INSIDE THE MINDS

Litigation Strategies for Intellectual Property Cases

Leading Lawyers on Understanding the Marketplace, Presenting a Case, and Meeting Client Expectations

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Winning Patent Cases in a Challenging Legal Environment

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Plaintiffs and Defendants in Today's Patent Lawsuits

Recent research with respect to patent cases has shown that the most common plaintiffs fall into two categories. One leading group of patent law plaintiffs is life sciences and other branded pharmaceutical companies that are engaged in litigation with generic pharmaceutical companies that want to make generic versions of branded drugs.

There has also been a great growth in lawsuits by non-practicing patent-holding entities—in other words, companies that own patents but do not actually make or sell any products, but instead whose only business is to enforce and license their patents. Many of these suits are filed in the Eastern District of Texas and elsewhere against a wide variety of defendants, including major computer, software and electronics companies, retailers, financial services companies, and others.

Recent Trends in Patent Law Cases

Indeed, over the past seven to eight years there has been major growth in patent litigation in the Eastern District of Texas. That district has become a major hub for patent litigation, principally because of its predictable case scheduling and the perception that it is a "plaintiff-friendly" venue.

In reaction, over the last few years, we have seen a number of different strategies, approaches, and arguments used by the defendants in these cases.

For example, many defendants in recent years have challenged whether the Eastern District is the proper venue for particular patent cases, and have sought to have their cases transferred to other venues. The Court of Appeals for the Federal Circuit has issued a number of decisions addressing this issue of transfer of cases—particularly, although not exclusively, from the Eastern District of Texas to other venues around the country—making this a major issue in patent litigation of late. Over the last few years plaintiffs have adopted the strategy of a large number of defendants (who may be located all over the country) in a single suit in the Eastern District of Texas. Even in these cases, both the Eastern District and the Federal Circuit level have been looking closely at the issue of venue.

In addition, in a series of decisions that have come down over the last two to three years, the Federal Circuit has signaled that it is focusing on the issue of damages in patent cases, and is looking very critically at large damages awards. In doing so, the Court is trying to police such awards and ensure that the evidence presented at trial is methodologically and analytically sound. Therefore, whereas in the past damages, experts have often put big numbers on the board, and those verdicts have survived scrutiny, the Federal Circuit is now looking at those big numbers very carefully and critically. Indeed, the new Chief Judge of the Federal Circuit, Judge Rader, has indicated that he is particularly interested in this area.

There were some provisions in the patent reform legislation that is currently pending in Congress that were intended to try to reign in big damages awards in patent cases, but those provisions were not included in the final version that was passed by the Senate—due perhaps in part to the fact that the Federal Circuit has indicated that it is going to police this area itself, and that therefore there does not necessarily need to be new legislation in this area.

Another example of an argument to counter non-practicing entity lawsuits comes from a case that was argued before the Supreme Court on April 18, 2011, called *i4i vs. Microsoft*, No. 10-290. i4i is a small company that filed a patent infringement lawsuit against Microsoft several years ago in Texas, pertaining to Microsoft's Word product. They won at trial, the jury awarded $200 million in damages, and the district court entered a permanent injunction against Microsoft. After i4i won on appeal in the Federal Circuit, Microsoft asked the Supreme Court to review the case, and the Court granted that request.

What Microsoft is arguing in this case is as follows: the law as it presently stands is that an issued patent is presumed to be valid. In other words, if a patent has gone through the Patent and Trademark Office (PTO) and is issued, the law presumes that it is valid. Therefore, if a defendant is accused of infringement of that patent, it must overcome that presumption of validity by proving the patent is invalid by clear and convincing evidence—which is a higher standard than the normal standard of proof in civil litigation, which is preponderance of the evidence. Microsoft argues that if an accused infringer relies on a piece of prior art that was not considered and analyzed by the PTO, the standard of proof for invalidity should be

preponderance of the evidence, which in turn would make it easier to challenge the validity of patents.

On this issue, there has been a divergence of positions between the big electronics/software/computer companies on the one hand, who are mainly defendants in patent cases, and the big branded pharmaceutical and biotech companies, who are mainly plaintiffs. Simply stated, Microsoft and the other big tech companies of the world want it to be easier to challenge patents, and the big branded pharmaceutical companies want the legal standard to remain the same. Therefore, there are two very powerful lobbies that have been very active, both in the courts and in terms of lobbying in Washington, in order to have their voices heard on these issues, and it is going to be interesting to see how it all plays out.

Recent Supreme Court Decisions on Patent Law

There have also been a series of Supreme Court decisions in patent cases, although it is unclear as to whether they will all have a significant impact in this area. The most recent such decision, and one that received a good deal of attention, was *Bilski v. Kappos*, 130 S. Ct. 3218 (2010). That decision dealt with the patentability of business methods, and in particular the appropriate test or criteria for determining when a business process can be patented. This particular decision may have limited impact on patent litigation in lower courts, because few cases are filed in the district courts purely on business method patents.

Conversely, the Supreme Court decision in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), has proven to be quite important, particularly in the life sciences and pharmaceutical space. The *KSR* decision addressed the appropriate test for determining whether a patent is obvious in light of the prior art, and hence invalid. The *KSR* analysis has broadened the ability of accused infringers to challenge patents on grounds of obviousness. In analyzing obviousness, the Federal Circuit had adopted what is known as the teaching/suggestion/motivation (TSM) test. This test required an accused infringer to provide evidence of a teaching, suggestion, or motivation to modify or combine the prior art to arrive at the claimed invention.

In *KSR,* the Supreme Court said that the TSM test cannot be applied as a rigid rule that limits the obviousness inquiry, and that courts instead should

utilize a broader, more flexible analysis. Basically, this was a pretty clear signal from the Supreme Court that they wanted the Federal Circuit to look at obviousness in a more flexible, broader way. Ultimately, many patent cases that might have survived the TSM test would not necessarily survive a broader analysis, particularly in rapidly evolving areas of technology where there may be little discussion of obvious techniques or combinations.

I have found that the impact of the *KSR* decision comes up in particular in the pharmaceutical patent world, because very frequently pharmaceutical patents are challenged on the grounds of obviousness. A branded pharmaceutical company may come up with a new compound or a new formulation of a compound, and generic pharmaceutical companies will challenge patents for that compound or formulation on the ground that one could make obvious changes to what was already known in order to come up with something new. For example, taking an existing compound and putting it into a sustained relief formulation would be an obvious thing to do—something that someone of ordinary skill in the art would have known about, and would have been able to do without undo experimentation.

If you were to take a step back and look at Supreme Court jurisprudence relating to patents over the last dozen years or so, you would find that the Court has shown that it is not afraid to reverse the Federal Circuit. At the same time, the Supreme Court has shown that it is not necessarily a great friend of patents. In fact, some justices on the Court appear to be skeptical about patents in some respects.

Global Factors Affecting IP Litigation

Currently, many foreign companies are being sued for patent infringement in the United States. That is a big issue at the present time, as most of the electronic products that we use are made overseas, and many recent patent litigation cases involve those companies. Consequently, there has been considerable growth in the last couple of years with respect to patent filings before the International Trade Commission (ITC) in Washington D.C., which has jurisdiction over patent disputes where the product at issue is being imported into the United States. Essentially, the ITC sits as a trial court and decides these cases; it does not have jurisdiction to award damages, but it does have jurisdiction to exclude an infringing product from

the United States. Plaintiffs tend to like filing their cases before the ITC because it has a statutory mandate to decide cases very quickly; its procedures move a great deal faster than regular court litigation. As a result, a great deal of pressure is put on defendants in ITC cases. A plaintiff can get its case ready, do its analysis, line up its experts, and have its documents ready to produce before it files a case—and the defendant can frequently be caught flat-footed, and has to race to catch up.

As a result, there has been an increase in filings before the ITC in recent times, including a cottage industry of litigation involving smartphones, particularly between Apple and HTC, which is a leading manufacturer of Android phones. Essentially, the ITC has become a major forum for patent litigation between domestic US companies and overseas companies.

Initial Steps in Building a Client's IP Litigation Strategy

When building a client's IP litigation strategy, you should always begin with the end in sight. Consequently, you need to sit down with the client and think very rigorously about what it is that the client wants to achieve, because at the end of the day, as patent and IP litigators, we are trying to serve the client's business purpose. Simply put, you have to ask yourself and the client, "What is the business objective in this litigation?" Is it to try to stop an infringer from making its infringing product? If that is the case, that dictates one kind of strategy, in that you will typically want to move the case along very quickly toward trial, as that is your end point. On the other hand, your client's purpose may be to try to license their patents—i.e., they are interested in having infringers sign up to pay them money for the use of their patent. In other cases, the client may feel that they suffered a lot of harm because of infringement, and they are looking for past damages. Or it may be that the client is filing suit with respect to some combination of these three issues. Therefore, you have to think very rigorously about a plaintiff client's business objective in filing a patent litigation matter.

Alternatively, if you are representing a defendant, you also have to consider their objective in relation to the litigation, and what they want to do and achieve. For example, do they think that they are facing a real problem—i.e., is a competitor suing the client, and do they need to protect their product and market share? Do they have real exposure in terms of damages? Or, if it is a

situation where some non-practicing entity has sued the client in the Eastern District of Texas with twenty other defendants, how is the client going to handle that situation? Yes, it is frustrating to be in a situation like that, and the client may feel as if they are being held up, but they may be better off trying to settle such a case rather than spending a lot of money on a patent defense. In other words, the client may be able to handle the case more cost-effectively by trying to arrange a quick settlement.

Ultimately, every case, client, and situation is different—there is no "one size fits all" strategy in the patent litigation realm. Therefore, you have to think critically about who the client is, what their case is about, and what their business objective is at the end of the day—and how you can design a litigation strategy that meets that business objective. For instance, if I am dealing with a case brought by a non-practicing entity that is offering to settle for some relatively small amount of money, then I would not put a team of four lawyers on the case and spend a lot of the client's money to do research on the patent and explore the nine different ways that I can win the case. Rather, I am going to act in a highly focused way in order to try to get the case settled.

Preparing for Patent Litigation: Lining up Documents and Witnesses

At the outset of a patent case, you have to start out by thinking about your discovery obligations with respect to electronic records. First and foremost, you have to make sure that your client preserves electronic documents, and you have to think about how you are going to handle document production, particularly of those electronic records. In fact, electronic records preservation and production has become another cottage industry within all kinds of litigation these days—but particularly IP litigation, where you are frequently dealing with large volumes of records. Therefore, you have to think about how you are going to gather electronic records (whether from individual computers, from network drives, etc.), and once gathered, how you are going to analyze and review them.

You also have to start thinking about who your witnesses are going to be. My great mentor early in my career, Dennis Allegretti, was a renowned patent trial lawyer, and he taught me early on that you have to approach a patent case by keeping the end in sight. In other words, you need to

develop your strategies with the trial in mind, and that entails thinking about what you need to prove your case and what witnesses you are going to use in order to achieve that goal. For example, who are your fact witnesses/experts going to be—are they going to be inventors or business people? In a patent case you would typically search for and line up your experts very early on, because experts can help you in coming up with your theories, particularly in areas where the technology is complex.

Frequently, a patent case becomes a battle of the experts, where each side has their own slate of experts who are ready to give testimony. In fact, I recently had a trial where each side had five experts, and there was only one fact/non-expert witness who was called to testify in the courtroom. Therefore, it is always a good idea to line up your experts as soon as possible, and that process, in and of itself, can be time consuming and challenging, because frequently a person who is the world's leading expert on a particular area of technology is not necessarily going to be the best expert in terms of giving testimony. Sometimes people who are "super-experts" in a certain field do not necessarily come across very well in court, either because they seem a little arrogant or because their interpersonal or presentation skills are not great. Similarly, people who are not "super-experts" can be great witnesses because they come across as regular people who can present facts clearly and present to the jury really well. Therefore, it is important not to be dazzled by a paper resume, but to actually go out and meet these people, and sit down and talk with them in order to get a sense of what they are like and who has used them in the past. This is a very important process, and unfortunately, many litigators do not focus enough on the selection of experts. Frequently, experts are going to be your most important witnesses at trial. Therefore, you cannot spend too much time on making sure that you have the right experts on your team.

The Role of Technology in Patent Litigation

I think that it is very important to understand the technology that is involved in a patent litigation matter, and as a result, it is very important to have people working with you who have the proper qualifications and expertise in whatever area of technology you are dealing with. For example, if your case involves computer science or electrical technology, then you need someone on your team who has an electrical engineering or computer

science degree. On the other hand, if it is a pharmaceutical case, you need to find an expert chemist to assist you. Our firm is fortunate in that we have a sizeable number of people with PhDs in the life sciences that we can call upon when necessary.

Ultimately, you need to be able to understand the technology in your client's case, because only then can you distill it, and thereby communicate it effectively to a judge and jury. Not infrequently in these cases you run up against technology that seems mind-bogglingly complicated or at least somewhat arcane or unusual, and you do not necessarily have people in-house who are familiar with that technology. That is a situation where you really have to rely upon an outside expert.

Key Types of Evidence in Presenting Your Case

The more cases I have tried, the more I have come to realize that even though discovery can involve many thousands of documents, at the end of the day when you get to trial, the number of documents that count is going to be relatively small. Simply put, neither a judge nor a jury wants to have to wade through thousands of documents; therefore, only a small number of documents typically come into play at trial. These are usually key documents relating to how the inventors made their invention; the defendant's accused product or process; and the prior art.

I have also found that it is very important to use graphics to convey your case, assist your witnesses, and help you make your opening and closing argument. Fortunately, there are a number of good graphics firms that can help in this area, as they have produced graphics for many patent cases, including animations, which can be particularly effective in explaining complex technology. Visual demonstrations can also be useful when presenting your case in a courtroom, such as an actual piece of equipment or some other item. Juries and judges like being able to view visual demonstrations, rather than just listening to testimony.

Overcoming Challenges in Patent Litigation

One of the biggest challenges in patent litigation is that the stakes can be very large. For example, in the Hatch-Waxman Act/generic pharmaceutical litigation

sphere, the stakes are generally high because you are dealing with drugs that have very large revenues and market shares. Also challenging are patent cases where there is the threat of an injunction, which means that a product can be knocked off the market, and that can be a big deal if it is a company's only or main product, as you are then dealing with a "bet the company" situation.

In order to overcome the challenges in this area, it is important to manage your case properly. Therefore, you should assemble a project team whose members have clearly assigned responsibilities. For example, one team member could have responsibility for document production and review, another could have responsibility for damages, and so on. And the lead lawyer has to manage the case as a project manager would manage any kind of complex project. This is something that lawyers certainly are not taught in law school, and it is not something that everybody can do naturally or intuitively. Nevertheless, I believe that it is very important to manage a complex patent case well and to have clear communication with your client so that your client knows what is going on. It is essential to have everybody on the same page, and pulling their oars in the same direction.

Litigating a Patent Case Involving an International Defendant

I have represented quite a few international defendants in US litigation, and I have found that it is important to explain to them how different US litigation is from the way litigation works in most countries around the world. In the United States, discovery is much broader and much more intrusive than it is in most other countries, and most international defendants are not used to that. Consequently, it is important to explain the process to them so that they understand how a case is likely to play out over time, and what is likely to happen at the different stages of litigation. Of course, much is dependent on what court and area of the country you are in, and what judge you are trying your case before. However, I believe that communicating a clear understanding of the process is very important when dealing with international defendants—who are, generally speaking, much less familiar with the US litigation process than domestic defendants. It is important to explain to them how the process works and what is going on, and talk to them about cost and budget. Likewise, you need to help them understand the process so that they can think about their business objectives and how they want to achieve them.

With respect to venue selection in a case involving an international party, the Federal Circuit has issued a number of decisions on this issue over the last few years. Typically, if a US plaintiff wants to sue an international defendant for patent infringement, the venue rules are quite broad, in that you can file suit in a broad range of venues around the country. In fact, once you make your prima facie case as to where the case can be filed, then the burden essentially shifts to the other side to show that the case should have been filed in some other court in the United States. Therefore, when you are filing suit in the United States alleging patent infringement against a foreign defendant, the venue/jurisdictional rules are quite broad.

On the other hand, if you are a US company and you are concerned that there might be an assertion of infringement by a foreign patent owner, you may want to file a declaratory judgment lawsuit against that foreign patent owner. But in this scenario, the jurisdictional rules are reversed. In other words, your options are quite limited in terms of where you can file suit against that foreign patent owner in the United States, and the burden does not shift to the foreign defendant to show that the case should have been filed elsewhere.

The more common situation is a US patent holder suing an overseas defendant for patent infringement. For example, we had a case a couple of years ago where a foreign defendant was infringing a client's patent. We did not have evidence of specific sales of the infringing product in the United States, but we did know that the other party had brought a sample of their product to a trade show in Florida. Therefore, we were able to file suit in Florida and get jurisdiction over this foreign defendant based on them showing their product at a Florida trade show, even though we could not point to a specific sale of the product anywhere in the United States.

Final Thoughts

At the end of a recent trial that I was involved in, the judge spoke with the lawyers in his chambers, and he said that he now advises young lawyers who want to get civil trial experience to go into IP litigation, because he said that while IP cases are only 5 percent of his docket, they represent 50 percent of the civil trials in his court. Therefore, IP litigation is a great field in which to get trial experience.

I would also advise young lawyers in the IP field to think about how you want your career to develop. It is really important to try to find mentors who are going to help you advance in your career. It is also important to get hands-on experience—and that is not done by sitting at your desk and typing on a computer, but by going out in the world, taking depositions, meeting experts, going to court, and arguing motions. Finally, it is important to be assertive and not be shy about saying "I really want to do this," and asking the partners that you are working with how you can get experience in various areas.

Key Takeaways

- When building a client's IP litigation strategy, you should always begin with the end in sight. You need to sit down with the client and think very rigorously about the client's business objectives. For instance, if I am dealing with a case brought by a non-practicing entity that is offering to settle for some relatively small amount of money, then I would not put a team of four lawyers on the case and spend a lot of the client's money to do research on the client's patent and explore the nine different ways that I can win the case. Rather, I am going to act in a highly focused way in order to try to get the case settled.
- If you know that the case is going to be litigated, then you need to develop your strategies with the trial in mind, and that entails thinking about what you need to prove your case and what witnesses you are going to use in order to achieve that goal. In a patent case you would typically search for and line up your experts very early on, because experts can help guide you, particularly in areas where the technology is complex.
- I have also found that it is very important to use graphics to convey your case, assist your witnesses, and help you make your opening and closing argument. Demonstrations can also be useful when presenting your case in a courtroom, such as a mechanical piece of equipment or some other item. Juries and judges like being able to view visual demonstrations, rather than just listening to testimony.
- In order to overcome the challenges in this area, it is important to manage your case properly. Therefore, you should assemble a team

whose members have clearly assigned responsibilities, and you have to manage the case as a project manager would manage any kind of complex project. I believe that it is very important to manage a complex patent case well and to have clear communication with your client so that your client knows what is going on. It is essential to have everybody on the same page, and pulling their oars in the same direction.

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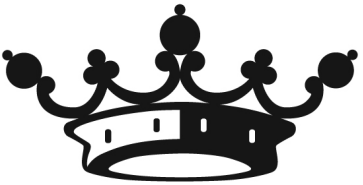

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