

UNITED STATES DISTRICT COURT
DISTRICT OF SOUTH DAKOTA
SOUTHERN DIVISION

BUERGOFOL GMBH, Plaintiff, vs. OMEGA LINER COMPANY, INC., Defendant.	Civil Action No.: 22-cv-04112-KES MEMORANDUM IN SUPPORT OF BUERGOFOL’S MOTION FOR AN ORDER PRECLUDING OMEGA FROM MAKING EX PARTE CONTACT WITH FORMER EMPLOYEE STARK
---	--

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION AND FACTUAL BACKGROUND	1
II. LEGAL STANDARDS	2
A. Informal Investigations Do Not Fall Within The Scope Of Formal Discovery Regulated By Fed. R. Civ. P. 26	2
B. A “Likelihood Of Improper Disclosure” Test Is Applied In Determining Whether Ex Parte Contacts With Former Employees Of An Adverse Party Should Be Permitted	3
III. ARGUMENT	5
A. It Is Likely That Stark Would Improperly Disclose Privileged Information In An Ex Parte Interview With Omega’s Counsel	5
B. It Is Likely That Stark Would Improperly Disclose Confidential Information In An Ex Parte Interview With Omega’s Counsel	7
C. Buergofol’s Counsel Must Be Present During The Questioning Of Stark To Prevent Disclosure Of Privileged Information	10
IV. CONCLUSION	11

TABLE OF AUTHORITIES

<u>Cases</u>	<u>Pages(s)</u>
<i>Camden v. Maryland</i> , 910 F. Supp. 1115 (D. Md. 1996)	11
<i>FleetBoston Robertson Stephens, Inc. v. Innovex, Inc.</i> , 172 F. Supp. 2d 1190 (D. Minn. 2001)	3-4
<i>Heartland Surgical Specialty Hosp., LLC v. Midwest Div., Inc.</i> , Case No. 05-2164-MLB-DWB, 2007 BL 61961 (D. Kan. July 20, 2007)	4
<i>Heier v. Gregorian, Inc.</i> , Case No. 07-5007-RHB, 2007 WL 9773392 (D.S.D. July 16, 2007)	2
<i>In re Bofl Holding, Inc., Securities Litigation</i> , 318 F.R.D. 129 (S.D. Cal. 2016)	2
<i>Jenkins v. Missouri</i> , 931 F.2d 470 (8th Cir. 1991)	3
<i>Midwest Motor Sports, Inc. v. Arctic Cat Sales, Inc.</i> , 144 F. Supp. 2d 1147 (D.S.D. 2001)	4
<i>Olson v. Snap Products, Inc.</i> , 183 F.R.D. 539 (D. Minn. 1998)	3-4
<i>Spencer v. Steinman</i> , 179 F.R.D. 484 (E.D. Pa. 1998)	11
 <u>Rules</u>	
Fed. R. Civ. P. 26	2
ABA Model Rule of Professional Conduct 4.2	3
Minnesota Rule of Professional Conduct 4.2	3
South Dakota Rule of Professional Conduct 4.2	3-4

Plaintiff Buergofol GmbH (“Buergofol”) submits this memorandum in support of Buergofol’s “Motion For An Order Precluding Omega From Making Ex Parte Contact With Former Employee Stark.”

I. INTRODUCTION AND FACTUAL BACKGROUND

This is a patent infringement action brought by patentee Buergofol against Omega Liner Company, Inc. (“Omega”) for infringing two United States patents. A German citizen living in Germany, Dr. Kurt Stark (hereinafter referred to as “Stark”), is a listed inventor on one of the patents. During the time the present lawsuit was being investigated and planned, Stark was employed by Buergofol. Stark, during his time at Buergofol, was a key competitive decision maker for Buergofol and engaged in extensive privileged attorney-client communications, and in particular was a competitive decision maker with respect to Buergofol’s patent strategy. Declaration of Franz Schleicher (“FS Decl.”) ¶5. Only recently, in August 2022, did Stark cease to be an employee of Buergofol. FS Decl. ¶10.

In a surprise move, counsel for Omega informed counsel for Buergofol by email on Friday, November 25 that counsel for Omega (Mr. Michael Neustel) intends to conduct an ex parte interview of Stark “early next week.” Declaration of Darien Wallace (“DW Decl.”) ¶3. Buergofol objected to counsel for Omega conducting an ex parte interview of Stark. If Omega were permitted to conduct an ex parte interview of Stark, there would be a high likelihood that Stark would divulge to Omega information that should not be divulged, specifically: 1) privileged attorney-client information, and 2) confidential information of Buergofol that Stark is prohibited from disclosing pursuant to his employment agreement. If the interview is ex parte, then Buergofol and its counsel would not even know what information was improperly divulged. Stark is not an

attorney. If the interview of Stark were to be ex parte, then there would be no counsel for Buergofol present to inform and remind Stark of his obligations to keep certain information secret. As explained in further detail below, Stark has a history of self-dealing and of failing to abide by his duty to keep Buergofol's business secrets confidential and out of the hands of Buergofol's competitors. The cessation of Stark's employment with Buergofol was not mutually agreeable, and it is believed that there is a degree of animus between Stark and Buergofol.

Due to the high likelihood of Stark divulging privileged and confidential information to Omega, Buergofol moves the court for an order precluding Omega's counsel from conducting an ex parte interview of Stark.

II. LEGAL STANDARDS

A. Informal Investigations Do Not Fall Within The Scope Of Formal Discovery Regulated By Fed. R. Civ. P. 26

Whether a party should be precluded from conducting an informal ex parte interview of a former employee of an adverse party does not involve formal discovery. It is therefore not regulated by the Federal Rules of Civil Procedure. Informal investigations do not fall within the scope of formal discovery regulated by Rule 26.¹ *In re Boff Holding, Inc., Sec. Litig.*, 318 F.R.D. 129 (S.D. Cal. 2016) ("As an initial matter, the Court agrees with Defendants that their informal investigations do not fall within the scope of formal discovery regulated by Rule 26.") The language of Rule 26(c) does not provide authority for a protective order over prediscovery, informal investigations. (Compare the unpublished district court opinion *Heier v. Gregorian Inc.*, Case No. 07-5007-RHB, 2007 WL 9773392 (D.S.D. July 16, 2007) in which the Court apparently

¹ Hereinafter, the term "Rule" refers to the applicable Federal Rule of Civil Procedure.

believed the Federal Rules of Civil Procedure did grant the Court authority to issue an order preventing plaintiff's attorneys from making ex parte contact with defendant's former board members).

B. A “Likelihood Of Improper Disclosure” Test Is Applied In Determining Whether Ex Parte Contacts With Former Employees Of An Adverse Party Should Be Permitted

Although the Federal Rules of Civil Procedure do not provide a district court with the authority to regulate informal investigations, courts considering this issue have pointed out that a Federal Court has “inherent power” to regulate and supervise the bar practicing before it. *Olson v. Snap Products, Inc.*, 183 F.R.D. 539 (D. Minn. 1998); *Jenkins v. Missouri*, 931 F.2d 470,484 (8th Cir. 1991). This “inherent power” provides the court with ample authority to issue orders precluding lawyers from making improper ex parte contacts with represented parties, current employees, and former employees. *Olson v. Snap Products, Inc.*, 183 F.R.D. 539 (D. Minn. 1998).

The United States Court of Appeals for the Eighth Circuit has instructed district courts in the Eighth Circuit to consider the ABA Model Code of Professional Conduct in construing their Rules of Professional Conduct. *FleetBoston Robertson Stephens, Inc. v. Innovex, Inc.*, 172 F. Supp. 2d 1190 (D. Minn. 2001) Although *FleetBoston* is a District of Minnesota case applying Rule 4.2 of the Minnesota Rules of Professional Conduct, South Dakota has a similar Rule 4.2 of the South Dakota Rules of Professional Conduct, which should be applied in the same way. Both Rule 4.2 of the Minnesota Rules of Professional Conduct and Rule 4.2 of the South Dakota Rules of Professional Conduct are based on the same ABA Model Rule of Professional Conduct Rule 4.2. As pointed out by Judge Piersol of this Court, one of the purposes of Rule 4.2 of the South Dakota Rules of Professional Conduct is to prevent the inadvertent disclosure of privileged

information. *Midwest Motor Sports, Inc. v. Arctic Cat Sales, Inc.*, 144 F. Supp. 2d 1147 (D.S.D. 2001).

Rule 4.2 of the South Dakota Rules of Professional Conduct reads:

Rule 4.2 Communication with Person Represented By Counsel
In representing a client, a lawyer shall not communicate about the subject of the representation with a person the lawyer knows to be represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized to do so by law or a court order.”

As explained *Olson* and as reiterated in *FleetBoston*, there are three lines of cases concerning the issue of when it is improper for a lawyer of a party to make ex parte contact with a former employee of an adverse party. Some courts have found that counsel can interview unrepresented former employees of an opposing party. Other courts have outright prohibited contact with former employees of adverse parties. Still other courts have taken a middle ground and have adopted a “flexible approach.” Under the flexible approach, the key factor in evaluating the propriety of a lawyer’s contact with an unrepresented former employee of an adverse party is the likelihood that privileged information will be disclosed to an opponent in the litigation. *Olson v. Snap Products, Inc.*, 183 F.R.D. 539, 544-45 (D. Minn. 1998); *FleetBoston Robertson Stephens, Inc. v. Innovex, Inc.*, 172 F.Supp.2d 1190 (D. Miss. 2001); *Heartland Surgical Specialty Hosp., LLC v. Midwest Div., Inc.*, Case No. 05-2164-MLB-DWB, 2007 BL 61961, at *2 (D. Kan. July 20, 2007).

When considering the propriety of Omega counsel making ex parte contact with former employee Stark, the Court should apply the flexible approach and the associated “likelihood of improper disclosure” test. The flexible approach should be applied in this case due to the high likelihood that Stark would improperly disclose Buergofol’s privileged and confidential information were the proposed ex parte interview allowed to

occur. Prohibiting the ex parte interview is consistent with the purpose of Rule 4.2 of preventing the inadvertent disclosure of privileged and confidential information that should not be divulged by Stark.

III. ARGUMENT

For the factual reasons stated below, Buergofol makes a good cause showing that there is a high likelihood that Stark would disclose Buergofol's privileged and confidential information to Omega were Omega's counsel permitted to conduct an ex parte interview of Stark.

A. It Is Likely That Stark Would Improperly Disclose Privileged Information In An Ex Parte Interview With Omega's Counsel

Stark would likely disclose privileged information of Buergofol to Omega's counsel if an ex parte interview by Omega's counsel is permitted. Stark was the person at Buergofol who was responsible for building Buergofol's patent portfolio. FS Decl. ¶4; Declaration of Thomas Schlieff ("TS Decl.") ¶4. Stark was party to many privileged attorney-client communications with Buergofol's German and European patent counsel, Thomas Schlieff of Canzler & Bergmeier in Ingolstadt, Germany. TS Decl. ¶4. For more than a decade, Mr. Schlieff personally prosecuted most of Buergofol's German and European patents. TS Decl. ¶3. Over the past decade, Stark worked closely with Mr. Schlieff to develop a patent portfolio that would give Buergofol the broadest coverage possible over Buergofol's competitors. Mr. Schlieff provided Stark with his legal opinion regarding what Mr. Schlieff believed could be patented and what could not. TS Decl. ¶4. For example, Mr. Schlieff drafted the specification and claims of German patent application DE 102013102394.0, to which U.S. Patent No. 9,657,882 ("the '882 Patent"), the German patent application DE 102014103237.3 and the European Patent No.

EP 2777925 claim priority. TS Decl. ¶5. Stark is the named inventor on the ‘882 Patent. Mr. Schlieff provided Stark with his legal opinion regarding what Mr. Schlieff believed could be patented and what could not from among the subject matter of the ‘882 Patent that Stark disclosed to Mr. Schlieff. TS Decl. ¶5. Mr. Schlieff’s legal opinion regarding the patentability of subject matter disclosed in the ‘882 Patent is privileged.

Mr. Schlieff prosecuted the claims of German patent application DE 102014103237.3 and European Patent No. 2777925 in consultation with Stark so as to cover film (with DE 102014103237.3) made by Buergofol’s competitors, including Suedpack Verpackungen GmbH & Co. KG (“Suedpack”) of Ochsenhausen, Germany, and UV-cured pipe liners using such film (with EP 2777925). TS Decl. ¶5. In another Buergofol patent, European Patent No. 3129695, Suedpack filed an opposition against the patent relating to validity based on alleged prior art and insufficient disclosure. Mr. Schlieff reviewed the opposition with Stark and Buergofol’s other patent attorney Dr. Catharina Casper, and the attorneys and Stark together developed a legal theory for overcoming the opposition. Mr. Schlieff’s validity analysis of the strengths and weaknesses of Buergofol’s responses to Suedpack’s opposition were privileged attorney-client communications. TS Decl. ¶6.

Based on information provided by Stark to Mr. Schlieff, Mr. Schlieff concluded that Suedpack is making film that falls within the scope of the claims of Buergofol’s patents, and further that Suedpack is delivering that film to Suedpack’s customers to make UV-cured pipe liners. Mr. Schlieff’s explanation to Stark relating to infringement and why the film made by Suedpack and delivered to its customers falls within the scope of the claims of Buergofol’s patents, some of which are related to the ‘882 Patent, is a privileged attorney-client communication. TS Decl. ¶7.

Stark was not only the lead inventor of the ‘882 Patent, but he was also a central competitive decision maker of Buergofol for an extended period of time. FS Decl. ¶5. Stark was the person at Buergofol who was responsible for building Buergofol’s patent portfolio, and Stark worked closely with Buergofol’s patent attorney to develop Buergofol’s patent strategy with respect to Buergofol’s competitors in the UV-cured pipe liner business. FS Decl. ¶3. Thus, Stark possesses privileged information of Buergofol relating to patents.

Stark is likely to divulge Buergofol’s privileged information during an ex parte interview with Omega’s counsel for at least two reasons. First, Stark is not an attorney and would likely be unaware during the interview of which information is not to be divulged due to the attorney-client privilege. TS Decl. ¶4. Even if Stark desired to protect the confidences of Buergofol during questioning by opposing counsel, Stark would likely not be able to discern when he is divulging information that is privileged attorney-client pursuant to United States law. Second, Stark is no longer employed by Buergofol, and Stark and Buergofol are currently adverse to one another and are involved in multiple lawsuits against each other. TS Decl. ¶¶8-9; FS Decl. ¶10. Mr. Schlieff believes, from his recent dealings with Stark, that Stark would disclose privileged attorney-client communications to Omega if Stark believed that doing so would weaken Buergofol’s position. TS Decl. ¶9.

B. It Is Likely That Stark Would Improperly Disclose Confidential Information In An Ex Parte Interview With Omega’s Counsel

Stark would likely disclose confidential business secrets of Buergofol to Omega’s counsel if an ex parte interview by Omega’s counsel were permitted.

First, Stark possesses confidential non-public business information of Buergofol. Stark was the Director of Business Development at Buergofol and was responsible for building sales of Buergofol's film for the UV-cured pipe liner business. Consequently, Stark was responsible for developing new film products for the UV-cured pipe liner business and for other fields and protecting those new products with patents. FS Decl. ¶3. Stark was also responsible for defining the technical specifications of the film products that Buergofol delivered to Omega, and Stark led the technical negotiations with Omega and had access to all of the costing and pricing information of Buergofol. FS Decl. ¶7. Thus, Stark has intimate knowledge of confidential, unpublished information relating to the business and trade secrets of Buergofol. Stark also has knowledge of confidential information regarding the research and the technological development behind Buergofol of UV-cured pipe liner products. This valuable non-public information is not to be divulged by Stark to another company, such as to Omega, in a way that would harm in the interests of Buergofol.

Second, Stark has demonstrated a willingness to disregard the contractual obligations under his employment agreement not to divulge confidential business information of Buergofol to third parties outside the company. FS Decl. ¶9. Stark entered into an employment agreement with Buergofol in 2011. FS Decl. ¶3. An English translation of Sections 9.1 and 9.2 of Stark's employment agreement is provided below:

- 9.1 The employee shall maintain secrecy about all company and business secrets of the employer as well as all other matters and processes of the employer which come to his knowledge in the course of his work. The employee shall ensure that third parties do not obtain unauthorized knowledge. This applies in particular to recipes, but is not limited to calculations and sales documents, customers, personnel, contractual relationships of any kind. The obligation to maintain secrecy also applies to matters and procedures concerning the employer's business partners.

- 9.2 The obligation to maintain confidentiality of all company and business secrets shall survive the termination of the employment contract.

FS Decl. ¶6. Stark is therefore not at liberty to use confidential Buergofol information to assist Omega in this litigation. Any non-public Buergofol information that is not known to Omega cannot be given by Stark to Omega's counsel by way of a voluntary informal interview if the release of that Buergofol information to Omega's counsel would harm the interests of Buergofol in this case.

Not only does Stark possess confidential Buergofol information (including technical information and business information), but Stark has also demonstrated by his past actions a willingness to breach the terms of his employment and to divulge such confidential Buergofol information. For example, Stark willfully breached his employment agreement in 2021 by divulging Buergofol's business secrets to Buergofol's competitor Suedpack. FS Decl. ¶9. Stark drove his company car to Suedpack's offices; the address of Suedpack's offices was still listed in the car's navigation system when Stark returned the car. Buergofol believes that Stark was offering to instruct Suedpack on how to manufacture film covered by patents on which Stark is an inventor in exchange for a license fee. Stark also breached the terms of his employment by deleting about 700 emails from his work email account in order to cover up his activities. Duplicates of the emails that Stark deleted were found on the company's backup email server. FS Decl. ¶9. Buergofol attempted to terminate Stark for cause on December 16, 2020. FS Decl. ¶10. Stark sued Buergofol for wrongful termination, and multiple lawsuits between Stark and Buergofol followed, including in the following courts: Arbeitsgericht Regensburg, Amtsgericht Hersbruck, Arbeitsgericht Nürnberg, Landesarbeitsgericht Nürnberg, Landgericht Nürnberg, and in the Oberlandesgericht München. Ten of the lawsuits are

still pending, including the original suit for wrongful termination. FS Decl. ¶10. Then recently in August 2022 Stark voluntarily terminated his employment with Buergofol with immediate effect with the argument that he voluntarily quit and was not terminated for cause. FS Decl. ¶10.

Accordingly, Stark has already shown a propensity for improperly divulging Buergofol's confidential information in violation of his employment agreement. And now there is an even greater risk that Stark will disclose confidential matters to third parties considering that Stark and Buergofol are currently adverse to one another and involved in multiple lawsuits against each other. Stark might be tempted and induced to disclose Buergofol's confidential information if he believed that doing so would weaken Buergofol's position in the multiple lawsuits between Mr. Stark and Buergofol. FS Decl. ¶12; TS Decl. ¶9. Moreover, Stark could be enticed to divulge Buergofol's confidential information by flattering comments from Omega's counsel regarding Stark's inventions and his expertise in the field of film products for UV-cured pipe liners.

Thus, there is a real risk of disclosure of confidential information that would be damaging to Buergofol if ex parte contact by Omega's counsel with the former employee Stark is not prohibited.

C. Buergofol's Counsel Must Be Present During The Questioning Of Stark To Prevent Disclosure Of Privileged Information

If Stark is to be questioned by Omega's counsel, then that questioning should be done with the safeguards of formal discovery and a formal and proper deposition. Buergofol's counsel should be present so that there is someone present to protect the interests of Buergofol, to object to improper questions asked, to detect the imminent disclosure of privileged information, and if necessary to head off such imminent

disclosure by adjourning the deposition and moving for a protective order from this Court. If, on the other hand, Buergofol's counsel is not present then there will be no one present to protect Buergofol's interests. Neither Omega's counsel nor the former employee Stark can be trusted to protect the interests of Buergofol. *Camden v. Maryland*, 910 F. Supp. 1115, 1121 (D. Md. 1996) ("[W]hat seems certain is that adversary counsel and the former employee himself (particularly given that he may harbor hostility against his former employer) cannot be left to judge.") (cited by *Spencer v. Steinman*, 179 F.R.D. 484, 491 (E.D. Pa. 1998)).

Accordingly, Buergofol has made a showing of good cause for issuance of a protective order because the above-described factual circumstances indicate a high likelihood that Stark would disclose Buergofol's privileged and confidential information to Omega were Omega's counsel permitted to conduct an ex parte interview of Stark.

IV. CONCLUSION

For the reasons stated, Buergofol requests the Court issue an order ordering Omega's counsel not to make ex parte contact with Dr. Kurt Stark.

Dated this 29th day of November, 2022

**DAVENPORT, EVANS, HURWITZ
& SMITH, L.L.P.**

By /s/ Elizabeth S. Hertz

Elizabeth S. Hertz
P.O. Box 1030
206 West 14th Street
Sioux Falls, SD 57101-1030
Phone (605) 357-1263
Fax (605) 335-3639
Email ehertz@dehs.com

Attorneys for Plaintiff Buergofol

IMPERIUM PATENT WORKS LLP

Darien K. Wallace

T. Lester Wallace

P.O. Box 607

315 Ray Street

Pleasanton, CA 94566

Phone (925) 550-5067

Fax (925) 835-5804

Email darien@imperiumpw.com

lester@imperiumpw.com

Attorneys for Plaintiff Buergofol

Pro Hac Vice