

PATENT LITIGATION

The Practice That Picked Me



Tim DeJong

By *Tim DeJong*
OTLA Guardian

When I tell people about my practice, I often get some form of the question — “How in the world did you end up litigating patent infringement cases?”

It’s a good question, because nothing in my background would suggest patent litigation as a natural fit. I have no hard science background or engineering training. I did not even take a single patent law class in law school. I spent the first 10 years of my career litigating securities fraud class actions on behalf of investors. I don’t even think I encountered a single patent case in my two-year clerkship at the U.S. District Court.

The opportunity

The answer lies in a family of patents that, coincidentally, expire about the

time this article will be published. Out of the blue, we were presented with a great opportunity about fifteen years ago. Jake Vilhauer, a giant of the Portland patent bar, was looking for a contingency fee lawyer to take his client’s patent infringement case. Vilhauer claimed he had obtained strong patents and his client had a strong set of facts. There were no Portland law firms taking patent infringement cases on a contingency-fee basis at the time (nor are there any today to my knowledge, other than our firm, Stoll Berne).

We felt pretty comfortable in concluding the case had great jury appeal. The potential client was a modest man living in Eugene. A technical writer for a firearms publication, he had invented a revolutionary new rifle cartridge concept. In simple terms, his concept was for a “short, fat” cartridge that could be made in a range of calibers and match or exceed the velocity of a traditional “long, skinny” cartridge. These new cartridges promised various advantages, including the ability to use a high power “magnum” cartridge in short action (more compact, lighter) rifles, greater accuracy, equivalent bullet velocity with substantially less gunpowder and less recoil. Although he had not commercialized the cartridges, he had successfully modified some existing cartridge cases (this is known as “wildcatting”) to the proper shape and size and had done extensive testing on the wildcat cartridges to prove his con-

cept. He had also modified rifles to chamber the cartridges. All he needed was a commercial partner.

After applying for patents on the cartridge and mating firearm, he presented (subject to confidentiality agreements) his cartridge design to a major ammunition company and a major rifle company. The three parties commenced a joint project to commercialize the cartridges and mating rifles in various calibers. The inventor and the ammunition company were never able to agree on the terms of a royalty because, after repeatedly promising that they would work out the inventor’s compensation, the ammunition company never offered any royalty. Finally, after the products had been fully commercialized — and on the business day before the products were set to be announced to the market — the ammunition maker demanded a royalty-free license or threatened to terminate the project. The inventor declined, and the ammunition company pulled the plug on the project.

Nine months later, the ammunition company cut the inventor out entirely, announcing a new partnership with a different rifle maker and, without a word to the inventor, started selling a nearly identical cartridge. The only appreciable difference was the brand name of the cartridge. These new “short magnums,” as they came to be known, were huge sellers. There really had not been any significant new cartridge introduced in

decades, and it seemed the new “short, fat” magnums gave every hunter a reason to buy a new rifle.

On these facts, it was easy for us to conclude the equities would be on our side, damages would be substantial and the defendants would have a strong interest in continuing to sell the products even if they were forced to take a license. The other aspects of the potential engagement were far more difficult to evaluate. Patent infringement cases require a huge investment of both attorney time and out-of-pocket costs, particularly technical and damages experts. We had a lot of confidence in Vilhauer’s assessment of the strength of the patents and decided to commit to the case.

The fight

As would be expected, we were met with aggressive resistance from the start. We were told there is really no precedent for cartridge patents in the modern fire-arm and ammunition industry, and these major companies were going to fight tooth and nail to keep our client from setting a precedent. The defendants each hired major law firms with substantial patent litigation practices and they out-staffed us by a wide margin. Like most trial lawyers, we are used to the underdog role, but we were well outside our comfort zone with the subject matter.

The first stroke of luck we had — although we didn’t know it at the time — was when the federal court judge appointed a special master to handle all of the substantive patent law disputes. Initially we were not thrilled with this development, because this meant we would effectively be paying our judge at high Chicago-lawyer rates. In the end, though, we benefited greatly because the special master had a superior knowledge of patent law and was able to cut through disputes quickly and efficiently.

Fortunately, I learned early on the skills I had worked hard to acquire in complex, high-stakes securities litigation translated well to patent litigation. Just

as I was terrified for my first few depositions of auditors, I was terrified for my first deposition of the ammunition company’s engineer, particularly because my client and a Chernoff Vilhauer patent attorney would be in attendance. I approached the depositions the same way I would any technically complex deposition. By lunchtime, the engineer recognized I already knew the answers to my own questions. Every time he was evasive I had a document to set him straight. A

highlight was establishing with the engineer — over his initial denial — by using his own testing records that weren’t much more than scraps of paper — he had used empty cartridge cases made for the initial project with my client as the test cartridges to develop the “new” cartridges his employer was selling. After the deposition, my client commented he could not believe how I had mastered the technology at issue already. This was a

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WE ARE PLEASED TO ANNOUNCE KRISTEN MCCALL AS PARTNER

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strong vote of confidence from a highly technically-proficient client. To this day that deposition ranks in my top highlights of my 25-year career.

We had great success in motion practice. The first hurdle was the *Markman* hearing, the process by which the court interprets the language of the patent. Although we had no experience, it was easy to understand a patent infringement case can be won or lost in this proceeding. The defendants were asking the court to take words of the patent claims and re-define those words to exclude their products. We learned very early in the process, patent infringement cases require a great deal of strategic analysis. Nearly every strategic decision can have unintended impact on another aspect of the case. For example, if a patentee argues for a broad interpretation of the patent, her or she will likely pull in more prior art that can result in invalidating the

patent. We were very modest in our claim construction requests, whereas the defendants were very aggressive. This strategy paid dividends for us.

Defendants filed multiple summary judgment motions. In my experience, federal judges generally are resistant to serial summary judgment practice, but in this case it was allowed. We met each summary judgment motion with a cross-motion for summary judgment of our own. We defeated all the defendants' summary judgment motions and prevailed on nearly all of our cross-motions. After two years of litigation, when it was finally time to go to trial, we had obtained summary judgment that both the ammunition and rifle manufacturer defendants infringed each of the patents they were accused of infringing. We had also knocked out the defendants' closest prior art.

Speaking of prior art, surprises are the name of the game in patent litigation. You simply can't be aware of everything.

We dodged a couple of near catastrophes. First, we were presented with a "wildcat" cartridge published in an old book. This wildcat used the same commercial cartridge case our client had modified to do his experiments. The two experimental cartridges were extremely close in dimensions.

However, the prior art wildcat did not specify any amount of gun powder. Our client's patent claimed a cartridge with sufficient propellant to generate a minimum internal gas pressure. Because there was no public evidence the prior art wildcat had ever been loaded with propellant, much less sufficient propellant to generate high internal gas pressure, and because a wide range of propellant could be used, we were able to overcome this problematic cartridge on summary judgment. Later, the defendants identified a wildcatter who claimed to have done exactly what our client had done, many years earlier. However, the wildcatter was unable to produce any documentary proof of the public use of his wildcat, and the special master ruled his wildcat cartridge could not be considered prior art.

As we approached trial, the defendants continued their strategy of attempting to bury us with motion practice and disputes. My colleague, Jake Gill, and I were literally working around the clock for several weeks leading up to the trial. We were able to handle everything the defendants threw at us. It was a very invigorating time.

At the same time, the defendants started to express interest in settlement discussions. Because of the time demands required by motion practice and trial prep, my partner, Rob Shlachter, and Vilhauer took on the settlement negotiations. The case finally settled in the middle of the night in Judge Hogan's chambers in Eugene. Gill and I were not even able to attend the settlement conference because of the demands of trial prep. I was still working when Shlachter called to inform me of the settlement (which

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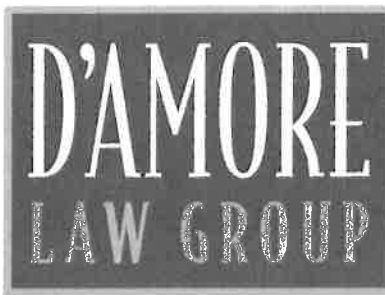
More opportunity

This first case gave me an extensive background in patent infringement litigation. Because of the kitchen-sink nature of the defense, we were presented with most of the substantive issues that arise in these cases. Our lack of any substantive knowledge base required us to immerse ourselves in the legal issues. Because we had the case ready for trial at the time of the settlement, we now knew how to prepare a patent infringement claim for trial.

Following our success in that first case, we have been fortunate to be able to litigate a number of other very interesting patent cases. Local patent lawyers generally seem to prefer to bring their litigation matters to a firm like Stoll Berne that is not a full-service firm and is not a threat to the patent lawyer's client relationship. In fact, our strong preference is to work in partnership with the patent lawyers, to leverage their expertise in the technical fields.

No matter how many fascinating patent infringement cases we litigate, that first one will always be my favorite. It is very rare to have everything fall into place so perfectly. We had a superb client and developed a very close relationship with him. We received extraordinary mentorship from Jake Vilhauer and his partners. I think we were actually better lawyers because we had no substantive knowledge base and were forced to study very hard. And we had a great set of facts. That is how I became a patent infringement litigator.

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