

Patent Litigation - If You're Going to Do It, Do it Right

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Well, you've done it. You've established such a reputation as a litigator that you have been retained to litigate your first patent case. If you haven't already done so, it's time to come up to speed on patent litigation and patent law.

What have you gotten yourself into? A patent attorney must have an engineering or science degree and be registered to practice in the U.S. Patent and Trademark Office ("PTO"), but no such credentials are necessary to represent patent litigants in federal court. But beware: patent law is not a variation of business law. It is entirely unique, with its own language and legal doctrines. As if that weren't enough, the federal circuit and Supreme Court have been, and likely will continue to be, actively reworking fundamental aspects of patent law. To properly represent your client, you will need to become an expert on patent law, or hire an expert to work with you. While handling patent litigation may be a daunting

task, success is attainable if you pay attention to the unique aspects of patent litigation.

Pre-Filing Pitfalls and Practice

Starting the Damages Clock: Marking and Notice

The clock starts ticking on patent infringement damages only after the alleged infringer has notice of the patent. A patentee gives constructive notice to the world by properly marking products embodying the patented invention, but patentees sometimes overlook the statutory requirements for proper marking and lose out on potential damages. Federal law generally requires that the patent number be placed on the product itself, and the statutory exceptions to marking the product are fairly narrow, e.g., where the product is so small that marking will be inordinately expensive or ineffective. See 35 USC § 287. Marking product literature or packaging, or providing notice of the patent on a website generally, is insufficient. Overreaching in marking should be avoided, as intentionally mismarking a product may expose the patentee to substantial statutory penalties. See 35 USC § 292.

If its products are not properly marked, the patentee starts the damages clock only

by providing written notice to the alleged infringer, often in the form of a notice letter or cease and desist letter. Any written notice to a potential infringer requires particular caution, however, in light of the federal circuit's response to *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). In a series of cases beginning with *SanDisk Corporation v. STMicroelectronics, Inc.*, 480 F.3d 1372 (Fed. Cir. 2007), the federal circuit has broadened the bounds of declaratory judgment jurisdiction in patent cases.¹ Consequently, while the patentee may desire only to put the potential infringer on notice of the patent and the consequences of infringement, a written notice letter may allow the recipient to bring a declaratory judgment action in its home forum, asking the court to declare that it does not infringe the patent or that the patent is invalid or unenforceable.

A patentee may be able to avoid defending a declaratory judgment action in a remote forum by filing a complaint before sending the notice letter. The complaint could sit without being served for 120 days, giving the parties the opportunity to settle the case in the interim.

¹ For an in-depth discussion of this issue, see Michael M. Ratoza, "Can't We Talk Anymore? Why Talking to a User of Your Patented Art May End Up Getting You Sued," *Oregon State Bar Bulletin* (November 2007).

Recourse also may lie under 28 USC § 1404(a), as the more lenient standard for declaratory judgment jurisdiction has caused the federal circuit to take a fresh look at transfers for convenience. See *Micron Technology, Inc., v. Mosaid Technologies, Inc.*, 518 F.3d 897 (Fed. Cir. 2008).

Reaching the courthouse first is not the only concern. Counsel on both sides of an alleged infringement should understand the equitable defenses arising from undue delay in the prosecution of a claim of infringement. The doctrine of laches may prevent recovery of pre-suit damages if the patentee fails to take action within a reasonable time of learning of an infringement. If the delay follows an accusation of infringement, the doctrine of equitable estoppel may render the patent unenforceable, preventing any relief whatsoever. While these equitable defenses typically arise in connection with delays of at least several years, they may present significant unanticipated obstacles or opportunities.

Advice of Counsel

The past several years have seen a transformation of the legal environment surrounding the place of advice of counsel in patent litigation. Previously, federal circuit precedent imposed an affirmative duty of care that effectively required a potential infringer to obtain a written opinion from a registered patent attorney that its products did not infringe the patent at issue, or that the

patent was invalid. Failure to do so, or failure to assert the opinion as a defense to a charge of willful infringement, regularly resulted in an adverse inference of willfulness. The federal circuit rejected the adverse inference in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), and recently went even further by abandoning the affirmative duty of care in favor of a recklessness standard in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007).

How these changes will play out in the litigation context has yet to be seen, but the advice of competent counsel has been and remains the most potent defense to a charge of willful infringement. Even opinions obtained after written notice of infringement can be effective, particularly if the notice is the first the alleged infringer has heard of the patent. Because an advice of counsel defense waives the attorney-client privilege as to the advice, the timing of the decision to assert such a defense typically is a major point of conflict that can blossom into substantial side litigation.

The patentee should press for an early deadline for the alleged infringer to make this decision in order to begin discovery of the substance of the advice as early as possible in the case. The alleged infringer, however, often will find its interests best served by delaying the decision and preserving the attorney-client privilege for as long as possible. Both sides

will find support in the case law for deadlines at various stages of the litigation, including early in the case, after resolution of potentially dispositive motions, and after liability is established. Even if the decision deadline cannot be put off, an alleged infringer may have success obtaining bifurcation of discovery as to willful infringement, at least until post-*Markman* summary judgments have been decided. In some cases, an alleged infringer might even convince the court that bifurcation of the trial is appropriate, although separate trials are certainly not the norm.

Negotiating the Path from Complaint to Trial

Preliminary Injunctions

Counsel for a patentee must move quickly to investigate the facts of a potential infringement in order to preserve preliminary injunction as a possible remedy. Patent cases are so long and expensive that any other remedy may take years to obtain, but a preliminary injunction, including related discovery, typically can be decided within a few months of filing the action for a cost of less than \$100,000. Although *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), narrowed the circumstances in which injunctive relief may issue, a preliminary injunction can be a very attractive option for a patentee, particularly where the alleged infringer is a direct business competitor, the infringement and validity cases are strong, and the infringement began very recently. A preliminary

injunction may be the difference between life and death for an alleged infringer's business, and the possibility of such relief may motivate the alleged infringer to engage in early, meaningful settlement discussions. Alternatively, the patentee might propose a "tolling agreement" that would allow the parties to engage in limited settlement negotiations while preserving the patentee's right to pursue a preliminary injunction should the negotiations fail. This approach could facilitate settlement by pushing back the substantial costs both sides would otherwise incur in connection with an injunction and by mitigating the hostility and intransigence that might result if the alleged infringer feels its business is at risk from an immediate injunction.

The Case Schedule

A number of federal district courts, including the Northern District of California and the so-called "Rocket Docket" venues such as the Eastern District of Virginia have adopted fairly rigid local rules governing patent litigation. Anyone choosing to litigate in those venues must have complete familiarity with the local rules as the penalties for non-compliance can be very punitive. The District of Oregon, however, does not have unique patent rules, which allows counsel to formulate a timeline well-suited to the dispute at hand.

The patentee generally is best-served by an aggressive case schedule that allows the patentee to capitalize on the preparation that went into

filing the lawsuit, and forces the alleged infringer to make early decisions and commit itself to invalidity and infringement positions without the opportunity for an exhaustive investigation of the prior art. An aggressive case schedule also may hasten settlement because the accelerated claim construction and summary judgment decisions more quickly reveal the parties' true trial risks. The alleged infringer, on the other hand, often seeks to prolong discovery and push back substantive decisions and the trial date in order to have the time to use all of the resources at its disposal to take full discovery and conduct comprehensive patent validity searching using experts, search firms, and the various databases available on the Internet.

Discovery

The patentee should use the discovery process to confirm its technical infringement analysis and establish and bolster its damages through sales, profitability, and related license. Discovery of the circumstances surrounding development of the accused design to determine if the patented design was copied, the accused infringer's knowledge of the patent, and whether the accused infringer obtained timely advice of counsel, all critical for the patentee's willfulness case. Finally, the patentee must anticipate and explore the defenses raised by the alleged infringer, including, most importantly, all relevant

prior art uncovered by the alleged infringer.

An alleged infringer typically focuses discovery on the various statutory defenses available to it, including the circumstances surrounding the invention, including whether others were involved who should have properly been named co-inventors, and whether the invention was placed on sale or in public use more than one year before the patent application was filed. Discovery into the subjective knowledge of the inventor and applicant also may be critical, including whether the inventor was aware of prior art that was not disclosed to the patent examiner and whether the patent describes the "best mode" of practicing the invention at the time the patent application was filed. The alleged infringer's damages case will rely on discovery into whether the patentee has been marking its product with the patent number, the existence of licenses or efforts to license the patented technology, customer information, and data concerning any claim for lost profits.

The Markman Hearing

Named for the Supreme Court decision from which it sprang,² the *Markman* hearing is a critical juncture in the life of a patent lawsuit. By this procedure, unique to patent litigation but similar to a binding contract interpretation by the court, the court interprets the language of the

² *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

patent claims as a matter of law. The jury must follow the patent claim interpretations enunciated by the court in deciding issues of infringement and validity. It is not a procedure that may be taken lightly, as almost 40 percent of appealed claim construction rulings are reversed by the federal circuit's *de novo* review, often after a full jury trial.

The local rules of the District of Oregon give counsel substantial discretion in deciding whether and how to conduct *Markman* hearings. In the years since the *Markman* decision, the courts and the bar have developed increasing expertise in handling these proceedings. Counsel typically cooperate to agree upon a schedule and process for identifying the claim terms to be construed, exchanging proposed constructions of those terms, and briefing the disputed issues for the court. Counsel frequently agree to provide the court with the technological background necessary to decide the technical issues involved, often in the form of written tutorials explaining the patented technology or expert testimony at the hearing itself. While judges generally welcome the technical aids, their value is undermined when they merely regurgitate the arguments and advocacy expressed by counsel. Several local judges have taken to discussing tentative rulings with counsel or ruling from the bench at *Markman* hearings so that counsel can have input and point out potential problems with rulings before they are set in stone. Counsel should take

advantage of the opportunity as it is in everyone's interest to get the claim construction right.

Summary Judgment

Motions for summary judgments as to validity and infringement typically are filed shortly after the *Markman* ruling. Seeking summary judgment before the *Markman* hearing generally is inappropriate because the meaning of the claims—often the dispositive factor—will not have been determined. Once the meaning of the patent claims is resolved, however, summary judgment of infringement, or the absence of infringement, often is not seriously disputed. While the issue of infringement is a factual matter for the jury, infringement devolves to a legal question where the structure and function of the accused product are not in dispute. Filed almost as a matter of course, and always heavily disputed, motions for summary judgment of invalidity also often hinge on the *Markman* order. Summary judgment of invalidity has taken on greater importance in the wake of the recent case of *KSR International Co. v. Teleflex Inc.*, 127 S.Ct. 1727 (2007), in which the Supreme Court reversed the denial of a motion for summary judgment of invalidity, and chastised the federal circuit for being too rigid in disregarding certain evidence of obviousness.

Trial: Experience Counts

Experience and comfort in front of the jury are clear advantages a business

litigator brings to trial. It also has been said (but vigorously denied by the patent bar) that patent attorneys lack the charisma typical of most business litigators. True or not, a business litigator should draw heavily on his or her experience (and charisma), and should also take advantage of the "outsider perspective" brought by a business litigator with a broad-based practice. A litigator who is not an engineer or scientist may be more effective at communicating with the jury and the judge because, like them, he or she may have had to struggle early on to understand the technology at issue.

Keep it Simple...

As with any trial, counsel for both sides should consider at an early stage what the ultimate trial presentation will look like and how the presentation will connect with the jury. From the start, counsel should have in mind the likely jury instructions and methods to simplify the technology and arcane patent jargon and patent law in order to make it more accessible for the jury and judge. The early use of jury consultants is often advisable and helpful to craft a coherent, simple, and compelling story and to develop graphics and other aids that make the invention and the patent understandable to a lay juror.

A perfect trial presentation is useless if the jury can't figure out how to grant the relief the party is requesting. Keeping the jury interested and involved in the

case so that a meaningful verdict can be reached is extremely important, both for the jury and the appellate court. Failure to do so brings with it the risk of long and expensive appeals followed by remands and subsequent trials. Accordingly, jury instructions should be as short and concise as possible, and the verdict form should be thoughtfully prepared so as to eliminate unnecessary or duplicative findings and help the jury work through questions of infringement and invalidity on numerous claims, e.g., through the use of simple grids.

But Make it Interesting

Perhaps more than in any other type of case, the opening statement in a patent trial is critical to engage the jury. Jurors likely expect to be bored or overwhelmed by the technology-heavy focus of a patent case, and if they are not drawn in and involved immediately, they won't get involved at all. Counsel for both parties will want make early and efficient use of computer graphics and other demonstrative evidence to explain how the technology at issue in the case ties into the story they want to tell—for the patentee, how the patented invention represented a meaningful advance, and for the alleged infringer, how it represented the inevitable and obvious product of ordinary scientific progress that was not worthy of the monopoly granted by the patent.

Patent cases also differ from other business litigation in that it is generally

perceived that the patentee has an advantage at trial. Despite recent stories about improvidently granted patents, the general public (and, therefore the jury pool) still is likely to think that a patent, embossed with its government seal, is a valuable and valid grant of rights in recognition of the inventor's innovation. Armed with the federal government's seal of approval and a legal presumption of validity that can be overcome only by clear and convincing evidence, patentee's counsel can maximize that advantage by putting the inventor on the stand to tell the story of the invention, e.g., by beginning with the problems in the industry before the invention and the failure of others in the field to come up with a solution, followed by the inventor's genius in developing the invention, and concluding with the invention's success in the marketplace and the alleged infringer's willfully trading on that success.

The alleged infringer, on the other hand, can undermine the significance of the invention by focusing on the state of the technology at the time of the invention and demonstrating that the invention was an obvious or inevitable combination or derivation of what already existed and was known in the field. The alleged infringer often seeks to vilify the patentee for tricking the PTO into issuing the patent by presenting prior art not considered in granting the patent. Throughout trial, the alleged infringer should personalize its decision-makers, stress its efforts to

design around the patent or the independent development of its own products, and focus on their exculpatory advice of counsel.

Conclusions

Patent litigation can be fun and rewarding, but if you are going to do it right, it must be more than a sidelight to your business litigation. It takes in depth study of the case law and statutes, and complete familiarity with the procedures unique to patent litigation. It is a challenge to make patent law and the technology at issue understandable to jurors, but if you can do so, you are likely to achieve the results your client desires.

The authors are intellectual property lawyers in Portland, Oregon. This article grew out of a CLE program presented in 2007 by U.S. District Court Judge Michael Mosman and the authors.