his own invention is often difficult to duplicate, and he is best suited to conduct any planned technology demonstrations.

The inventor's presence and explanation of the technology often has considerable persuasive power in and of itself, provided that the inventor is well-prepared. In circumstances in which there are multiple inventors, it's generally best to enlist only one to avoid muddying the waters with different views and perspectives.

The representative of the assignee or licensee may or may not participate significantly, depending on the circumstances. If a representative of the assignee or licensee is present, it may be helpful for him to explain why the application is significant to the company.

If the representative is knowledgeable about the technology, he may contribute to the substantive discussion as well. The goal is to help the examiner understand the context for, and the importance of, the technology and to enlist him in working with the applicant to identify patentable subject matter.

The last optional participant is the examiner's supervisor. Depending on the seniority and independence of the examiner, the supervisor may be a necessary player.

Even in circumstances in which the examiner has the authority to conduct the interview on his own, the applicant can request that the supervisor be present. This may be useful if a different perspective would be helpful; for example, if the examiner seems stuck on a point that the applicant believes is without merit.

Inclusion of the supervisor is also a hedge against examiner turnover. In the unfortunate circumstance in which the applicant makes progress or reaches agreement with the examiner, only to find he has been replaced with a new examiner before the application is allowed, the supervisor can serve as a point of continuity if he was part of the interview.

The interview

Preparation of all attendees is critical for a successful interview outcome. Each participant should understand the context to be established and his role in the presentation.

Generally, the attorney should set the tone and act as the meeting moderator, inviting participation from the other members of the team as planned and engaging the examiner at the appropriate times.

Typically, if there is a "show-and-tell" to be conducted, it's most effective if it occurs at the beginning of the interview, bringing the technology to life before reverting to the dry claim language and prior art documents.

The agenda should include the points of rejection and any prior art to be discussed, as well as the facts and arguments to be relied on in rebutting the rejection(s).

It's also helpful to consider acceptable fall-back positions and/or claim amendments in advance, as part of the give-and-take of the discussion. Small concessions can be invaluable, particularly if the examiner will agree to an allowance on the spot as a result.

Technically, any allowance may not be truly "on the spot," as often either an amendment must be filed by the examiner

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Lisa M. Warren, a registered patent attorney, is chair of the patent practice group and managing partner of Morse, Barnes-Brown, Pendleton, which has offices in Boston, Cambridge and Waltham, Massachusetts.

SPECIAL FEATURE

Over-advocacy can mislead financial reporting judgments

Joseph J. Floyd

Imagine that you represent a company with a fixed-fee government contract and your client realizes that it may incur a loss on the contract. The client asks you, as legal counsel, to help find ways to charge the government more so that the company can avoid reporting a loss.

You review the contract, work with the company's finance team, craft legal arguments, and prepare a draft claim for additional amounts owed from the government. You also advise your client regarding the probability of success for each claim based on the company's history with similar government contract disputes.

While you use the phrase "legal entitlement" when describing the claims with your client, you have no responsibility for the financial reporting process and the judgments about the probability of collection and revenue recognition for the possible contract claim recoveries.

A similar scenario appears in a recent accounting and auditing enforcement release issued by the U.S. Securities and Exchange Commission concerning L3 Technologies' improper recording of revenue in its Army Sustainment Division.

L3 is a contractor for government agencies, including the Department of Defense. The improperly recorded revenue arose from a fixed-price aircraft maintenance contract between L3's Army Sustainment Division and the U.S. Army, which is referred to as the C-12 contract. Per the release, L3 recognized revenue for the C-12 contract in excess of the contractual amount, and before any commitment to pay additional amounts from the Army was received.

Following an investigation, L3 settled with the SEC and accepted the entry of an order instituting cease-and-desist proceedings, as well as payment of a monetary penalty for internal control violations underlying the financial statement misstatement.

Importantly, L3's cooperation and remediation favorably impacted the SEC's actions. In addition, the SEC took action against management and finance individuals involved in the improper recording of revenue. No action appears to have been taken with regard to legal counsel's involvement.

Understandably, it's not legal counsel's role to serve as an expert in revenue recognition. However, awareness of the rules and general requirements can help clients avoid similar problems, especially on matters for which counsel provides assistance.

Background facts

Note that the following is a brief overview of the information contained in the release; a thorough reading of the release is recommended to appreciate the full context of the facts.

Starting in mid-2013, the Army Sustainment Division's finance team, the general counsel of ASD, and the general counsel of ASD's business segment worked together to estimate that they were "likely to recover" approximately $30 million of the total potential claims, which totaled approximately $50.6 million.

The recovery process would involve a request for equitable adjustment under the contract, and possibly a dispute with the Army if matters could not be resolved amicably.

Per the release, the "likely to recover" estimate was based on the results of the company's historical negotiations with the government, indicating the company had a history of revisiting contract terms and interpretations.

In December 2013, ASD produced a document titled "Army C-12 Contract Dispute Summary," which included a table containing 10 rows with separate claims categories adding up to the $50.6 million. A column on the table was titled "legal entitlement" and applied a discount of either 50 or 60 percent to each claim value comprising the $50.6 million. The presentation acknowledged that ASD planned to meet with the government to reach a resolution and that, "[a]fter the negotiations with the government, L3 is postured to immediately invoice and bill the government."

Before receiving approval for additional payments from the Army, a member of ASD management requested that invoices be generated in L3's accounting system for certain amounts among the potential claims categories, but not be delivered to the Army.

Needless to say, withholding the invoices produced from and recorded in the L3 accounting system was a significant internal control violation. As a result of generating the invoices, ASD recognized an additional $17.9 million in revenue. Of significance and raising management integrity concerns, that amount allowed ASD to meet management incentive bonus targets.

In fact, L3 never collected for the undelivered invoice amounts and never should have recognized revenue for them. To correct for the misstatement, on Oct. 10, 2014, L3 restated its financial statements for the fiscal year ended Dec. 31, 2013, and for the first quarter of 2014. Among other things, L3 disclosed that it was revising its financial statements to reverse amounts improp-

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Massachusetts gives birth to Pregnant Workers Fairness Act

David C. Henderson

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On July 27, the governor of Massachusetts signed into law the Pregnant Workers Fairness Act, thereby strengthening rights for pregnant employees and imposing additional accommodation obligations on employers.

The act was a rare collaborative effort that received substantial support from diverse groups with varying interests. Both the House and the Senate passed versions of the bill earlier in the year, and they passed the final compromise bill unanimously. Women's rights and business groups promoted the law.

And the law also had inertia on its side. Twenty-one states had passed comparable laws in recent years, and similar federal legislation has been pending since the spring.

Robust protections for pregnant workers

The act itself is straightforward. It amends Massachusetts' existing anti-discrimination law, Chapter 151B, so that it now includes pregnancy and related conditions, including breastfeeding and pumping milk, as protected categories.

And even though pregnancy and its related conditions still are not classified generally as disabilities, employers now will be required to grant employees reasonable accommodations for these conditions as long as the accommodations do not cause the employer undue hardship.

According to the act, examples of reasonable accommodations include the following: "(i) more frequent or longer paid or unpaid breaks; (ii) time off to recover from childbirth with or without pay; (iii) acquisition or modification of equipment or seating; (iv) temporary transfer to a less strenuous or hazardous position; (v) job restructuring; (vi) light duty; (vii) private non-bathroom space for expressing breast milk; (viii) assistance with manual labor; or (ix) modified work schedules."

Further, the act provides that employers may not do any of the following:

- take adverse action against an employee who requests or uses a reasonable accommodation;
- deny an employment opportunity to an employee based on the need to make a reasonable accommodation;
- require an employee to accept an accommodation that is not necessary to enable the employee to perform the essential functions of the job;
- require an employee to take a leave if another reasonable accommodation may be provided; or
- refuse to hire a person who is pregnant because of the pregnancy or a related condition.

The act also addresses burden of proof. Employers have the burden of proving that a reasonable accommodation would cause "undue hardship" (defined as "an action requiring significant difficulty or expense").

And upon an employee request for accommodation, the employer and employee must "engage in a timely, good faith and interactive process" to determine an appropriate reasonable accommodation.

Moreover, while an employer may generally require medical documentation about the need for a reasonable accommodation, the employer may not require documentation for "(1) more frequent restroom, food and water breaks; (2) seating; and (3) limits on lifting over 20 pounds."

Enforcement of the act's provisions will be through an existing enforcement framework. Because the act is incorporated into Chapter 151B, claims of discrimination based on pregnancy or related conditions will receive the same treatment as other claims of discrimination under Massachusetts law.

In other words, a claimant must first file a complaint with the Massachusetts Commission Against Discrimination within 300 days of the discrimination, and upon receipt of a "right to sue" letter may bring a claim in court. Employers found to be in violation face substantial penalties including monetary damages, injunctive relief, and attorneys' fees and costs.

Act's integration into federal, state law

Prior to the enactment of the Pregnant Workers Fairness Act, federal and state laws provided piecemeal protection for pregnant workers.

It already was the case that the federal Pregnancy Discrimination Act and Massachusetts law prohibited discrimination based on pregnancy in any aspect of employment, but the extent to which they require pregnancy accommodations has been less than crystal-clear.

Likewise, the federal Americans with Disabilities Act and Massachusetts law already required employers to provide reasonable accommodations for disabilities related to pregnancy. But as suggested above, an ordinary, healthy pregnancy is not considered a disability under the law.

Finally, the Affordable Care Act also requires employers to provide reasonable break time for certain employees to express breastmilk for one year following the birth of a child in a private place other than a bathroom. But that portion of the statute applies only to non-exempt employees and does not cover employers with fewer than 50 employees if the requirement would impose undue hardship. And by contrast, Massachusetts had no law addressing mothers' rights to breastfeed or pump milk at work.

The Pregnant Workers Fairness Act thus covers significant gaps in earlier laws by making women experiencing ordinary, healthy pregnancies a protected class and requiring employers to provide reasonable accommodations, including breaks for breastfeeding or pumping milk.

Finally, one other point is notable. The act explicitly provides that it "shall not be construed to preempt, limit, diminish or otherwise affect any other law relating to sex discrimination or pregnancy," including but not limited to the Massachusetts Parental Leave Law.

Action items for employers

The act will not go into effect until April 1, 2018. And many employers already provide accommodations to pregnant workers.

All Massachusetts employers nevertheless should be aware of their new obligations and the potentially steep penalties for any noncompliance.

Also, all employers must provide written notice to employees of their rights under the act by April 1, 2018. NEIH

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Social media and the workplace: takeaways from 'Beagan'

Christopher R. Blazejewski

The Rhode Island Supreme Court recently issued its first decision discussing the burgeoning and unsettled topic of social media in the employment context.

In *Beagan v. R.I. Department of Labor and Training, et al.*, the court ruled there was insufficient evidence that a former employee's Facebook post complaining about his boss was connected to his work and thus could not form the basis for the denial of unemployment benefits under G.L. §28-44-18.

The court quashed a prior District Court ruling and remanded with directions to award benefits.

While *Beagan* may be the court's first foray into the complex interplay between social media and employment law, it almost certainly will not be its last. Below are three takeaways from the decision.

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1. The court declines to find a connection here between Facebook posts and the workplace, but hints at circumstances in which a connection may exist.

In ruling under the facts of the case in *Beagan* that an employee's Facebook posts were not connected to his work, the Rhode Island Supreme Court offers hints and potential guidance to employers and employees as to factors it may consider in connecting social media posts and the workplace.

The relevant facts in *Beagan* are easily summarized:

In March 2013, Beagan was terminated from Albert Kemperle, Inc. after four years on the job. Shortly before his termination, a dispute had arisen between Beagan and his boss, Morancey, concerning Beagan's refusal to sign API's new internal company policy relating to accidents, and about overtime pay.

After a confrontation in which Beagan was nearly fired, but instead issued a written warning, Beagan left the office to make deliveries, but not before commenting to Morancey that he could write whatever he wanted on Facebook and that Morancey would not be able to see what he wrote because Beagan had blocked him.

After Beagan left, Morancey asked an anonymous third party to access Beagan's Facebook page. In a post made while Beagan was out making deliveries, Beagan stated, "It's a good thing my boss doesn't take things personal and wanna, like, know if I wrote [stuff] about him. I sometimes forget that despite [the] fact he walks and talk[s] like a real person, he isn't a real boy, Geppeto [sic]."

When Beagan returned from his deliveries that same day, he was fired.

After being denied unemployment benefits at several rounds of administrative appeals, Beagan eventually appealed to the District Court. In affirming the denial of benefits, the District Court judge found a connection between the Facebook post and Beagan's work, as required to deny unemployment benefits under §28-44-18, on the basis that Beagan "baited Morancey into searching out his Facebook page."

The Supreme Court was unpersuaded by the District Court judge's decision, declining on the facts of the case to find a connection between Beagan's Facebook posts and his work.

The court's analysis suggests eight questions to ask in determining whether a social media post is connected to the workplace:

- Did the post specifically identify the employer or any manager, employee or customer by name or otherwise?
- Was the post directly accessible to the employer or any manager, employee or customer?
- Did the employee takes steps on the social media platform, such as through "blocking," to prevent the post from being directly accessible to the employer or any manager, employee or customer?
- Did the employee author the post on any electronic device belonging to his employer?
- Did the content of the post relate to or impact the employee's job performance?
- Was the post made in a manner or at a time that could negatively impact job performance or safety, such as while driving or while performing job duties?
- Did the employee author the post while "on the clock"?
- Did the employer have a written social media policy?

The Supreme Court in *Beagan* answered each of those questions either in the negative or otherwise determined that there was insufficient evidence to answer in the positive.

In making its decision, however, the court hinted that evidence in support of the factors could play a role in determining under Rhode Island law whether an employee's social media activity is sufficiently connected to her work.

Employers and employees should keep the factors in mind in evaluating the impact of social media activity on the employment relationship and deciding how and when to engage on social media.

2. The court has a good understanding of Facebook and social media.

The ubiquity of social media and cellphones has forced government officials, judges and public policymakers to better understand the technology and its capabilities.

We've come a long way since the late Alaskan Sen. Ted Stevens, in a 2006 speech on the floor of the U.S. Senate, described the internet in a great moment of unintentional comedy as a "series of tubes." Eight years later, in 2014's unanimous decision in *Riley v. California*, 134 S.Ct. 2473, the U.S. Supreme Court, recognizing powerful new cellphone technology and the increased expectations of privacy it engendered, stated: "[I]t is no exaggeration to say that many of the more than 90% of American adults who own a cell phone keep on their person a digital record of nearly every aspect of their lives — from the mundane to the intimate."

Now, with social media often accessed through cellphones, not only can you keep a record of virtually every aspect of your life, from the mundane to the intimate, you also can post it for everyone to see.

The Supreme Court demonstrates in *Beagan* a familiarity with social media and, in particular, Facebook. The court has recently confronted Facebook on several occasions in the criminal law context. See, e.g., *State v. Roldan*, 131 A.3d 711 (R.I. 2016) (affirming conviction in case involving confrontations and threats on Facebook); *State v. Moore*, 154 A.3d 472 (R.I. 2017) (affirming conviction in case involving numerous Facebook messages and where law enforcement allowed witness to access Facebook to identify perpetrators).

In reaching its decision in *Beagan*, the court noted that (1) the employee never mentions his boss or his company by name in his Facebook posts; (2) the employee "blocked" his boss from his Facebook page; (3) there is no evidence that the Facebook posts were accessible to any of the company's other employees, associates or customers; and (4) the boss accessed the employee's Facebook page through an anonymous third party.

The court recited those facts, which suggests a good understanding about how Facebook works, in deciding that the Facebook posts were not connected to the workplace under Rhode Island law.

3. Companies should have a social media policy.

The Supreme Court suggests that the outcome in *Beagan* may have been different had the employer had a written social media policy. The court cites to *Kirby v. Washington State Dept. of Employment Security*, 342 P.3d 1151, a Washington state case affirming an unemployment benefits award following an employee's discharge for a Facebook post she made where, among other things, the employer did not have a social media policy for the workplace.

Employers should consult with an employment lawyer and update their written employment policies to include provisions relating to social media, and employees should be aware of their workplace social media policy to avoid

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Intellectual Property Insights

A roundtable sponsored by goulston&storrs counsellors at law thinkresults

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MASSACHUSETTS LAWYERS WEEKLY: The U.S. Supreme Court's decision in *Alice Corp. v. CLS Bank International* changed the parameters for patentable subject matter.

That decision, coupled with the creation of post-grant review proceedings at the U.S. Patent and Trademark Office under the America Invents Act, signaled a significant shift in patent law that many view as disfavoring patent owners. Do you believe that the pendulum is swinging back?

JENNIFER FUREY, GOULSTON & STORRS: I believe there are signs that the pendulum is swinging back. In some of the statistics I saw, it was reported that in the nine months following the *Alice* decision 90 percent of motions to dismiss under Section 101 of the Patent Act were granted, 71 percent of Section 101 motions were granted in 2015, and only 56 percent of Section 101 motions were granted in 2016.

Now, this could mean that plaintiffs are selecting stronger patents to litigate, but it also could mean a shift in the reluctance of the courts, at least at that early motion-to-dismiss stage, to dismiss cases relying on *Alice*.

KEN ZWICKER, BOSTON UNIVERSITY: I had a follow-up question to the question itself. I noticed that the question said the creation of post-grant review in combination with *Alice* has created this major shift. I was curious as to the combination of the two. For me, *Alice* is the big issue. Is it that if we didn't have post-grant review we wouldn't have this problem? I don't think so. We would just be having it in a different venue.

> "In some of the statistics I saw, it was reported that in the nine months following the *Alice* decision 90 percent of motions to dismiss under Section 101 of the Patent Act were granted."
>
> **— Jennifer Furey, Goulston & Storrs**

ANDREW O'CONNOR, GOULSTON & STORRS: It's an interesting observation. … It might just be a venue issue as you're noting and that we would be fighting the same fight — just at the Patent Office. But before *Alice* the number of people who actually proceeded in a case on a claim that the patent was ineligible were few and far between. They were greatly disfavored.

NICK BOIVIN, (former) MERRIMACK PHARMACEUTICALS: The other [part of] this question is that there are two different ways to challenge patents that were created in 2013.

One of them is inter partes review, [which is] applicable to all patents, no matter when they were filed or no matter whether they're under the pre-2013 system of granting patents or post-2013.

The post-grant review patent challenge that's mentioned in this question only applies to patents that are first filed after 2013. So we're going to live in a world where we have both of these opportunities to challenge patents on different grounds within the Patent Office.

We've always had a Patent Office tasked with applying the law and deciding when an invention has met the requirements for receiving a patent. Now, Congress has given the Patent Office the power to invalidate patents or to cancel claims.

LAWYERS WEEKLY: The Supreme Court's recent decision in *SCA Hygiene Products v. First Quality Baby Products* eliminated the equitable defense of laches in patent cases brought within the six-year statute of limitations. Do you think that will trigger an increase in patent infringement claims?

O'CONNOR: Even prior to this decision, laches defenses very rarely would prevail. It's a very difficult defense to prevail on. But the Supreme Court left open other defenses in equity.

Under laches, you would have to prove there was notice that there might be an infringement, and then you sat on your rights and that caused harm. But with the other equitable defenses that are still viable it almost encourages patent assertion entities to stay quiet and not to put entities that they think might be infringing on notice for fear that they might lose the right to bring their other equitable defenses. It will be interesting to see if there's a decline in cease and desist demands or threats of infringement while patent assertion entities wait for the opportune moment to then pounce upon a party they think is infringing their patent.

FUREY: Or wait until there's more information about the market and the stakes before investing in expensive patent litigation.

ZWICKER: I think you're going to find a lot of people who previously thought they had lost their opportunity to file suit are now going to think that door just swung wide open.

The other thing I see as a factor here is that it's expensive to file suit, and a lot of patent owners are unable to afford it. They see somebody infringing their patent, but they know if they file suit they're going to get buried under legal paperwork … and they can't afford it. … Well, if you end up waiting until the infringing product actually becomes a multibillion-dollar drug, then litigation firms are going to be banging at your door.

So there's going to be a lot more of what we refer to in the ecological world as "sit-and-wait predators." They're going to just sit back and wait until they think the time is right and the money is right and then they'll strike.

ALEX EWING, LIQUIGLIDE: And why wouldn't you, if you're a patent assertion entity, let the market mature? There's no money in going early, you know.

BOIVIN: I think there are a couple of things that mitigate that sit-and-wait

> "Before *Alice* the number of people who actually proceeded in a case on a claim that the patent was ineligible were few and far between. They were greatly disfavored."
>
> **— Andrew O'Connor, Goulston & Storrs**

approach. One is the public nature of patents. In *SCA Hygiene Products* or the situation where a patent owner received a notice that said, "Hey, we have this patent, you have this product and you should consider a license," the patent owner went and sought to fix the asserted deficiency at the Patent Office by re-examination of the patent, which is a very long process at the Patent Office. They had the claims affirmed and then they asserted the patent. … I think in a situation [where] the patent owner goes back to the Patent Office to try and remedy a deficiency, that's a very public process where you can kind of see that coming.

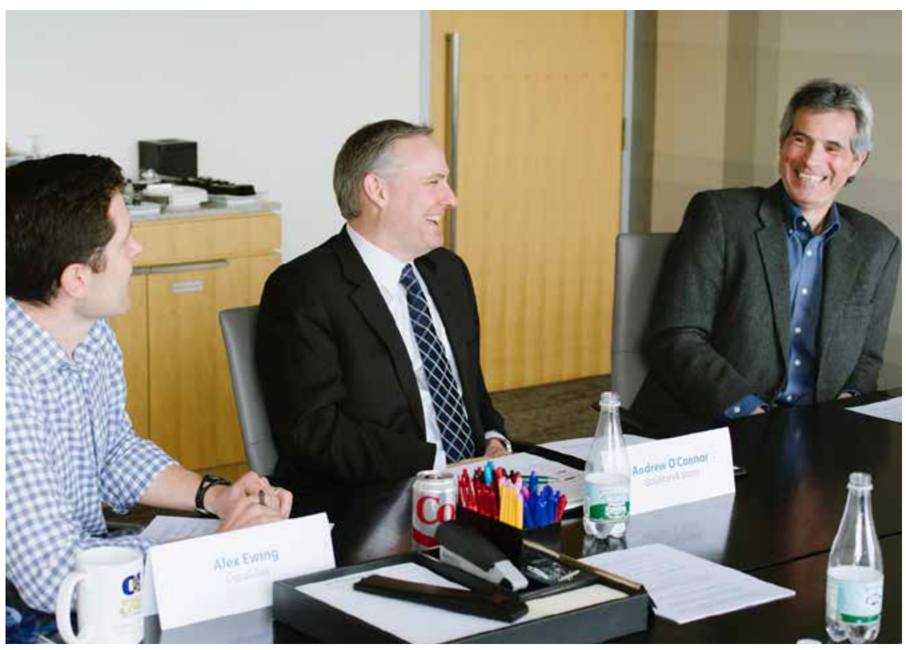
The [other] factor is that anybody can bring these challenges. It's not just the two parties at issue. It's not just someone that wants to engage in commercial conduct or is already engaging in it and maybe another party that's intentionally not asserting their patents. It's everybody else considering going into that business who is not a commercial entity right now but saying, "I wish these two entities would figure out whether this patent is valid and whether it covers this commercial behavior, because I would like to engage in that commercial behavior in light of investors."

I think those are factors that may mitigate the negative effect of someone considering entering the market being afraid of a patent being asserted later.

LAWYERS WEEKLY: How do you develop a global patent strategy that satisfies commercial goals while staying within a budget? As a follow-up question, how do you select the jurisdictions where you file?

EWING: As a head of IP strategy and general counsel I'm constantly being asked why we spend so much money on patents. … In my company we have over 160 applications pending around the world, we have seven issued patents in the U.S., seven other issued patents globally. We are building a global patent empire, which everybody really likes the idea of, and investors really like the sound of, but it's expensive.

So how do we then really target? Where does it make sense to put our resources? … This is an issue that really big companies think about and small startup companies think about. Even at the Fortune 50 level, heads of IP



"We've always had a Patent Office tasked with applying the law and deciding when an invention has met the requirements for receiving a patent. Now, Congress has given the Patent Office the power to invalidate patents or to cancel claims."

— Nick Boivin, (Former) Merrimack Pharmaceuticals

strategy have to justify their patent budgets. It's just the way the world works.

We started to look at … dividing the world into tiers. … Anytime we think we have an innovation that moves the needle that we don't want to keep as a trade secret, that we think is a platform-level innovation, we file that in the U.S.

The U.S. Chamber of Commerce scores countries … on the strength of their patent system, … and we sort of create a rating for each country's patent system and look at it that way. We have a first tier of Europe, Japan, Australia, and then … we have emerging markets like China and India, and smaller markets where IP is respected, like Korea. … And then below that we just try to think strategically.

ZWICKER: In the university setting, we make it as simple as possible. … If we're going with a technology that is yet unlicensed but we feel there is a potential, you ask the very basic questions: "Where could it be made?" and "Where could it be used?"

BOIVIN: The decision of where to file a patent application is very business specific, content specific and industry specific, and you will likely make different decisions based on different technologies even within the same business and where the business wants to go. You certainly look at where you are going to sell the product and where you are going to make it. … Not all inventions are created the same. If you have a foundational technology that really permeates your competitive advantages of business, you're likely to be more aggressive and seek a broader patent protection. If it's an improvement that may affect a subset of your business plan, you may be less widespread in where you seek patent coverage.

There are also differences in countries in terms of what inventions are patentable where and how broad and enforceable those patents may be once you obtain them. The cost to get patents is also a factor when you multiply by a large number of patent applications. Obtaining a patent in Europe can be a budget-breaker because you need to file translations in all of these different countries. That's a significant hit to your budget, and you have to do it within a limited period of time.

LAWYERS WEEKLY: When do you elect to use the Patent Prosecution Highway, which speeds up the examination process for corresponding applications filed in participating intellectual property offices?

EWING: It's like hitting the accelerator on anything: If you can connect the dots to revenue, then that's when you do it. You want to hit the accelerator when you see that there's a commercial partner and you can create value with that particular patent.

There are certain situations where I wish we could use the PPH in Japan because it takes forever to get a patent in Japan. … It's really hard to move forward quickly. … Contrast that with a country like Australia: [If] you get a patent in the U.S., you can get a patent in Australia.

ZWICKER: I've never really explored the Patent Prosecution Highway in great depth because … with respect to other countries there is kind of a wait and see [approach], unless you've got a technology that is already out there

and on the market and you need an issued patent right away.

It depends on the field. [If it's] pharmaceuticals, you know that's not going to hit the market for 10 years. It's got to go through the FDA. Yes, we want good, strong issued claims. Do we need them today? No.

BOIVIN: I think if you have an invention that has some urgency about the need for rights, … if you would like to get a valuation that includes a patent rather than one that is just based on a patent application, which is often valued at nothing or close to nothing, the PPH is a nice tool.

Once you get allowed claims in the U.S., … you can then fast track the patent application for the same claims in another country, provided that those claims are patentable in that country.

LAWYERS WEEKLY: Has the enactment of the Defend Trade Secrets Act impacted your noncompete policies and enforcement efforts?

O'CONNOR: The Defend Trade Secrets Act [created] the first federal private right of action for misappropriation of trade secrets. Now [you can] avail yourself of federal court for claims that were often confined to state court, unless there was diversity or pendent jurisdiction. [But] one of the nuances of the statute is that when courts are granting injunctive relief, the injunc-

"Even at the Fortune 50 level, heads of IP strategy have to justify their patent budgets. It's just the way the world works."

— Alex Ewing, LiquiGlide

tion cannot conflict with state law. That is very interesting because you have states like California, for example, that forbid noncompetes in employment agreements. And so if you're looking for an injunction that is going to prevent the head of your R&D team from going to a competitor, then the court is now wrestling with a very serious issue of how to frame an injunction that will have the result of preventing that former employee from going to his new employment.

The other thing it does is that it eliminates this concept of the inevitable disclosure doctrine, which is something that plaintiffs would often rely on that says, "Look, this person has in his head all of our R&D. I don't necessarily think he's going to disclose it because he intends to, it's just inevitable in his new job he's going to disclose all of this information." … On paper the statute no longer recognizes that doctrine.

I encourage clients to constantly monitor information that they consider to be trade secrets to see what employees are doing with it. And if there are any employees who might be leaving or you suspect might be leaving, monitor that … and be very, very careful about what they're looking at.

FUREY: Another important counseling point after the Defend Trades Secret Act is the language that should now be included in separation agreements, noncompete agreements and the like. The act requires that in order to avail yourself of exemplary damages and attorneys' fees you need to have whistleblower immunity language in your agreements.

We advise our clients to use the language in the statute in their agreements, because the courts have not yet interpreted the sufficiency of the notice required for whistleblower immunity provisions. So the safest bet is to use the language right from the statute in your various agreements, so that if you are litigating under the act you can avail yourself of exemplary damages and attorneys' fees.

ZWICKER: How is the Defend Trade Secrets Act viewed in respect to all of the individual state acts? Is it preemptive or is there forum shopping now?

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O'CONNOR: It expressly does not preempt state law. Here in Massachusetts you can bring a claim under the Massachusetts Trade Secrets Act and the Federal Defend Trade Secrets Act.

LAWYERS WEEKLY: Let's discuss the "on-sale bar" in light of the Federal Circuit's recent decision in *Helsinn Healthcare v. Teva Pharmaceuticals*. How does this decision affect when a commercial transaction can lead to forfeiture of future patent rights?

BOIVIN: There's been a provision in U.S. patent law for over 100 years that if you sell a product that exemplifies your invention, that creates a clock. …

"Obtaining a patent in Europe can be a budget-breaker because you need to file translations in all of these different countries. That's a significant hit to your budget, and you have to do it within a limited period of time."

— Nick Boivin, (Former) Merrimack Pharmaceuticals

It used to be a two-year clock, and then in 1939 it became a one-year clock. But you have limited time to then seek patent protection. Because what Congress didn't want is for people to profit from their invention, and then once they realized that there was a real commercial opportunity to then start a 20-year patent exclusivity period after that. So they want to incentivize early patenting.

Up to 2013, there was language in U.S. patent law that said that if you put your invention that was ready for patenting on sale before seeking patent protection for it in this country, you triggered a one-year period where you had to file your patent application. … In 2013, Congress changed the U.S. patent statute to read that patent forfeiture would occur when you put your invention "on sale, or otherwise [made it] available to the public." … The internal training materials for patent examiners at the Patent Office have interpreted that phrase to mean that in order for a sale … to lead to forfeiture of patent rights more than a year after that sale, that sale had to be available to the public.

[Now] we have a decision from Federal Circuit … where a company entered a contract to commercialize its drug. … That contract was disclosed in a required government filing. … And the court said that — even though that disclosure was not a disclosure of the invention — it was one of these non-public commercial sales that everybody else seems to agree that before 2013 could have started the clock running on forfeiting patents, and because the words "on sale" are still the same in the post-2013 patent law and pre-2013 patent law, we're going to interpret them the same. … So, now you're in a world where you need to look at the contracts that you've already put in place for any patent you've filed after 2013 and ask yourself: "If you entered a commercial contract and your invention was ready for patenting, did you file your patent within a year of when those two criteria were met?"

"The Defend Trade Secrets Act [created] the first federal private right of action for misappropriation of trade secrets. Now [you can] avail yourself of federal court for claims that were often confined to state court, unless there was diversity jurisdiction."

— Andrew O'Connor, Goulston & Storrs

FUREY: The takeaway is clearly that the moment that there's any sort of offer for sale or sale, the clock is ticking and companies need to mark their calendars accordingly. … The only nuance of the case was what the Federal Circuit didn't say. They relied heavily on the fact that there was a press release and an SEC filing and viewed the sales as public because of those two factors. The court did not opine any broader than the facts at hand. So there is still hope that a truly private agreement between two companies that is never publicly disclosed would not trigger the on-sale bar.

ZWICKER: If I could ask a flippant question without meaning for it to be flippant: If you've got a product or a process that you are thinking about selling or offering for sale, what are you doing *not* filing a patent application on it? Why would you even think about offering something for sale if you don't have an application on file yet?

EWING: It has a lot to do with money, frankly. Let's treat it as a hypothetical. As a venture-backed startup company, we try to be very disciplined about filing. I really try to hold people off from filing until we see clear commercial traction. … We're a young company. We're a material science company, [and] we're always learning more about how our product works. We're always tweaking designs.

Designs are changing, concepts are changing, and just because we have something that's patentable doesn't mean that there's ultimately going to be commercial traction. And we can end up filing a lot of patent applications, investing a lot of time and money where there's no return for it.

ZWICKER: I always harken back to the philosophy of patent protection and it's a trade: You'll get this exclusive right granted by the government, but in exchange you've got to fully disclose your invention. … If you don't want to do that and you want to go off and just try to sell it on your own and keep it as a trade secret or do whatever, that's fine. But this is the trade for getting a 20-year monopoly for you.

FUREY: One thing I would just add to that [is the] point that IP is important and therefore expensive to protect and enforce, and that underlines the importance of clarity in this area.

You can read [the *Helsinn* opinion] five times and you're still left with the question of, "Where are we?" On the exact facts on which the holding is based we have clarity. But we don't have clarity beyond those facts. And it's important for businesses both looking backwards on the agreements that have already been executed and acted upon and looking forward to have that clarity. That's what we don't have right now.

EWING: As in-house, we live with kind of the commercial roadmap in one hand and our draft patent application in the other. We try to time them up as best we can. This just throws a lot of uncertainty onto that.

It's tough when the court creates a lot of uncertainty without a lot of explanation. They've disrupted a lot of what people thought was precedent, without frankly a very good explanation. And it just reminds me [that] we don't often have judges who have had real world jobs. … I sometimes wonder if they understand how the world works, the uncertainty that they create, and what that could do for people on the ground. NEIH

Dela-where? The ground rules for M&A transactions

Stephen M. Honig

What state has more corporations than people? Delaware, with approximately 950,000 people and well over a million registered corporations.

You would think that, given those demographics and the acceptance of Delaware courts as the premier authority in corporate law, practitioners would know how to obtain approval of an M&A "deal." Unfortunately, that's easier said than done.

Various publications periodically produce charts to provide a matrix for determining the proper method for getting M&A deals authorized by a constituent corporation. It is sometimes unclear which method should be applied for the discharge of director fiduciary duties. Each deal turns on its unique "facts and circumstances," so little wonder we are confused.

This column will discuss current Delaware law on authorizing deals and the M&A chart in the July-August 2017 issue of Deal Lawyers at 8-12 (courtesy of Messrs. Gibson Dunn), and suggest a different approach to obtaining M&A deal authorization.

The business judgment rule — or BJR — is the general standard for measuring whether a director has discharged his or her fiduciary duty.

The BJR is a judicial construct that prevents courts from affixing liability on directors if they authorize a poor deal. There is a presumption that directors are protected by the BJR, and a plaintiff must prove the unavailability of the rule.

But there are limits to this protection. A director can fall outside the BJR if guilty of bad faith (such as by seeking unfair personal profit), or by failing to exercise the care of an ordinarily prudent person, or by wasting corporate assets, or by not believing the deal is in the corporation's best interest (perhaps by unfairly favoring a control shareholder or an executive cadre).

Delaware courts have thus encountered many transactions that fall outside the BJR, suggesting director liability and voiding corporate approval of a deal. If you are outside of the BJR, a court must cure the process by determining the "entire fairness" of the deal — not a desired result.

How can a corporation escape an "entire fairness" court review, once having fallen into it? The chart is a compendium of methods by which a court's entire fairness process can be avoided.

To understand the chart, it is necessary to understand its nomenclature.

An independent director is not on both sides of a transaction, does not expect personal profit, and is not so entangled with a control stockholder or management as to have corporate loyalty questioned.

Independence may be measured under various standards, including standards promulgated by securities exchanges and the SEC, but in a state court the inquiry is subject to subjective scrutiny.

Many legal observers have concluded that the intersection of business, personal and psychological factors makes that determination practically impossible. See my column in the February issue ("Being a board member certainly isn't getting any easier") discussing the *Zynga* case (Delaware Supreme Court) that examined subtle social and business factors and concluded that seemingly independent directors were in fact tainted.

"Entire fairness" is a high standard of court review of a deal to determine two things: fairness of price and fairness of process. Both prongs must be demonstrated, even if the price is found fair.

A "special committee" is a board committee made up entirely of independent directors.

The chart

The chart identifies 11 different factual scenarios wherein a target corporation seeks to authorize a deal. Four qualify for BJR, where there is a majority of independent board members and no corporate insider is on the other side of the deal.

The seven remaining scenarios initially fall into the entire fairness requirement for one or more of the following reasons: a majority of directors or a controlling shareholder or a senior executive are getting a better deal; there is no independent director majority; there may have been an affirmative vote of a majority of either the independent board members or the independent minority shareholders, but without obtaining both approvals the facts of that particular deal are so troublesome that the deal must be reviewed by the courts.

To be specific (without identifying the specific factual differences of these seven), the cases themselves fall into no less than four categories, and entire fairness review is avoided (and the standard returns to BJR) if:

1. There is either a special committee vote or a majority of disinterested shareholder vote to approve (two cases);

2. A disinterested shareholder majority is obtained (one case);

3. A special committee and disinterested shareholder vote both are obtained (one case);

4. By reason of particular facts, both a special committee and a disinterested shareholder vote are obtained, and there is then a shift in the burden of proof back to the plaintiffs to prove impropriety (three cases).

Analysis

You can see how the Delaware courts have struggled to find the middle ground between protecting directors and protecting shareholders. But the problem is, given so many possible factual scenarios, it is not always clear in which of these four categories your deal belongs.

Additionally, the development of the case law has fallen to litigators and courts. Without giving insult to my litigation colleagues, let me suggest that litigation-generated analysis is not always the best way for deal lawyers to plan a transaction, particularly since the dollars often are large, and the timing short.

And, with all these scenarios, litigation (particularly in the public M&A space) is frequent, creating delay, great legal costs, and costs of hiring experts and extra investment bankers. There has to be a clearer path.

Determining independence of directors also is vital in both the initial identification of cases requiring entire fairness analysis (absence of a majority of independent directors being a trigger) and the remediation of the issue short of an entire fairness court analysis (approval of a deal by a special committee, alone or together with shareholder action).

The answer

The obvious answer is to take the director test out of the equation. Let the directors vote, but since shareholders are the parties who are, or are not, harmed when the entire fairness test is failed, either because price is inadequate or (regardless of price) the process is unfair, why not just pass all deal approvals to a vote of the independent shareholders?

Several problems need to be considered in such a solution.

First, the shareholder meeting process takes time and money. But a challenged deal takes more, and many solutions set forth in the chart already require shareholder action anyway.

Second, shareholders need a great deal of granular information to have an informed vote. But under present practice, shareholders (who now must vote in some cases), and the directors themselves (who must always vote), must have that information.

Third, smaller private company transactions may be ill-positioned to absorb the costs. Shareholder injury in a small private company can be just as severe on a comparative basis as injury to a shareholder in a large public deal, but as a practical matter, it may be best to allow the directors in those smaller deals to vote for the transaction, regardless of independence, then obtain an independent shareholders' vote, and then rely on back-end appraisal by any aggrieved shareholders.

Fourth, some have argued that even shareholder votes are irrelevant. An under-compensated shareholder always has a remedy of appraisal in mergers, so why not let directors, however they are constituted, do their business and vote the deal? And if a deal is unfair to shareholders, there is always appraisal. (Such an approach might lead to instituting mandatory appraisal in Delaware not only for mergers but also for asset sales; asset sale appraisal is not now available except by express charter inclusion.)

> We need to replace the current approach that we utilize when we attempt to gain corporate authorization for M&A transactions.

Fifth, if you take the directors out of the ultimate authorization process because they are presumed compromised, you avoid the disinterested director analysis entirely; the requisite approval in all cases is the independent shareholder vote. You can forget about wondering whether a majority of your directors are independent, avoiding ever falling into an entire fairness debate.

Requiring an independent shareholder vote in every deal may be a result that modern practice has avoided, in furtherance of speed and director-centric governance, but it does solve the entire debate as to whether you have to sort through your directors and give them a final category designation. (You are still left with sorting out the independence of shareholders, but that is a less subtle process.)

Conclusion

We need to replace the current approach that we utilize when we attempt to gain corporate authorization for M&A transactions. Current methods to obtain such authorization are needlessly complex and thus risky. The present system does not necessarily eliminate unfairness — and does not minimize litigation.

Utilitarian considerations may result in defining smaller deals with a less stringent approval regime, creating perhaps an option to simply rely on board approval with an appraisal. Larger deals will go to independent shareholder votes in all situations, with statutes prescribing disclosure materials (modified SEC proxy disclose standards?).

Directors will vote and recommend, regardless of bias; directors will disclose inter-relationships with interested parties (without analyzing whether they are "independent"). Then, independent stockholders will vote, and appraisal will backstop the process. Process will be clear and litigation discouraged.

This proposal has its defects, to be sure. But how does it compare to current practice? NEIH

Stephen M. Honig is a partner in the Boston office of Duane Morris. He acknowledges the assistance of law clerk Sukanya Hazarika, a member of the Indian bar.

Duty of LLC's attorneys reaches non-client minority

Continued from page 1

as counsel for the closely held company, "in which, by law, the shareholders owed each other a fiduciary duty of utmost good faith and loyalty," Chief Justice Scott L. Kafker wrote on behalf of the Appeals Court panel.

The Supreme Judicial Court, "albeit in dictum," had left open the possibility that such a duty might exist in its 1989 decision in *Schaeffer v. Cohen, Rosenthal, Price, Mirkin, Jennings & Berg*, P.C., Kafker added.

The 28-page decision is *Baker, et al. v. Wilmer Cutler Pickering Hale and Dorr LLP, et al.*

Murky waters

While some attorneys call the ruling a significant expansion of a lawyer's fiduciary duties, plaintiff W. Robert Allison, an inactive former corporate attorney, said if one simply represents an individual client, "you have nothing to worry about."

Like all firms, Allison noted, the defendant attorneys in the case issued "elaborate engagement letters," proclaiming that they represented only the company and could not and would not represent individual stockholders. But even though they were being paid with company funds, the attorneys did the bidding of the majority member.

"Their agenda was his agenda," he said.

However, Boston attorney Louis M. Ciavarra said leaving the minority owners out of the loop is not necessarily unusual.

"For those of us who regularly represent small companies, we work with the officers and/or the managers, not with the minority owners," he said.

With the ruling, Ciavarra said, the Appeals Court has taken another step in eroding a lawyer's ability to zealously and aggressively represent his clients. As long as attorneys avoid conflicts of interest, the client should be able to rely on his lawyer's advice, "and we should be able to give advice without worrying about getting sued by non-clients," he added.

While acknowledging those concerns, Boston attorney Stephen D. Riden said *Baker* ultimately "serves to illustrate what's always been the case: Attorneys representing close corporations need to tread carefully."

When there is a conflict within a close corporation, the role of the company's attorney is generally to step back, be nonpartisan, and not represent one cohort against another, he said. Here, the majority owners could have hired their own counsel to represent their individual interests.

Given the "highly factual analysis" in which the Appeals Court engaged, it was crucial that the minority members had bargained for a significant amount of say in the company's operating agreement, according to Boston attorney Michael F. Connolly.

"As the company's lawyers, it is not their job to take those protections away, even if the majority asks them to," he said.

"As the company's lawyers, it is not their job to take those protections away, even if the majority asks them to."

— attorney Michael F. Connolly

Allison said he and his attorneys have yet to hear whether the defendants intend to pursue further review of the Appeals Court's decision. Boston attorney Richard M. Zielinski, who represents one of the attorneys and that lawyer's firm, declined to comment on the case, while counsel for the other attorney and her firm did not respond to a request for comment.

If further review is sought, it should be welcome news to the bar, given how "murky" the contours of a lawyer's fiduciary duty in this context are, said Boston attorney John A. Shope.

As it stands now, the test for whether such a duty to a non-client exists seems to be "very factually intensive," he said, which gives little guidance to the business practitioner.

A wound that wouldn't heal

On Jan. 28, 2000, Allison and Elof Eriksson formed Applied Tissue Technologies, LLC, to develop and market wound-therapy technologies. Eriksson acquired a 75-percent membership interest in the company, while Allison received the remaining 25 percent.

Applied Tissue Technologies' operating agreement gave Allison and other minority owners the right to participate in management of the company "by a vote proportionate to their interest." The agreement also could be amended only if both Eriksson and Allison provided written consent. Further, minority members had to consent before their percentage stakes in the company could be diluted.

By early 2012, the company was facing a financial shortfall. Eriksson had loaned it money in the past and was prepared to do so again but demanded additional equity in return. Allison preferred to hire new management and develop a new business plan. He would only dilute his interest if outside investors who were bringing new management to the company provided the additional capital.

With the company's CEO privately urging him to gain control of the company, Eriksson reached out to his daughter, Emma Eriksson Broomhead, an attorney at Gunderson, Dettmer, Stough, Villeneuve, Franklin & Hachigian. The firm and Elof Eriksson had a longstanding attorney-client relationship. Broomhead introduced her father to colleague Gary R. Schall, who would later relocate his practice to WilmerHale.

On Feb. 14, 2012, the company's CEO formally engaged Gunderson Dettmer as counsel, with the engagement agreement specifying that the law firm would not represent any individual members of the company.

Despite being fully aware of the protections for minority members in the organizing agreement, the attorneys "immediately set about devising and presenting a plan to Eriksson to both circumvent those protections and eliminate the minority members," according to the complaint.

After Allison rejected a buyout offer that Schall had drafted on Eriksson's behalf, Eriksson and the attorneys moved to their Plan B, according to the complaint.

That plan, outlined in a memo drafted by Schall, relied on G.L.c. 156C, §60, which allows members owning more than 50 percent of Massachusetts LLCs to approve a merger with another business entity, unless the company's operating agreement provides otherwise. ATT's operating agreement was silent on the issue of mergers.

By merging with a new entity, Schall explained that Eriksson could convert his outstanding loans and future contributions into preferred stock in the new entity and eliminate Allison's "ability to interfere with company operations" while decreasing his ownership stake, according to the complaint.

On May 25, 2012, Eriksson and the attorneys set the plan into motion, creating a new Delaware LLC. Eriksson, the CEO and the attorneys executed various documents to effectuate the merger, including a new operating agreement, which eliminated all of the minority members' previous protections.

Not until May 29, 2012, did Eriksson and the CEO meet with Allison to inform him of the merger and reveal the work the company's attorneys had been doing, according to the complaint.

Allison first sued Eriksson, his wife and the CEO in May 2013, asserting claims for breach of contract, intentional interference with advantageous business relations, breach of fiduciary duty and civil conspiracy.

After a jury-waived trial in that case, Allison and the Allison Trust were awarded a 5-percent interest in ATT Delaware, not subject to dilution.

Both sides have filed for further review of that decision, which is currently pending before the Appeals Court.

On May 28, 2015, Allison, the Allison Trust and fellow minority member Christian Baker filed the current suit. The defendants' motions to dismiss were granted on Feb. 23, 2016, and the plaintiffs appealed.

The case now heads back to the BLS unless the defendants seek further appellate review.

'Trust and confidence' implied

To reinforce the possibility of a fiduciary duty to a non-client minority member, Kafker pointed to the SJC's favorable citation in *Schaeffer* to a Michigan Appeals Court opinion, *Fassihi v. Sommers, Schwartz, Silver, Schwartz & Tyler, P.C.*

In *Fassihi*, a claim for breach of fiduciary duty was brought against counsel for the corporation for allegedly assisting one 50-percent shareholder in ousting another from the corporation.

That claim survived summary judgment because the plaintiff was able to show he had placed "trust and confidence" in the defendant attorney.

The defendant attorneys in *Baker* argued that their situation was different, as the plaintiffs had not even interacted with them, much less placed "trust and confidence" in them. They also suggested that there was an actual or potential conflict between their client, the LLC, and the minority members over how to address the company's potential financial shortfall.

But noting that determining whether a fiduciary duty exists is "largely fact specific," Kafker pointed to the allegation that counsel were required to communicate with the minority members, particularly given the strong protections in the company's organizing agreement. The attorneys also were alleged to have taken "purposeful steps" to conceal their activities undermining that agreement.

"Given the protections contained in the … agreement, the minority members should have been able to repose trust and confidence that counsel hired by the company would have communicated and consulted with them prior to undoing those protections," Kafker wrote.

The agreement also imposed "consensual decision-making … on important matters despite the obvious potential for conflict," he added.

"Accordingly, it can plausibly be inferred that the defendants knew, or should have reasonably foreseen, that anyone who served as counsel for the company was constrained by the operating agreement, and the consensual decision-making it imposed on important matters, or at least could not act covertly, in concert with the majority members, for the very purpose of eliminating those protections," Kafker said. NEIH

SPECIAL FEATURE

Steps for preparing for an appellate argument

Dawn R. Solowey

Once an appeal has been fully briefed and the oral argument has been scheduled, it is time to think about how to get ready for the argument.

Thorough preparation for the argument should go far beyond just re-reading the briefs and making an outline. Here is a checklist of steps to ensure the depth and breadth of preparation required to make the most compelling presentation.

1. Review the briefs for what's in them — and what's not.

Often, a first step in preparation is re-reading the briefs, particularly since significant time may have passed between the filing of briefs and the argument date.

It's important not just to re-read the briefs but to take a deep dive into them. Ask: What arguments on your side seem strongest and therefore should be highlighted at argument? Which seem weaker and might attract questions or require additional explanation?

In opposing counsel's briefing, where are the weaknesses that can be exploited at argument, and which arguments are stronger and will require a compelling and pointed response? Which arguments were made in the final brief that have not been responded to in writing?

Take detailed notes as you review the briefs, and use them to develop themes and an outline for argument.

2. Research the panel.

Once you know which judges will make up your panel, do some research to help you get a window into how they may view your case and arguments.

By whom were they appointed and when? What professional affiliations do they have? What experience do they have on the current court, or on previous courts? What was their practice area before they joined the bench?

Gather intel from colleagues who have appeared before these judges about whether they are likely to arrive prepared, whether they typically ask a lot of questions, and anything else notable about what to expect in appearing before them.

3. Read your judges' other opinions.

Beyond researching the panel's biographies, consider what other opinions they have drafted, joined in or dissented from that deal with issues relevant to your case. Those prior opinions may offer hints as to how they may view your case or arguments.

Consider whether there is language or a theme from a prior opinion of one or more of the judges that might make sense to highlight at argument.

4. Update your research.

Make sure that you update the legal research before argument, especially since considerable time may have passed between the filing of briefs and the argument date.

Check to see if any new decisions have been issued that affect your argument. Make sure the cases you rely on are still good law, and check to see if there are any changes to the status of opposing counsel's key cases.

In the event of a major development, you should consider whether to file a notice of supplemental authority prior to argument to highlight the issue.

5. Read the key cases and have them at your fingertips.

Take the time to re-read the key cases cited in your briefs and the opposing briefs. Familiarize yourself with the key facts, holdings and procedural history, in case the panel asks a targeted question.

Take advantage of the chance to read the cases with a fresh eye, looking for helpful language to highlight at argument or problematic language that might come up in the opposing argument or in a question from the panel.

Organize, highlight and tab the most essential cases into a binder that you can quickly access at the argument, if needed.

Consider preparing short squibs of each key case for easy reference during argument. There is rarely time during argument to search through cases for a specific point you want to make.

6. Prepare a longer-form outline.

It is helpful to prepare an outline of the key points that you would make if you faced a completely cold bench and had a full 15 minutes or more to speak continuously. That's unlikely to happen, but if it does, you will be prepared.

Further, the process of drafting a more complete outline will help refine your thinking about your arguments and the order in which you hope to make them.

7. Prepare a list of "must-make points."

The reality is that, in most cases, you will spend most of your allotted time answering questions from the judges. Given that, prepare a one-page bullet-point list of your "must-make points." That way, as your time winds down, you can glance at it quickly to ensure you have covered all your key points during your presentation.

The process of thinking through which points are the most salient and crystallizing them into a few words will help clarify your thinking long before you face the panel.

8. Anticipate the hardest questions.

Perhaps the most crucial preparation

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Dawn R. Solowey is senior counsel at Seyfarth Shaw in Boston. She gratefully acknowledges the help of Richard Alfred, a partner at Seyfarth, in developing the above best practices.

Over-advocacy can mislead financial reporting judgments

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erly recognized as revenue related to the C-12 contract.

Legal entitlement

The phrase "legal entitlement" is worthy of vetting for the financial reporting confusion it may cause when evaluating the revenue recognition standards.

Importantly, legal entitlement appears to be a misnomer when applied to the facts described in the release. An entitlement is defined generally as "the fact of having a right to something." Prefaced with "legal," the word "entitlement" implies the existence of a statutory or other right under the law. When dealing with contract recoveries and interpretations, especially a fixed-fee government contract, that creates a potentially misleading situation.

In contrast to the certainty the phrase portrays and its potential misunderstanding, the very existence of counsel's judgments on the probability of success for each claim would seem to negate the certainty of the amounts presented as legal conclusions regarding collectability when using the phrase "legal entitlement."

Based on the limited information in the release, the extent to which this phrase was relied on when making financial reporting judgments is unclear.

GAAP standards

Putting aside the potential financial reporting misunderstanding from the phrase "legal entitlement," the facts presented in the L3 release raise interesting discussion points regarding the application of Generally Accepted Accounting Principles, or GAAP, and how L3 may have viewed its ability to recognize revenue.

For foundation, L3's revenue recognition policy is consistent with GAAP and sets forth four major requirements that must generally be met before revenue can be realized and earned: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) the seller's price to the buyer is fixed or determinable; and (4) collectability is reasonably assured.

Of significance, per the release, L3 failed to deliver the invoices to the Army. Thus, there is little basis to debate that collectability could be reasonably assured as of year-end if the Army didn't have them.

In addition, collectability could not be reasonably assured for the claims that L3 was asserting against the Army, because no agreement to pay had been reached.

As of year-end, the claims appear to be gain contingencies under GAAP. Guidance on accounting for contingencies can be found in ASC 450, which addresses both loss and gain contingencies.

Many aspects of financial reporting are founded in the principle of conservatism. Perhaps the greatest example relates to contingencies, which are defined as events that cannot be predicted with certainty.

Notably, loss contingencies should be accrued when the loss is probable and may be reasonably estimated. If the loss is only possible, then while not accrued in the financial statements, disclosure in the footnotes may be appropriate and even required.

However, gain contingencies, such as recoveries from lawsuits, are not allowed to be accrued. In fact, the L3 claims for recovery from the C-12 contract have all the characteristics of a classic gain contingency. As such, under GAAP and as gain contingencies, the claims amounts should never be recorded before a commitment to pay arises or, if in the dispute process, a final judgment.

That said, if L3 didn't envision the need for a formal dispute process with the Army based on the history of their dealings, one could understand how L3 may have been analogizing the recording of revenue to the GAAP guidance for sales with a right of return. That's not the proper treatment, but the facts in the release are sufficient to ponder if L3 envisioned that recording a revenue estimate was reasonable based on that approach.

For context, under GAAP, companies may recognize sales with a right of return if and only if a reasonable estimate may be established for sales returns based on historical experience with the sales of similar products. Following this approach, the company estimates the percentage that will be returned and reports the net amount that will not be returned as revenue.

If one analogized to those rules, the estimate for the claims for L3 would represent the sales volume amount, and the probability of success would represent the net reportable and assumed collectable amount, after estimating the historical rate of returns.

While seemingly analogous, there is an important distinction between L3's claims that are properly reported as gain contingencies and the guidance for sales with a right of return. The sale of product with a right of return is in fact a sale, whereas the claims amount is subject to negotiation and possible dispute resolution.

Identifying that distinction is vital to appreciate the lack of proper applicability for these rules to the L3 facts as presented in the release. And yet, from reading the release, one can see where L3, while aggressive, may have been trying to report a reasonable amount for revenue recognition taking this analogous posture.

Again, legal counsel is not responsible for the GAAP decisions that clients make. But sensitivity to how clients may use the advice, words and actions of counsel when forming financial statement assertions can significantly mitigate risks for improper applications of GAAP. NEIH

Social media and the workplace: takeaways from 'Beagan'

Continued from page 8

or, if necessary, respond to any potential dispute with their employer.

A company's social media policy should, at the very minimum, include provisions relating to the following:

• No discrimination, harassment or threats. The social media policy should provide that posts involving discriminatory remarks, harassment, and threats of violence or other inappropriate or unlawful conduct on social media are not tolerated. The policy also should cross-reference to the employer's other policies relating to discrimination, harassment, retaliation, ethics and other related areas.

• Respect for co-workers and customers. The social media policy should state that employees should be fair and courteous on social media to the people they work with, including co-workers, managers, support staff, customers, suppliers and independent contractors. The policy should require employees to avoid posts that are malicious, obscene, intimidating, bullying or disparaging or that could contribute to a hostile work environment on the basis of race, sex, disability, religion, sexual orientation or any other status protected by law or company policy.

• No disclosure of confidential information or trade secrets. The social media policy should instruct employees not to disclose through social media or otherwise any confidential or proprietary information or trade secrets. Depending on the company, trade secrets can include, among other things, customer lists, technological processes, product specifications, financial data, supplier information and strategic plans. Social media posts revealing confidential and proprietary information or trade secrets can damage the company's competitive advantage and can make it more difficult to protect trade secrets in any future dispute.

Conclusion

Social media, by its very nature, is a powerful tool that breaks down traditional boundaries between the public and private. It also strains the traditional divide between work life and personal life, and the attendant rights and responsibilities in both spheres.

Courts like the Rhode Island Supreme Court in *Beagan* will continue to be confronted with the challenge of applying traditional legal principles — including the complex web of federal and state labor and employment laws — to a changing world. It's a world in which the virtual and the real are often one and the same. NEIH

Expediting patent allowance with in-person interviews

Continued from page 5

or the applicant or arguments must be reduced to writing. However, obtaining an affirmative concrete agreement with the examiner is the desired goal.

If it appears that agreement can't be reached during the interview, it's helpful to understand the facts and circumstances under which the examiner might be persuaded (e.g., a subsequent filing of an expert declaration).

As with all interviews, the examiner will issue a summary of the discussion. Some examiners will draft the text of the summary at the conclusion of the interview and may permit the attorney to review and comment on the language before finalizing it.

If the language of the interview summary is not ideal from the applicant's view, the applicant has the opportunity to file a separate summary document. Both documents form a part of the public record of the patent application.

Follow-up

It's important to act quickly to capitalize on momentum gained during the interview. Generally, it's best to follow up with any agreed upon items shortly thereafter.

For example, if tentative agreement was reached on allowable subject matter or claim amendments, it's important to act before the examiner's memory of the discussion and consensus reached wanes (or he leaves the PTO!). Allowing too much time to pass between a productive discussion and follow-up action can obviate the progress made during the interview.

The PTO provides additional helpful tips in the "Interview Best Practices" document, which is available at https://www.uspto.gov/sites/default/files/patents/law/exam/interview_best_practices.pdf.

While in-person interviews aren't a panacea, when properly conducted they are more often than not one of the best opportunities available to a patent applicant to reach agreement with the examiner and make progress toward grant of a patent on the invention. NEIH

Suit to enforce non-compete must be heard in California

Continued from page 1

keep Hernandez from enforcing his rights under California law not to be subject to a broad non-competition agreement that barred any solicitation of Oxford's former or prospective clients," Salinger wrote. "Under these circumstances, the forum selection clause in the Agreement is not enforceable under California law.

The eight-page decision is *Oxford Global Resources, LLC v. Hernandez.*

Showing the way?

The defendant employee was represented by Boston attorneys Barry S. Scheer and Lisa Marie Scalisi.

Scheer said the key to the decision was Salinger's recognition of the unique protections that California affords employees with respect to the enforceability of non-competes, as well as his finding that the employment agreement at issue was a contract of adhesion.

"The finding of an adhesion contract might not, under certain circumstances, invalidate a choice-of-law provision, [but here the judge found] it worked an unfairness by essentially taking away a right and remedy that Mr. Hernandez would have otherwise had were this case properly in a California forum," Scheer said.

Coincidentally, Scheer said, California recently enacted a statute that invalidates similar forum selection clauses in employment contracts. The new law did not apply to his client's case because it did not become effective until Jan. 1 of this year, Scheer said.

"So [Judge Salinger] really got it right in terms of how California views the fundamental importance of protecting its employees and making sure that California courts hear any claims that originate out of acts and transactions in California," Scheer said.

Noting that Massachusetts legislators have failed in recent efforts to enact laws that would limit the use of non-competes in the employment context, Scalisi said *Oxford Global Resources* hopefully will be seen as underscoring the need for such reforms.

"Perhaps a result like this and seeing how a state like California is protecting its citizens will convince Massachusetts legislators to emulate [California] and pass legislation," she said.

Plaintiff's counsel James P. Ponsetto, David G. Thomas and James Vant, of Boston, did not respond to requests for comment.

Boston business litigator Jason A. Manekas, meanwhile, said he viewed *Oxford Global Resources* as a narrow ruling. Changes in one or two minor facts would have resulted in a different outcome, he said.

"The decision was driven by two factors," Manekas said. "One, there was nothing to link the employee to Massachusetts in any way, shape or form other than an adhesion contract. That, coupled with the fact that California has such a strong public policy against non-competition agreements, saved the employee here."

California employee

The plaintiff is a recruiting and staffing agency headquartered in Beverly. According to court records, the defendant is a California resident who was recruited and hired by the plaintiff to work in an entry-level position as an account manager at the company's Campbell, California, office. The defendant received an annual salary of $50,000.

In accepting the plaintiff's offer of employment, the defendant signed a "protective covenants agreement" that contained confidentiality, non-competition and non-solicitation provisions. In addition, the agreement provided that it was governed by Massachusetts law and that any action arising from or relating to the contract must be brought in Massachusetts.

In 2016, the plaintiff sued in Suffolk Superior Court, alleging that, after leaving the company, the defendant breached the protective covenants agreement by using customer information obtained during his employment with Oxford to solicit customers for a competing California business.

The defendant moved to dismiss based on forum non conveniens, arguing the case should be heard in California.

Forum non conveniens

In deciding whether the mandatory forum selection clause in the protective covenants agreement was enforceable, Salinger first addressed the threshold issue of whether the agreement was governed by Massachusetts or California law.

The judge concluded that the Massachusetts choice-of-law provision was unenforceable as the agreement itself was a contract of adhesion. Salinger found it "apparent" that the defendant had neither the opportunity nor bargaining power to negotiate whether California or Massachusetts law defined the scope of his obligations under the non-competition, non-solicitation and confidentiality agreements.

"The complaint specifically alleges that Oxford would not have hired Hernandez if he did not sign the Agreement, which makes clear that Hernandez had no opportunity to negotiate these issues," the judge wrote.

Salinger noted the general rule that contracts of adhesion are unenforceable if they are unconscionable, unfair or offend public policy.

In this regard, the judge also found it was "apparent" that the choice-of-law clause "was an attempt by Oxford to circumvent California's strong public policy against the enforcement of non-competition agreements."

Salinger observed that, absent the choice-of-law clause, California law would govern the plaintiff's contract claims since that state had the most significant relationship to the transaction and the parties at issue. Apart from undisputed facts that the defendant was a California resident recruited and hired by the plaintiff to work in California, Salinger wrote that "Oxford has alleged no facts and presented no evidence suggesting that Hernandez's contract with and work for Oxford implicated Massachusetts in any way."

The judge rejected the plaintiff's argument that its protective covenants agreement did not violate California law because it only barred the defendant from competing by using the company's confidential information.

Salinger wrote that under both Massachusetts and California law an employee is "free to carry away his own memory" of customer names and other customer information.

"[T]he complaint alleges that Hernandez breached the Agreement merely by soliciting companies and individuals that he knew were customers of or consultants placed by Oxford," Salinger wrote. "The non-competition restriction that Oxford seeks to enforce therefore goes far beyond what is permitted under California law, or for that matter, under Massachusetts law."

Ruling the Massachusetts choice-of-law provision unenforceable, the judge proceeded to find the agreement's forum selection clause unenforceable under applicable California law. Salinger observed that a forum selection clause may be given effect under California law, even when the provision is part of a contract of adhesion.

However, the judge found that enforcing the Massachusetts forum selection clause in the plaintiff's case would have the effect of thwarting a clear California public policy disfavoring broad non-competition agreements. For that reason, Salinger concluded that the forum selection clause in the protective covenants agreement was unenforceable under California law.

The judge then turned to the question of whether the plaintiff's decision to bring its claims in Massachusetts should otherwise be given deference. Salinger wrote that, under the doctrine of forum non conveniens, a plaintiff's decision to bring suit in a permissible forum generally should stand "unless an adequate alternative form is available and the relevant private and public interests strongly favor litigating the case elsewhere."

Here, the judge concluded it would be "unfair" to force Hernandez to defend himself in a Massachusetts court and that justice would best be served by ordering dismissal so that the action could be litigated in California.

In weighing the private interests at stake, Salinger found it would be easier and more efficient for both parties to litigate the case in California.

"Since everything relevant to this case happened in California, it appears that all relevant witnesses are located in California and cannot be compelled to testify in Massachusetts," Salinger wrote. "All other relevant evidence is presumably either located in California or available electronically so that it has no bearing on which forum is more convenient."

The judge further concluded Hernandez would be unable to adequately defend himself unless the case was moved to California.

The judge likewise found that the public interest factors supported moving the case to California. Salinger wrote that California had a "much stronger" interest than Massachusetts in determining whether the defendant breached his contract or engaged in tortious conduct by attempting to lure the plaintiff's customers to a competitor in California.

"And the business operations that Oxford claims were unlawfully harmed are located in California," Salinger wrote. "Massachusetts has very little interest in the outcome of this lawsuit." NEIH

U.S. Supreme Court clamps down on forum shopping

Continued from page 1

Boston.

The two decisions "significantly curtail" class actions or mass tort actions involving plaintiffs from multiple states, according to Lawrence S. Ebner, a Washington, D.C., attorney who authored an amicus brief in *Bristol-Myers* on behalf of DRI-The Voice of the Defense Bar.

"The net result of these two cases is that a class action or mass tort action can be filed where the cause of action arose — in other words, where there is a direct link between the plaintiffs' claims and the cause of action, or there is general jurisdiction, meaning where the company is incorporated or headquartered," Ebner said.

Professor Tanya Monestier of Rhode Island's Roger Williams University School of Law sees *Bristol-Myers* in particular as dealing a blow to class action lawyers who may be forced to litigate certain claims state by state.

"They rely on strength in numbers in terms of leverage in settlement negotiations, and now they're not going to have the numbers they otherwise would have," she said. "That's definitely going to be chipping away at their practice and strategy."

Building on 'Daimler'

In *Bristol-Myers*, 600 plaintiffs, most of whom were not California residents, sued the pharmaceutical company in California state court. The plaintiffs asserted state-law product liability claims for injuries caused by Plavix.

Bristol-Myers is incorporated in Delaware. Headquartered in New York, the company maintains substantial operations in both New York and New Jersey. The company unsuccessfully moved to dismiss the non-residents' claims for lack of personal jurisdiction.

In upholding lower state courts, the California Supreme Court concluded that Bristol-Myers' "wide ranging" contacts with the state were enough to support a finding of specific jurisdiction over the claims brought by the non-resident plaintiffs.

But the U.S. Supreme Court reversed in an 8-1 decision on June 19. In concluding that California courts lacked specific jurisdiction over the out-of-state residents' claims, the court rejected the notion that there was a sufficient nexus with the state based on the mere fact that other plaintiffs used Plavix in California or the fact that Bristol-Myers contracted with a California company to distribute Plavix nationwide.

Ebner said that point was a key to the court's decision.

"It says basically that no matter how extensive a company's business activities are in a given state, that's not enough to establish case-specific jurisdiction, unless the out-of-state plaintiffs' claims are directly related to those forum-state activities," Ebner said.

The sole dissenter, Justice Sonia Sotomayor, construed the majority as holding that a corporation that engages in a nationwide course of conduct cannot be sued in a state court by a group of injured people unless all of those people were injured in the forum state court.

Sotomayor wrote that the court's decision was a "first step" toward contracting the scope of specific jurisdiction, similar to the court's contraction of the exercise of general jurisdiction in the landmark *Daimler AG v. Bauman* decision in 2014.

"The majority's rule will make it difficult to aggregate the claims of plaintiffs across the country whose claims may be worth little alone," the justice wrote. "It will make it impossible to bring a nationwide mass action in state court against defendants who are 'at home' in different States. And it will result in piecemeal litigation and the bifurcation of claims."

> Justice Sonia Sotomayor wrote that the court's decision was a "first step" toward contracting the scope of specific jurisdiction.

But in his majority opinion, Justice Samuel A. Alito Jr. rejected that "parade of horribles."

"Our decision does not prevent the California and out-of-state plaintiffs from joining together in a consolidated action in the States that have general jurisdiction over BMS," he wrote.

In addition, Alito pointed out that plaintiffs who are residents of a particular state could sue together in their home states.

Fidelma L. Fitzpatrick, who represents plaintiffs in toxic tort and medical device actions, said she is not certain whether and to what degree *Bristol-Myers* will impact class-action cases, but the applicability of the decision to mass tort actions brought in state courts is clear.

For both plaintiffs and defendants, *Bristol-Myers* will negatively impact the "efficiencies" of being able to handle claims as mass torts, Fitzpatrick said. The Providence attorney stressed it is important that the mass action be preserved as a vehicle for vindicating the rights of plaintiffs.

"These companies are leveraging and banking on the fact that they can out-litigate individual claimants," she said. "What they can't do is out-litigate a group of claimants who come together to pursue a mass action."

Robert S. Peck authored an amicus brief filed in *Bristol-Myers* on behalf of the American Association for Justice. The Virginia attorney said he did not think the Supreme Court went as far in *Bristol-Myers* as some in the plaintiffs' bar feared.

"What it has done is it has made what was a fairly common practice of aggregating plaintiffs — essentially for economies of scale — more difficult," Peck said. "You cannot pull plaintiffs from various states unless there is some sort of affiliation between the cause of action and the defendant."

Fitzpatrick said plaintiffs may have more success establishing specific jurisdiction than people realize.

"These corporations are so big it's really hard for them to keep their activities with respect to these drugs or [medical] devices localized to a single state," Fitzpatrick said. "What you're looking at is defendants purposefully availing themselves of a particular state for the purpose of testing, developing or marketing drugs. In those states, you are going to be able to get specific jurisdiction."

Class actions affected

Frederico does not believe *Bristol-Myers* "changes" the law regarding specific jurisdiction, per se.

"What it does do, in the class action context in particular, is make it more difficult for plaintiffs to seek certification for multistate classes," Frederico said. "If they want to do that, now, they are more likely going to have to file suit in the defendant's home state."

Peck said *Bristol-Myers* has "enormous potential" to affect class actions.

"You're assuming jurisdiction on behalf of a group of plaintiffs, some of whom may not have any connection with that state," Peck said. "Some of those questions can be taken care of during the course of certification. But it does create a couple more hurdles that have to be dealt with."

According to Monestier, *Bristol-Myers* raises a question about jurisdiction in a class action with respect to absent class members.

"*Bristol-Myers* forecloses the possibility that you can create jurisdiction simply by linking to the claims of plaintiffs where there is proper jurisdiction," Monestier said. "If you can't do that in an aggregated setting like *Bristol-Myers*, I don't see how you can do that in a class action where you have a lead plaintiff and 'tag along' plaintiffs from all 50 states. How could you do that in a class action setting where you couldn't do it in a joinder or consolidation setting?"

General jurisdiction

While *Bristol-Myers* addressed the issue of specific jurisdiction, *BNSF Railway Co. v. Tyrrell* took up the question of general jurisdiction, building on *Daimler*.

In *Daimler*, the court held that a state court may exercise general jurisdiction over out-of-state corporations when their connections with the state are so "continuous and systematic" as to render them essentially at home in the forum state.

BNSF involved two FELA claims filed in Montana state court, one by a North Dakota resident who claimed he was injured while working for the railroad, and another by the estate of a South Dakota railroad employee who allegedly developed cancer as a result of his exposure to certain chemicals in the workplace. Neither employee alleged injury from work in Montana.

Because BNSF was neither incorporated nor headquartered in Montana, the railroad argued that it was not "at home" in Montana for purposes of the exercise of general personal jurisdiction under *Daimler*.

The Montana Supreme Court held that Montana courts could exercise general personal jurisdiction over BNSF under a state rule allowing the exercise of jurisdiction over "persons found within" the state.

The U.S. Supreme Court reversed in an 8-1 decision on May 30. Writing for the majority, Justice Ruth Bader Ginsburg cited *Daimler* in concluding that "the Fourteenth Amendment's Due Process Clause does not permit a State to hale an out-of-state corporation before its courts when the corporation is not 'at home' in the State and the episode-in-suit occurred elsewhere."

Boston attorney Michelle I. Schaffer said she does not see *Bristol-Myers* and *BNSF* as representing a "sea-change" in the law.

"To me, these cases are codifying and reinforcing the prior U.S. Supreme Court precedent on personal jurisdiction," said Schaffer, president of the Massachusetts Defense Lawyers Association. NEIH

The impact of 'Bristol-Myers'

It didn't take long for the U.S. Supreme Court's ruling in *Bristol-Myers* to have an impact.

The afternoon the June 19 decision was handed down, a state judge in Missouri cited *Bristol-Myers* in declaring a mistrial in a product liability case against Johnson & Johnson. The mistrial was based on the fact that two out-of-state plaintiffs were part of the suit, which alleged Johnson & Johnson's talcum powder products caused ovarian cancer.

According to the St. Louis Post-Dispatch, the Supreme Court ruling calls into question five previous verdicts from trials in St. Louis against Johnson & Johnson. Four of the five trials ended in plaintiffs' verdicts exceeding $300 million.

Washington, D.C., attorney Lawrence S. Ebner said he fully expects plaintiffs' attorneys to be hard at work figuring out strategies in response to *Bristol-Myers* and *BNSF*.

"They're asking themselves whether they will have to change the way they normally conduct business and file several class actions in different states depending on where the plaintiffs come from," said Ebner, who authored an amicus brief in *Bristol-Myers* on behalf of DRI-The Voice of the Defense Bar. "I also think they're trying to come up with new theories to argue that the facts and circumstances of a particular case are enough for case-specific jurisdiction, even though the plaintiffs come from different states."

On the other hand, Providence attorney Fidelma L. Fitzpatrick expects corporations to be even more cognizant of geographic location in the wake of *Bristol-Myers*.

"You're going to see a lot of manufacturers moving their headquarters, choosing what they consider to be 'corporate-friendly' states as their principal place of business or place of incorporation, solely for the purpose of being able to choose the forum in which plaintiffs sue them," Fitzpatrick said.

"I'm assuming lawyers in Delaware, New York and New Jersey are pretty happy about these developments," said Tanya Monestier, a professor at Roger Williams University School of Law in Rhode Island.

— Pat Murphy

Despite Facebook post, worker can get unemployment

Continued from page 1

ly identify the employer or manager by name, and the employee's Facebook page was not accessible to his supervisor or his colleagues.

"Legally competent evidence that [the employee's] Facebook post was connected to his work in the manner contemplated by §28-44-18 is not present in the record before us," Suttell wrote.

The 17-page decision is *Beagan v. Rhode Island Department of Labor and Training, Board of Review, et al.*

Limited to narrow facts

Richard A. Sinapi, who represented the claimant employee, said the well-settled parameters of appellate review played into the holding.

"In one sense, the holding is a textbook limited judicial determination, relying on the rules of appellate review that there were insufficient facts in the record to support the findings of the board below," the Warwick lawyer said.

"In another sense, it is groundbreaking in saying that limited access to Facebook is not public," Sinapi added. "The justices recognized the fact that just because we express our thoughts and ideas through social media does not convert them to a public pronouncement."

Looking at the issue more broadly and echoing a concern of the trial court judge, Sinapi asked, "How could the state encourage employers to be Big Brother by proxy? That is a grave danger, and it would have a chilling effect on employee communications and First Amendment rights generally if the state were to get involved with penalties for free expression."

In concluding that the employee's conduct was not connected to the workplace, the justices did not reach Sinapi's briefed arguments on employee protections offered by the First Amendment and the National Labor Relations Act.

"But the court didn't need to go down that path," Sinapi said. "They only decided what they had to."

Robert E. Savage, also a Warwick attorney, said even if it had been determined that the Facebook post was connected to the claimant's employment, it would have been considered a concerted activity under the NLRA, "where you're speaking not just for yourself but for others. It's not ever legal for an employee to be fired for that, so how can it be misconduct?" he asked.

Savage agreed that the holding in *Beagan* is an appropriately narrow one.

"The takeaway is that the decision is limited to protecting employees who post on social media to a restricted audience and who don't name their employer," he said.

First Amendment and concerted activity protections may be ripe for examination in the next case presenting such issues, he said, perhaps in the instance of a blog open to everyone or in which the employer is specifically identified.

For Matthew C. Reeber, an employment lawyer at Pannone, Lopes, Devereaux & O'Gara in Johnston, the fact-specific holding means that the court was not making a broad-based proclamation on the use of Facebook.

Reeber added that previous decisions finding a workplace connection with the use of Facebook (for example, in cases in which employees shared confidential information or made disparaging remarks to each other about clients) would withstand scrutiny under *Beagan*.

At the same time, he said, the court's discussion seems to offer guidance to the District Court on factors to consider in future cases.

The primary lesson for employers is to document the policies that employees are accused of violating, whether they concern social media or insubordination, according to Reeber.

"It's the employer's burden to show misconduct, and the policy that was violated needs to be in the record," he said.

Attorneys for the state, Donald G. Elbert of Providence and Valentino D. Lombardi of North Providence, did not respond to requests for comment.

A 'slender reed'

Michael J. Beagan, a delivery driver at Albert Kemperle, disagreed with a new company policy and complained about it to his manager, Henry Morancey.

After the two "had some words," Morancey called Beagan into his office to terminate him for his refusal to sign the policy, but gave him a warning instead when Beagan grew teary-eyed.

As he was leaving the meeting to make deliveries, Beagan commented that he could "write whatever he wants on Facebook" because he had blocked Morancey from viewing his posts. His curiosity piqued, Morancey later had someone else log onto Facebook to bring up Beagan's page, which had offensive comments about his "boss."

When Beagan returned from his morning deliveries, Morancey fired him.

Beagan's subsequent claim for unemployment benefits was denied by the Rhode Island Department of Labor and Training. That decision was affirmed on appeal by a referee, who determined that Beagan's misconduct in being insubordinate and acting against his employer's best interest made him ineligible for benefits under §28-44-18.

The full review board affirmed the referee's decision.

A District Court judge then affirmed the board's finding, concluding that the Facebook post constituted misconduct or insubordination and was sufficiently "connected" to Beagan's work so as to disqualify him from benefits under the statute.

Acknowledging that the claimant's online actions were connected to his work only by a "slender reed" and that such a finding posed the danger of inviting management to monitor their employees' social media accounts, the judge was swayed by the fact that Beagan "baited" Morancey into searching his Facebook page. That took the matter into the workplace, the judge found.

> "The takeaway is that the decision is limited to protecting employees who post on social media to a restricted audience and who don't name their employer."
>
> — attorney Robert E. Savage

Showing connection with workplace

The Supreme Court majority disagreed with the trial judge's holding and ordered the payment of benefits. It limited its analysis to the "connected to work" prong of §28-44-18.

In declining to closely examine the nature of the alleged misconduct, the majority said that the question was not whether Beagan was properly terminated from his employment.

"Instead, our task is to examine the record to determine if any legally competent evidence exists therein to support a finding that Beagan was ineligible for unemployment benefits," Suttell wrote.

And in making that examination, the court reviewed several factors and could not find evidence sufficient to connect Beagan's social media account to his workplace.

Beyond the questions of whether the post specifically identified Kemperle or Morancey and whether it was generally accessible, Suttell said that there was insufficient evidence in the record to determine whether Beagan authored the post on an electronic device belonging to his employer or whether the content of the post related to his job performance.

Further, Beagan's denial that he made the Facebook posts while on the road was not refuted by Kemperle, and the chief justice said that the company's social media policy, if it existed, was not introduced.

Rejecting the trial court judge's "baiting" rationale, Suttell wrote that "[g]iven all of these facts, we are of the opinion that Beagan's statement to Morancey that he did not have access to Beagan's Facebook page alone does not support a finding that the Facebook post was connected with Beagan's work."

With that holding, Suttell concluded, "We need not delve into the misconduct prong of the §28-44-18 analysis."

In a dissent, Justice Maureen McKenna Goldberg focused on the scope of the Supreme Court's review, writing that it was limited to an examination of the certified record and that the majority "has exceeded the boundary of certiorari review and erred in failing to defer to the findings made by the board and affirmed by the District Court." NEIH

10 steps for preparing for an appellate argument

Continued from page 15

task is to anticipate the hardest questions you are likely to face from the panel and how you will respond.

What points were the most difficult to wrestle with in the briefing? These may draw increased scrutiny from the panel.

What are your opponent's strongest arguments, and how do you respond? Putting together an outline of those tough questions and the most effective responses will ensure that you give those tricky issues appropriate time and attention well before you are on your feet at argument.

Solicit input from your whole appellate team as to what tough questions to expect. Consider holding a "moot court" with colleagues to practice answering the most difficult questions on your feet.

9. Get to know your clerk.

Reach out in advance to the clerk, who holds a wealth of practical information.

What forms are required to indicate which attorney will argue? How long will each side have for argument?

If you are the appellant, can you reserve rebuttal time? If so, decide in advance whether to reserve time and, if so, how much.

How does the court's timing system work? Will arguments be recorded, and if so, by audio or video? And when will the recording be posted online and/or a transcript made available?

How can you reach the clerk in event of a travel, weather or other emergency? What sort of check-in is required on the day of argument and at what time?

If you have never been to the courtroom where you will be arguing, plan to arrive a little early to see the layout and decide how that may impact which documents you bring to the podium and which you leave behind at counsel table.

10. Put yourself in the judges' shoes.

One of the challenges of preparing for argument is to try to see your case not from your own, familiar position as an advocate but from the point of view of the judges.

The judges may have procedural concerns or questions outside those addressed by the parties in the briefs. They may have concerns about the precedent they will be setting in their opinion, perhaps well outside of the specific interests of the parties in your particular case. They may have concerns about the policy impact of a given ruling.

Taking the time to think through the case from the perspective of judges can help you develop thoughtful answers to their concerns well before you are in the hot seat. NEIH

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