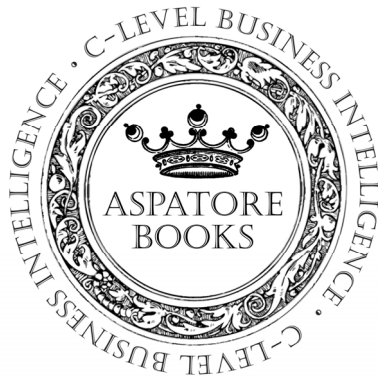


I N S I D E   T H E   M I N D S

# Patent Litigation and Dispute Resolution

*Leading Lawyers on Understanding Key Components  
of a Case, Evaluating Settlement Opportunities, and  
Preparing for Trial*



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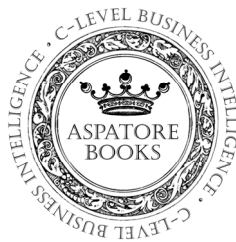
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# A Strategic Approach to Patent Litigation

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## **What Is Patent Litigation?**

Basically, patent litigation is just a fight between parties over technology. In many ways, it is like any other litigation. Patent litigators practice fundamentals (e.g., taking focused discovery, choosing good experts, telling a compelling story at trial, etc.) that apply to all commercial litigation.

But patent litigation also is different from other commercial litigation in several respects. First, the patent law is complex and rapidly evolving. Second, patent cases require an understanding of the underlying technology. Sometimes the relevant technology is easy to comprehend, but in some cases, it is very difficult. In these complex cases, the patent litigator must find a way to simplify the issues or explain them in an understandable way for a judge or jury that has no technical background. Third, patent cases may be litigated in a variety of venues. Although most cases are litigated in the federal district courts, patent cases against infringing imports may be litigated in the International Trade Commission (which has its own rules and procedures), and cases against the government must be asserted in the Court of Federal Claims (which also has its own rules and procedures).

Any patent can lead to litigation. Most companies, however, devote money and resources to patent litigation only when the patent is protecting an important revenue source. Like other commercial litigation, patent litigation typically is driven by business practicalities. Companies will litigate patents when the potential litigation gains justify the litigation risks and costs.

In all patent litigation, one party holds the rights to one or more U.S. patents. The patents give that party the right to exclude others from practicing the technology that the patent “claims” as its invention. The other party in the fight is the accused infringer, which allegedly is practicing the patented technology without the patent owner’s permission. Patent owners sue accused infringers to recover damages for past infringement, to prevent future infringement, or both. Accused infringers typically defend themselves by arguing that they are not practicing the claimed invention or that the patent is invalid or unenforceable.

## **Initial Analysis: Whether to Litigate**

When I first meet with a new client, I try to learn the business context in which the patent dispute arises. How valuable is the disputed technology to the client's business? How difficult would it be to design around the patent cleanly? Are the parties direct competitors? Can the company afford to litigate to protect this technology? Can the client achieve its business goals without litigation?

If my client is the patent owner, I need to understand how exactly the infringement affects the client's bottom line. If my client is an accused infringer, I need to know whether it is realistic to design around the patent, and whether doing so would cost less than it would to fight the infringement claim.

At an initial client meeting, I also ask the client to articulate its goals and expectations. For example, many patent owners would like to use the patent to force a competitor out of the market. Yet, if the infringer can design around the patent claims, this expectation is unrealistic. A litigation victory probably will force the competitor to redesign the product, not to leave the market altogether. At the same time, patent litigation is very expensive. Accordingly, I try to make sure my clients view patent litigation realistically, recognizing that while some patents are worth fighting over, others cannot justify the litigation costs.

## **The Stages of Litigation**

There are essentially six stages of patent litigation: (1) pre-discovery, (2) discovery, (3) claim construction, (4) dispositive motions, (5) trial, and (6) appeal. There are many ways to approach each stage of the litigation. No one approach is correct. I describe my approach below.

### *First Stage: Pre-Discovery*

In patent litigation, as in war, a general cannot send troops into battle without a battle plan. Before I engage in discovery, I analyze the case, identify my potential arguments, test them, and form my strategy. My strategy is to frame the issues in a way that emphasizes my strengths and

undercuts my opponent's ability to exploit my weaknesses. In framing the issues, I identify not only the legal theories that buttress my case, but also the "story" in which to present them. The story persuades the judge or jury to rule for my client. The legal theories provide them with the means to do so.

### Initial Case Assessment

Many patent litigators begin their analysis with the technical issues. They study the patents. They analyze all potential infringement issues. They analyze all potential validity and enforceability issues. I take a slightly different approach.

Before delving into the merits of an infringement or validity analysis, I first address two threshold issues: (1) Who should be paying for the litigation? (2) Is there a way to short-circuit the litigation process entirely? If the client cannot find someone else to pay for the litigation and if I cannot identify a "short-circuit" strategy, I fully analyze the technical issues.

### Who Should Pay?

If I represent an accused infringer, the first question I ask is whether the claim is covered by an insurance policy or indemnity agreement. Patent litigation is expensive, unless you can get someone else to foot the bill.

Most commercial general liability insurance policies do not cover patent infringement. But there are some exceptions to that rule. For example, in certain cases (e.g., where the client is accused of infringing a patented Internet advertising technique), the client may have an argument that the infringement claim is covered by the advertising injury provision of its policy.<sup>1</sup> Also, if the client's officers or directors have been named as defendants (e.g., in a claim for inducing or contributing to the company's infringement), their liability and defense costs may be covered by a directors and officers liability policy.

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<sup>1</sup> See, e.g., *Amazon.Com Inc. v. Atlantic Mutual Ins. Co.*, 2005 WL 1711966 (W.D. Wash. July 21, 2005); *Amazon.com Int'l Inc. v. American Dynasty Surplus Lines Ins. Co.*, 120 Wn. App. 610, 85 P.3d 974 (2004).

If the infringement claim involves technology that a third-party supplies to the client, the third party may have a duty to indemnify the client against infringement liability and defense costs. This indemnity liability may arise from a written agreement (e.g., standard terms and conditions on a purchase order), or it may be imposed under the Uniform Commercial Code (section 2-312) (which typically applies to “off-the-shelf” products as opposed to products made to the client’s specifications). If the supplier owes the client a duty to indemnify, the client may be able to tender its defense to the supplier, or seek reimbursement for its liability and/or defense costs.

If I represent a patent licensor or licensee who wants to sue an infringer, the threshold issue is whether the licensor or licensee is responsible for policing the patent. The license provisions typically determine who pays for the policing and who will have standing to bring the lawsuit.

### Can I “Short-Circuit” the Litigation?

Though I enjoy patent litigation, I always look for short cuts (for my clients’ sake) to end the dispute quickly—particularly when I represent the accused infringer. For example, in some cases, an accused infringer may be able to design around the patent for less than the cost of litigation. If damages are low, a design-around will undermine the plaintiff’s incentive to litigate and will lead to a quick settlement.

As another example, if a patentee has not complied with the marking provision of the patent statute (35 U.S.C. §287), damages may be less than the potential litigation costs. The potential infringer can nail down the relevant facts with a request to admit and then file a short (and inexpensive) summary judgment motion on the marking issue. This strategy may prompt a quick and favorable settlement.

These shortcuts vary with each case. For example, if I represent an accused infringer that supplies goods or services to the government, I will investigate whether the government assumed liability for the alleged infringement under 28 U.S.C. §1498(a). A quick summary judgment motion on that issue can get the client out of the case entirely.

Clients generally welcome any creative effort to short-circuit the litigation. In many cases, a quick and cheap settlement makes more business sense than a long and expensive litigation victory.

### Frame the Issues

When I cannot pass the buck or short-circuit the litigation, I thoroughly investigate the facts and vet colorable legal theories. This vetting process is critical. Patent litigation is like a chess match. I try to anticipate my opponent's strategy many moves in advance. To do so, I repeatedly question my own arguments to identify their weaknesses. The best arguments are those that are least vulnerable to attack. I frame the issues around my strongest arguments and try to marginalize the issues on which my arguments are weak. If I frame the issues properly, I may concede issues I cannot win, and gain credibility in the process. These concessions are not essential to the legal theories on which I base my case.

This issue-framing step is perhaps the most important, and the most overlooked, in the patent litigation analysis. It is also more time-consuming than it seems. I take turns with others on my team to play devil's advocate. We strive to anticipate every potential flaw in our theory. Sometimes we cannot quickly identify ways to argue around the potential flaws. It may take several days to figure out the counterargument that avoids the problem. If we cannot identify a solid counterargument, we look for an alternative approach. It is very risky to proceed with a flawed argument on the hope that the opponent (and the court) will fail to identify the flaw. We have framed the issues well when we can identify persuasive responses to the best arguments our opponent may assert against us.

Finally, in framing the issues, I not only identify the legal theories I need to win, but also the story I need to tell in presenting these theories. The story is an important part of the persuasion process. Ultimately, I want to present a story that compels the judge or jury to want to rule for my client. The legal theories then provide the fact finder with a mechanism for doing that.

## Technical Defenses

The best technical defense is non-infringement, for a few reasons. First, it is easier to establish than invalidity because the plaintiff bears the burden of proof. Second, it generally is less fact-intensive than an invalidity analysis. The parties generally cannot dispute what the accused product is or how it works. Rather, the central infringement dispute typically hinges on claim construction. If the defendant persuades the court to adopt a clear-cut, narrow claim interpretation, it will set up a clean non-infringement summary judgment motion. Third, a non-infringement defense makes the client look better in the eyes of the judge or jury.

If my non-infringement arguments are weak, I look for a good invalidity defense (e.g., a prior art reference that anticipates the patent claims or renders them obvious). My goal is to find a reference that was not before the patent examiner. Patents are presumed valid and both judges and juries are reluctant to second-guess the U.S. Patent and Trademark Office. If the examiner reviewed the best prior art reference and allowed the patent claims anyway, I try to find some compelling argument to establish that the examiner was mistaken in allowing the claims (perhaps misguided by an overzealous applicant who asserted false distinctions between the claims and the prior art).

If I represent an accused infringer with a good non-infringement defense and some good prior art references, I can force the patentee to walk a tightrope on claim construction. If the patentee reads the claims broadly to encompass the accused technology, I can argue that the claims are invalid because, broadly construed, they also encompass the prior art. If the patentee construes the claims narrowly to avoid the prior art, I can argue that the claims also avoid the accused technology.

## Analyze Potential Damages and Other Remedies

After assessing liability issues, I assess potential remedies. This analysis also helps drive the patent litigation strategy. Since the lawsuit winner rarely is able to recoup its attorneys' fees, patent litigation often is as expensive for the winner as it is for the loser. If the potential damage recovery is small, the cost of the litigation may outstrip the potential reward. On the other

hand, a patent owner may be more interested in obtaining an injunction than in recovering money for past damages. If so, the litigation may be worthwhile, even though the potential damage recovery is small.

### Analyze the Business Strategy

The expense and hassle of patent litigation sometimes cannot be justified, even when the liability case is strong and the patent owner is likely to obtain an injunction. One example of this is where the patent claims are drafted narrowly (i.e., where the patent owner limited the invention to a specific product or method that a competitor may easily design around). In these situations, a patent owner may win the litigation but achieve a pyrrhic business victory. In other words, it may have spent a lot of money and resources to win a case that merely forces the infringer to implement a simple and inexpensive design-around. When counseling a client on patent litigation matters, I try to remind myself of the client's business goals and objectives. Patent litigators sometimes forget that patent litigation is not an end in itself, but merely a means to achieve a business objective.

### *Second Stage: Discovery*

#### Identifying Documents

At the outset of my analysis, I try to collect as much relevant information as I can. If my client is the patent owner, I ask for (1) all documents relating to the development of the patented invention (e.g., lab notebooks), (2) sales and marketing materials relating to the first attempts to commercialize the invention, and (3) all prior art materials the client has collected. These materials will help me anticipate potential weaknesses in the patent that the accused infringer may try to exploit. Next, I ask for all information the client has collected describing or advertising the accused product/method. These documents help me assess the client's infringement case. Next, I ask the client for correspondence in which it has provided the accused infringer with notice of the patent. This documentation may help prove the infringement was willful and may provide an opportunity for the patent owner to seek "enhanced damages," which may be up to three times the actual damage award. Finally, I ask for evidence that the client has

complied with the patent marking statute (28 U.S.C. §287). Failure to comply with the statute will restrict the damage period.

If my client is the accused infringer, I ask for (1) all documents relating to the development of the accused product/method (if it was developed by the client), (2) sales and marketing materials relating to the accused product/method (e.g., sales figures during the relevant time period), (3) technical information on the accused product/method (e.g., specifications) and/or a sample of the accused device, (4) all prior art materials the client may have collected, and (5) patent-related correspondence between the client and the patent owner. This information will help me assess liability and damage exposure.

### Identifying Witnesses

In addition to initial document collection, I ask my client to identify the individuals who are most familiar with the technology (for infringement analysis), as well as those most familiar with marketing and sales issues (for damage analysis). I ask my client to identify the person most knowledgeable with the company's information technology systems, because that individual will play a role in collecting documents in response to the opponent's document requests. I ask the client about its document retention policies and instruct the client to preserve all documents for the duration of the litigation.

### Creating an Evidence Table

I use an evidence table to help focus my strategy for fact discovery and expert discovery. In the first column of this table, I list all claims and defenses I will assert in the case. Within each claim or defense, I list all of the essential facts I must prove to win on that claim or defense. (I can find the "essential elements" of my claims or defenses in a good set of jury instructions.) Each essential fact has its own row. In the second column, I identify the key documents that support each essential fact. In the third column, I list the witnesses through whom I can introduce these key documents at trial. In the fourth column, I identify relevant expert testimony (either my own expert or, even better, a concession I extracted

from an opponent's expert). In the fifth column, I identify any contrary documents or evidence my opponent may use to dispute my essential fact.

This evidence table helps me focus my fact discovery by identifying where my evidence is strong and where it is weak. I focus my discovery efforts on the evidence I need to fill in the blanks on my table. Ideally, I can prove a given fact in more than one way. If my evidence is weak or vulnerable to attack, I need to collect additional evidence to support the fact. The evidence table also helps me focus my expert discovery. I can prove certain facts in my table only through expert testimony. I make sure my experts focus their reports and testimony on these facts. I try not to waste my time or the experts' time preparing testimony that does not advance the ball on any issues in my evidence table.

### *Third Stage: Claim Construction*

In the claim construction process, the parties present their interpretation of the key language in the patent claims. Often in patent cases, the central dispute hinges upon the parties' conflicting interpretation of the key claim terms. The parties brief the issues and argue their positions to the judge in a *Markman* hearing. Judges often allow the parties to present a tutorial on the relevant technology. At this stage, I try to balance several goals. Naturally, I want a claim construction that best serves my case theory. At the same time, I would like a simple, common-sense construction supported by the patent and its prosecution history.

Patent lawyers often make the mistake of overreaching in their claim construction. I try to avoid this mistake by doing my homework in stage one (i.e., formulating my case theory and framing the issues). Once I am confident in my case theory, I know exactly what claim construction I need to win. I also know what potential claim term definitions will kill my case and what intermediate definitions I can live with. If I cannot advocate my ideal definition without overreaching, I typically will advocate an intermediate definition I can live with. That way, I maintain my credibility with the judge and reduce the likelihood of the judge adopting a definition that would kill my case.

*Fourth Stage: Dispositive Motions*

If I win my claim construction arguments, I generally will have a good summary judgment motion. Some patent litigators tend to file summary judgment motions on every issue to see what sticks. I avoid this approach. If I have a clean motion, I prefer to file it by itself, rather than bury it in a pile of other motions. The key to success on summary judgment is to keep the motion focused and simple. The brief should frame the issues clearly up front so the judge understands the core dispute within ninety seconds after picking up the brief. I work hard to articulate this “deep issue” in seventy-five words or less at the top of the brief. I also work on editing the brief by cutting everything that is unessential. I follow the axiom “less is more,” although that concept is counterintuitive to many lawyers.

*Fifth Stage: Trial*

At trial, I try to persuade the fact-finder (i.e., the judge in a bench trial or the jury in a jury trial) that my case theory and evidence are more credible than those of my opponent. Judges and juries have limited attention spans and have limited ability to understand complex technology. I therefore try to keep the trial presentation as short, simple, credible, and interesting as possible. To do this, I try to stay focused. I distill the case to its essentials, eliminating unnecessary or redundant testimony and exhibits. I try to tell a simple story that is consistent with every document and witness in my case. Finally, at each step in the trial, I make sure to preserve all-important issues for appeal.

*Sixth Stage: Appeal*

The U.S. Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals in patent cases. In my appeals, I work on framing the issues and keeping the arguments simple. If I am the appellant, I try to raise no more than two or three appeal issues. Many litigants assert far more issues in an effort to increase the odds of succeeding on one. This approach is a recipe for disaster. Raising marginal additional issues will distract and annoy the court, dilute the strong issues, and sacrifice the party’s credibility.

### *The Early Litigation Stages Can Be the Most Important*

All of the patent litigation stages are important, but the first stage is perhaps the most overlooked. This is where the case strategy should be formed. Some patent litigators do not delve deeply into case strategy at this stage. They take broad discovery and figure out their case theory later, after fact discovery is over. I find this approach to be unfocused and inefficient. It wastes time on unnecessary discovery while potentially missing opportunities to collect essential evidence on what will turn out to be the key issues in the case.

Some clients instruct outside counsel to limit their initial work on the litigation in order to minimize costs. This can be a dangerous strategy. It is appropriate to look for ways to get out of the case with a quick settlement or a way to short-circuit the litigation. But if no quick fix is imminent, the client should let its lawyers analyze the issues thoroughly. If the client continues to hold back its lawyers, and the case does not settle, the litigation team will fall behind and may adopt unwise positions developed in haste.

### **Dispute Resolution**

In patent litigation, as in other litigation, alternative dispute resolution works when the parties are capable of realistically assessing their case and engaging the opponent in a reasonable, give-and-take dialogue. Virtually all cases can settle if both parties realistically assess their litigation risks and are willing to engage in some reasonable compromise to mitigate that risk. The patent cases that are most likely to go to trial are those in which (a) at least one party has unrealistically assessed its risks, (b) at least one party is risk-insensitive, or (c) the potential benefit a patent owner can obtain from a litigation victory is so high that it has little motivation to settle for less. Unfortunately, some cases also fail to settle due to personality clashes between the parties or their lawyers.

Most cases settle because parties to patent litigation typically are businesses, and most prudent businesses will act rationally in mitigating litigation risk. In some cases, however, the patent owner has so much to gain from winning the litigation that it is willing to assume the litigation costs and risks, despite a reasonable settlement offer. For example, a patent owner

may be willing to assume the risk at trial if it has a good chance of obtaining an injunction that will effectively eliminate a competitor from the market and thereby increase its own market share. In this situation, it may be unwilling to settle for a financial settlement when it may be able to put the competitor out of the market.

In patent cases, the settlement odds increase when the accused infringer has a patent portfolio it can leverage in a cross-license deal. Another factor that affects settlement is the relationship between the litigants. If they are not direct competitors, the case is more likely to settle because the patent owner cannot derive a significant economic benefit from an injunction, assuming it can obtain an injunction at all. The value of the accused product to the accused infringer also affects settlement. If the accused product is not critical to its business, the accused infringer is likely to settle to avoid the cost and risk of litigation. If the accused product is critical to the accused infringer and the patent owner is unwilling to settle, the accused infringer may have no choice but to try the case.

### **The Bottom Line: Financial Implications of Patent Litigation**

Patent litigation is expensive. Through trial, costs can easily run into seven figures. The 2007 “Report of the Economic Survey,” published by the American Intellectual Property Law Association, provides a variety of statistics reflecting patent litigation costs. The survey indicates that these costs vary depending on the amount at risk and the part of the country in which the case is litigated, among other things. According to the survey, in cases with less than \$1 million at risk, the average patent litigation cost (across all geographic areas) was nearly \$770,000. The median cost in the survey (i.e., the midpoint, where half the cases cost more and half cost less) was \$600,000. In cases with \$1 to \$25 million at risk, the average patent litigation cost (across all geographic areas) was over \$2.6 million, with a median cost of \$2.5 million. In cases with more than \$25 million at risk, the average patent litigation cost (across all geographic areas) was nearly \$5.5 million, with a median cost of \$5 million.

These numbers include all attorneys’ fees and hard costs, such as court costs, travel costs, and so on. The American Intellectual Property Law Association’s report does not distinguish between attorney fees and other

litigation-related expenses. However, one may reasonably assume that about 85 to 90 percent of these costs reflects legal fees and about 10 to 15 percent reflects other costs, including expert fees, court costs, travel, copying, and so on.

The financial consequences from a patent litigation loss vary. In some cases, damages are virtually zero—in other words, the accused infringer just began selling the accused product when the patent owner filed suit. Damages also will be minimal if the patentee failed to comply with the marking statute (35 U.S.C. §287). In these cases, the accused infringer’s financial exposure arises primarily from the risk of injunction and the cost of litigating the case.

In some cases, the injunction risk is insignificant (e.g., if a design-around is quick and inexpensive). In other instances, the injunction risk may be devastating. For example, an injunction entered just before Christmas season may be crippling to a company that cannot easily transition to a non-infringing alternative. In some cases (e.g., where the patent is about to expire), the injunction threat is nonexistent, but the damage claim may be substantial. In cases where damages are substantial and the patent owner has a willful infringement claim that may lead to treble damages, the potential damage recovery may be enormous.

Companies with adequate funds may be able to pay a damage award. But a large damage award may send other companies into bankruptcy or out of business. Most general liability insurance policies do not cover patent infringement liability. Some insurance companies will underwrite a patent infringement liability policy, but those policies typically have very high premiums and deductibles.

## **Avoiding Trouble**

The greatest value I can provide to my clients is advising them to avoid litigation when the cost does not justify the likely outcome. If the client is an accused infringer, I may advise how to avoid litigation entirely, such as by designing around a patent.

Clients can get themselves into trouble by letting emotions get in the way of logic (i.e., by failing to assess their position objectively). Stubborn patent owners may get into trouble by filing lawsuits they later regret because they lacked objectivity in weighing the potential costs and benefits at the outset. Likewise, accused infringers get into trouble by failing to assess objectively the consequences of the risks they take by using technology that is similar to a technology patented by a competitor. Clients who assess their position logically and realistically and then respond reasonably to potential risks typically will make good decisions and avoid trouble.

### **Recent Evolution: How Legal Changes Affect the Client**

Several basic patent law principles have been revised or refined in the past few years by the Supreme Court, which appears to have taken a recent interest in patent jurisprudence. From the mid-1950s, when the current patent statute was enacted, until the mid-1990s, the Supreme Court virtually never granted *certiorari* in patent cases and patent law was interpreted by the various regional courts of appeal. To avoid splits between the regional circuits and bring more consistency to the patent case law, Congress in 1985 created the U.S. Court of Appeals for the Federal Circuit, which has exclusive appellate jurisdiction in patent cases.

The Federal Circuit has written many opinions in an effort to clarify the patent law, but in many instances, it has missed the mark. In the past two years alone, the Supreme Court has reversed the Federal Circuit at least five times on significant patent law issues, including: (1) when a patent owner is entitled to an injunction, (2) whether a patent owner has presumptive “market power” for the purposes of the antitrust laws, (3) when a patent is invalid because the invention was “obvious” in view of prior art, (4) whether the patent laws prevent companies from exporting software that is operational only after it is installed abroad, and (5) when a potential infringer can sue a patent owner for a declaratory judgment that the patent is not infringed or is invalid.

As a result of these recent Supreme Court decisions, it is now (1) harder for patent owners to obtain an injunction than in the past (which is bad for patent owners), (2) harder to establish that a patent owner has market power (which is good for patent owners), (3) easier to establish that a patent

is invalid because the invention was obvious (which is bad for patent owners), (4) harder to establish that exported software is infringing (which is bad for patent owners), and (5) easier for a potential infringer to sue a patent owner for a declaratory judgment (which is bad for patent owners). To the extent that these cases reflect a trend, that trend is to restrict patent owners' rights.

As a result of these changes, most clients view the recent Supreme Court cases as being “anti-patent.” In other words, the cases are better for accused infringers than for patent owners. In general, these cases have provided grounds for advising patent owners to exercise more caution in asserting their patents. While the legal changes have been helpful in clarifying the patent law, it is true that, overall, they have not been helpful to patent owners.

Over the next five years, the patent laws are likely to become further refined to provide more predictability in the patent application and patent litigation process. Likewise, as the law becomes clearer, it will become easier to counsel clients and predict the outcome of patent litigation. Whether these changes favor the patent owner or the accused infringer is not critical. Changes that make the law more predictable are almost always positive. The more accurately the parties can predict the outcome of litigation, the less likely they are to litigate. When the laws are consistent and predictable, businesses are better able to make rational litigation decisions.

## **Unique Types of Patent Litigation**

Virtually all patent cases share common issues. For example, in almost every patent case, the parties dispute claim interpretation. Naturally, in most patent cases, the parties also argue infringement and validity (and sometimes unenforceability) issues.

But not all patent litigation is the same. For example, pharmaceutical patents typically are litigated in a special type of litigation called *Hatch-Waxman* litigation (named for the underlying statute). This litigation differs from other types of patent litigation because it operates at the intersection of the patent laws and the Food and Drug Administration (FDA) regulatory laws. The FDA regulatory process establishes a scheme in which generic

drug companies essentially have to run a patent litigation gauntlet to bring their drugs to market. In these cases, the branded companies (i.e., the patent owners) can get the FDA to stay the approval process for the generic drug for a thirty-month period. During this period, the parties litigate the patent dispute. The “infringement” in this litigation is a “legal fiction” because the accused infringer has not yet sold any accused product. It has merely asked the FDA for approval to do so. In addition to requiring knowledge and experience in patent litigation, these cases require an in-depth understanding of the relevant FDA statute, regulations, and case law.

Litigation against the federal government under 28 U.S.C. §1498(a) represents another unique form of patent litigation. These cases must be filed in the U.S. Court of Federal Claims in Washington, D.C. The procedure in these cases follows the rules of that court, which are very similar to, but not exactly the same as, the Federal Rules of Civil Procedure, which applies in typical patent cases filed in federal district court. Some of the substantive rules in “1498 cases” are unique as well. For example, the patent owner may not obtain an injunction against the government, nor may the patent owner recover enhanced damages.

A third unique type of patent litigation is conducted in the U.S. International Trade Commission (ITC), which is a federal agency and not a court. In the ITC, patent cases are tried to an administrative law judge rather than an “Article III judge” that presides in district court patent litigation. The ITC does not hold jury trials. The administrative law judge issues an “initial determination” that may be reviewed the commission, which consists of commissioners who are appointed for nine-year terms by the president. The ITC cannot award patent damages but can issue such things as “exclusion orders,” which block importation of infringing goods, and “cease and desist orders,” which block infringers from selling infringing goods from U.S. inventory. In an ITC “investigation,” as cases are called, an attorney from the ITC’s Office of Unfair Import Investigation participates in the proceedings as a “neutral party.” This attorney files briefs, participates in depositions, and may interrogate witnesses at trial. ITC cases proceed quickly, with rulings (i.e., final agency determinations) made within twelve to fourteen months after the investigation is launched. In some cases, a patent owner may obtain a preliminary exclusion order that bars infringing imports temporarily, while the full investigation is pending. The

U.S. Customs Service enforces the ITC exclusion orders by monitoring U.S. trade ports for banned goods. Customs may seize and impound shipments of banned goods.

In every type of patent litigation, I employ certain core strategies:

1. I seek creative ways to avoid the cost of an all-out litigation battle.
2. If battle is unavoidable, I try to out-prepare my opponent by testing my theories and anticipating my opponent's counter-strategies.
3. I try to maximize credibility with the court by avoiding petty disputes and avoiding overstating my position.
4. I begin my search for expert witnesses immediately and vet experts carefully.

More specific strategies and tactics are necessarily depending upon the opponent's position and tactics.

### **Adding the Most Value for the Client**

I add value for the client in various ways. First, I provide an objective and honest analysis. While I would like to tell my clients only what they *want* to hear, I provide value only by telling them what they *need* to hear. If the case is weak, the client is better off recognizing this fact up front and forming its strategy accordingly. By providing an unbiased perspective or playing devil's advocate, I can help provide a reality check for a client that may be viewing its case through rose-colored glasses.

Once litigation has started, I add value by properly framing the issues and hiring the best available expert witness. If I do not properly frame the issues from the outset, I cannot possibly conduct efficient and fruitful discovery, nor can I articulate my position clearly and persuasively.

Regardless of how I perform my job, my chances of success will depend in large part upon my expert witnesses, who typically are the most important witnesses in the case. Experts play two roles. First, experts must act as technical consultants to the trial team. In this role, they must understand the relevant legal issues and focus the lawyers on those technical points that

have legal relevance. Unfortunately, experts often bog down in academically interesting, but legally irrelevant, technology issues. A good expert will help the legal team not only to understand the technology, but also to hone in on the key technology facts that will determine the case outcome.

The expert also must perform as a good witness. The expert must invest the time and effort to study the patent and analyze the issues carefully from all angles before forming opinions. This initial effort pays dividends later and will minimize the chances that an opponent later will find inconsistencies in the expert's position. The witness must be a good teacher who can explain complex issues in a clear and simple manner that the judge and jury will understand. Good expert witnesses also are level-headed and not easily jarred by the pressure of depositions or cross-examination. Good experts do not have overblown egos, but recognize their limitations and the limitations of their opinions. Good experts speak confidently, conceding points they cannot reasonably dispute, while firmly defending their opinions.

### **Measuring Success as a Patent Law Attorney**

A patent litigator succeeds by achieving the business goals the client established at the outset of the litigation. Is the client's goal to avoid an injunction? If so, a modest settlement that avoids an injunction is a positive result. Perhaps the client is a patent owner whose primary goal is stopping the infringement, but not forcing the competitor out of the market entirely. If so, a settlement or judgment that forces the infringer to redesign may be a significant victory.

Conversely, a legal victory is not a success if it fails to achieve the client's business goals. For example, a victory that costs more than the product is worth is no victory at all. Like their clients, patent litigators should measure positive results in terms of business goals rather than legal goals.

In patent litigation, as in other litigation, the lawyers are doomed to fail if they fail to recognize, and to compensate for, the weaknesses in their case. Naturally, advocates must present the case in the light most favorable to their clients. But to do so, they must view their case realistically and not get swept up in their own advocacy. Attorneys who are blind to their own

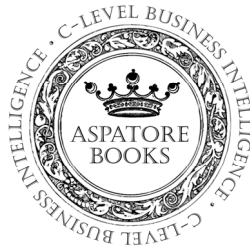
weaknesses will allow their opponents to exploit those weaknesses. This blindness also will lead lawyers to provide skewed advice to their clients, who must rely on their counsel to assess realistically the weaknesses, as well as the strengths, of their position.

My advice to other attorneys in the field is: (1) Analyze your case objectively. Devote as much effort to exposing weaknesses in your case as you do to identifying strengths; (2) Perform a thorough, objective analysis right at the start. The analysis will help you recognize your weaknesses before your opponents do, and it will allow you to keep at least one step ahead of them. Likewise, you can exploit your opponents' weaknesses if you identify these weaknesses before they do and frame the issues accordingly.

*Edward H. Rice focuses his practice on patent trials and appeals. He has won patent trials in a variety of venues, including the U.S. district courts, the International Trade Commission, and the Court of Federal Claims. He also is an accomplished appellate lawyer who has argued and won multiple appeals before the U.S. Court of Appeals for the Federal Circuit, including an en banc decision. He has litigated a broad variety of patented technologies including in the computer and electronics fields, life sciences (pharmaceuticals, medical devices, and others), mechanical/structural technologies, and Internet business methods, among others.*

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