Mistakes in patent infringement cases

Brian M Gaff of Edwards Angell Palmer & Dodge LLP highlights the common mistakes made by patent owners when filing for infringement and explains how to avoid these pitfalls.

Infringement cases contain multiple opportunities for patent plaintiffs, defendants, and counsel to make mistakes. Some mistakes merely lead to increased costs and delays, while others can be fatal to a party’s case. What follows is a brief review of ten typical mistakes that each side could make in the early stages of a patent infringement case.

Before filing the lawsuit

When patent owners receive information that someone is infringing their patent, it is not uncommon for them to react with outrage. After all, the owners have typically invested considerable time and money in the research and development that led to the patent. They have paid their patent attorney and the Patent Office hefty sums to prepare, prosecute, and maintain the patent. The owners’ usual expectation is that they should be able to enjoy their limited monopoly on the patented technology: eg, exclude others from practicing the technology for the duration of the patent. Filing a lawsuit against an infringer is the primary way to enforce the patent and maintain the monopoly.

Hastily filing an infringement lawsuit is one of the first mistakes patent owners can make in litigation. When they receive information alleging an instance of infringement, the owners must first assess its accuracy. How credible is it? Can the information be confirmed? Can a sample of the infringing item be obtained for examination?

It is critical to provide the information, all supporting data, and any samples to a qualified patent attorney as quickly as possible. The patent attorney should analyse the information and compare it to the claims in the patent. Only a patent attorney can opine on whether the claims are infringed and assess whether the patent will survive an attack on its validity or enforceability.

An equally important – and often overlooked point – is to verify the legal status of the patent to be litigated before initiating litigation. Patent owners need to confirm that they have paid all required maintenance fees to the Patent Office and legal title to the patent is with the correct entity. Unpaid maintenance fees can result in the early expiration of a patent. Failing to name the proper owner of the patent as a party to the litigation can create jurisdictional problems. Accused infringers, therefore, should thoroughly investigate the legal status of a patent at issue and, if problems are found, be prepared to use them as defences at the appropriate time.

MISTAKE No 1: It is a mistake for the patent owner to forego an infringement analysis by a patent attorney and rush to file a complaint alleging infringement. Rule 11 of the Federal Rules of Civil Procedure requires that an attorney have a good faith belief in the allegations in a complaint, and having a pre-filing opinion that concludes there is infringement helps satisfy this requirement. Also, verify the proper legal status of the patent(s) to be litigated.

Assuming that the patent attorney finds infringement, the patent owner needs to decide how to contact the infringer for the purpose of resolving the matter. The obvious option is to hire a patent litigator to draft and file a complaint for patent infringement and initiate the lawsuit.

In view of the high cost of patent litigation – $2-3 million or more – a patent owner should first consider whether the matter could be resolved without litigating. For example, the patent owner could inform the infringer of the patent’s existence and indicate a willingness...
to licence it. This presents several challenges. For example, the patent owner may not want to licence the patent to others.

More significantly, however, is that the method of reaching out to the infringer must be carefully orchestrated. This is because of the relative ease with which one can initiate a lawsuit against a party who makes an accusation of patent infringement. These lawsuits are known as declaratory judgment (DJ) actions, because they usually ask the court to declare that the patent is not infringed and/or invalid. DJ actions typically arise when an accused infringer receives a cease and desist letter. Following the Supreme Court’s decision in MedImmune, Inc v Genentech, Inc., 549 U.S. 118, 127 (2007), even letters that appear innocuous – a gently written invitation to licence, for example – can be sufficient to trigger a DJ lawsuit. Thus, a poorly drafted letter can result in the patent owner being named as a defendant in a lawsuit filed in a court of the infringer’s choice. This deprives the patent owner of controlling the litigation as the plaintiff and choosing a preferred court.

MISTAKE No 2: It is a mistake for the patent owner to send a letter concerning infringement or licensing of a patent to a suspected infringer without first having that letter reviewed by a patent litigator. A patent litigator will know how to draft a letter, and take potential parallel steps, to minimise the risk of a DJ action. Given the low bar to bringing a DJ action, the safest way for the patent owner to avoid being named as a defendant may be to file an infringement lawsuit before initiating discussions with the infringer.

The person who receives a letter must also contact a patent litigator as soon as possible – in this case, to obtain an assessment of the allegation. A patent attorney must review the letter, examine the cited patent(s) and the item(s) accused of infringement, and opine on the merits of the allegation and possible defences. To start building a defence to the allegations, the patent attorney should consider obtaining a search for prior art that may invalidate the patent.

After the patent attorney renders an opinion, the accused infringer needs to decide how to respond: whether to reply to the letter, file a DJ action, or challenge the patent outside of litigation.

It is important to keep in mind that a response to the letter will likely find its way into litigation and before the court as an exhibit to demonstrate whether the accused infringer behaved reasonably. Accordingly, the letter should be short, to the point, and non-threatening. Asking the patent owner for more time or additional details to complete an analysis is common.

What if the accused infringer’s patent attorney believes that there is no infringement and/or the patent is invalid? If the accused infringer believes that litigation is likely, and if the letter is sufficient to trigger a DJ action, the next step is to work with the patent litigator to prepare a complaint, identify a federal court that has jurisdiction over the patent owner, file the complaint in that court, and serve it and a summons on the patent owner.

If the accused infringer wants to challenge the patent(s) but does not want to initiate litigation, reexamination may be an option. Reexamination is an administrative procedure in the Patent Office, wherein one can challenge the validity of a patent in view of certain prior art. The accused infringer can file a request in the Patent Office to reexamine a patent and, if the Patent Office grants that request, there is a 50-50 chance that litigation involving that patent would proceed until reexamination is complete. With reexaminations currently taking three or more years, this option is an effective way to delay litigation. Filing a reexamination request, however, is a significant undertaking. Early consultation with a patent attorney on the amount of time and effort needed to prepare and file the request is mandatory.

MISTAKE No 3: It is a mistake to delay dealing with a letter suggesting patent infringement. In short order, the accused infringer must have a patent attorney assess the allegation, have a patent litigator prepare and send a response to the letter, and decide whether to initiate DJ litigation or reexamination. The accused infringer should send a written response within one week. The results of the patent attorney’s assessment will affect the timing and content of subsequent communications.

The pleadings
Assuming that the patent owner has decided to file an infringement lawsuit, and if there are multiple infringers, one of the first decisions to make is whether to sue the infringers at once or individually. There is no requirement that the patent owner sue all of the infringers at once. Indeed, such an approach can be costly in view of the expanded discovery that results from increasing the number of parties in litigation. Although suing infringers individually takes more time, it will be more manageable. However, it is important that the first party sued is the one against whom the patent owner has the best case. An initial win can be a powerful motivator for the remaining infringers to settle. Keep in mind that if the patent at issue is found invalid in one case, that finding will apply in future cases.

The plaintiff – either the patent owner in an infringement lawsuit or the accused infringer in a DJ action – needs to decide where to file the infringement lawsuit. Federal District courts have original jurisdiction over patent infringement cases. Thus, the issue becomes one of determining where the defendant is subject to personal jurisdiction. For a corporate defendant, this includes where it is doing business and where it is incorporated. This typically leads to several venue options, including the plaintiff’s judicial district if the defendant is doing business or incorporated there. This latter option may be attractive to the plaintiff because of the perceived home court advantage. Indeed, if the plaintiff is the patent owner and he feels strongly about litigating in his home court, he should consider filing his infringement lawsuit there as soon as he is able to do so, assuming that the home court has personal jurisdiction over the accused infringer.

If there are multiple venues in which to file the lawsuit, the plaintiff should research those venues for prior judgments in patent cases. Some courts may appear to be more sympathetic to patent owners and others more sympathetic to accused infringers. Some courts also move patent cases along faster than others. Consult with a patent litigator about the characteristics of the courts in the various venues in which the suit can be filed.

Consider whether to demand a jury trial or to agree to a bench trial. Again, assess the courts that have jurisdiction to hear the case. Review prior patent cases for trends in jury and bench verdicts. Consider the complexity of the subject matter and the likelihood that a jury can adequately comprehend it in the limited time of a trial. If the suit will proceed in or near a location where one of the parties is located, evaluate whether this could influence a jury drawn from the same
location. Most jurors want to do a good job, but the nuances of patent litigation can be overwhelming. Weigh the benefits of jury and bench trials with your patent litigator.

MISTAKE No 4: It is a mistake to give short shrift to the procedural formalities of the pleadings. Thoroughly research venue options and evaluate the advantages and disadvantages of each. Realistically assess how a jury could react to each party. Consider the complexities of the case and whether the case can be distilled into smaller parts that the jury can digest.

Initial stages
The defendant must respond to the complaint within twenty-one days after being served. Fed R Civ P 12(a)(1)(A)(i). Assuming that procedural and jurisdictional issues are not in dispute, the response will be an answer to the allegations in the complaint. Consider, however, adding counterclaims. If the defendant is the accused infringer, counterclaims typically include requests for the court to declare the patent not infringed, invalid, and/or unenforceable. If the accused infringer has one or more patents he can enforce against the plaintiff, then one or more counterclaims of infringement may be added. On the other hand, if the defendant is the patent owner (because the alleged infringer filed a DI action), counterclaims should include counts of infringement of the patent(s) at issue.

There is sometimes disagreement on whether a defendant should file any counterclaims. One reason to include them is to minimise the likelihood that the plaintiff could unilaterally terminate the lawsuit by withdrawing the complaint. If the defendant wants to obtain definitive rulings on infringement and/or invalidity, the presence of counterclaims should force a judicial resolution of the dispute even if the defendant drops his claims. A defendant who has been on the receiving end of infringement allegations for an extended period may want to pursue the case notwithstanding the plaintiff’s apparent willingness to end the litigation.

MISTAKE No 5: It is a mistake to omit counterclaims from the answer to the complaint. Assuming that there is a good faith basis for the counterclaims, they should be included in any answer. Including them gives the defendant some control over the litigation.

After the defendant answers the complaint, and the plaintiff answers any counterclaims, the parties will conduct their Rule 26 conference and file their joint report in anticipation of scheduling a conference with the court. The plaintiff typically takes the lead in preparing the initial draft of the joint report. Each party will prepare and serve their initial disclosures as well.

During the Rule 26 conference, the parties will devise a discovery plan and discuss deadlines for various milestones in the case. Also, the parties should discuss adopting a protective order that governs confidential documents and testimonies. So-called “two tier” protective orders are common and include two levels of confidentiality designations. The upper level is typically reserved for especially sensitive documents that can be disclosed only to outside attorneys. The lower level is usually applied to documents that are merely confidential.

Many protective orders include a “prosecution bar” that prohibits the patent owner’s litigators from working on the patent owner’s patent applications. This is because the litigators will typically have access to their adversary’s sensitive and proprietary technical documents, and such documents should not influence the patent owner’s new or amended patent applications. Note whether the prosecution bar will prohibit the litigators from participating in any reexamination of the patent(s) at issue as well. If this is the case, then the patent owner will need to assemble a separate team of patent attorneys to handle any reexamination that the Patent Office grants.

Most protective orders will affect expert consultants and witnesses to the extent that they will need to access confidential documents. Consultants and witnesses are typically required to sign an acknowledgement of the protective order. Each side is usually given a short period of time to object to the other side’s expert, before confidential documents are disclosed to the expert. These and other terms in a protective order are subject to negotiation between the parties. In the event that the parties cannot agree on one or more terms, the court may be asked to resolve the issue. Ideally, the parties reach agreement on the terms and jointly ask the court to enter the order.

MISTAKE No 6: It is a mistake to delay preparing a protective order. The plaintiff’s patent litigator should prepare a draft for review and comment by defense counsel. The draft should be based on a well-accepted model protective order, especially one that the court and comment by defence counsel. The draft should be based on a

In the early stages of a patent case, the patent owner should reassess the patent’s strength, eg, whether it will stand up to a challenge to its validity and/or enforceability. The reassessment should include an honest, fresh look at the patent, possibly by another patent attorney who has not been involved with the litigation or infringement analysis. A search for additional prior art should take place, and any prior art that the accused infringer identifies should be examined for its applicability.

If the reassessment of the patent uncovers a previously unknown weakness, it is imperative for the patent litigator to evaluate it and determine what impact, if any, it has on the theory of the case. A significant weakness may require a change in the course of the litigation, up to and including dropping the case in severe instances.

MISTAKE No 7: It is a mistake for the patent owner to send a letter concerning infringement or licensing of a patent to a suspected infringer without first having that letter reviewed by a patent litigator.”
The cost of collecting, reviewing, and producing documents, combined with the cost of reviewing documents produced by the adversary, can easily exceed $1 million, even in a case that is only modestly complex. Sophisticated software tools to manage the document review and production are a major component of the cost. Many patent litigants react with shock when confronted with the realities of discovery. The first indication of this usually occurs in response to a “litigation hold” letter that the litigator sends to the client early in the case. This letter cautions the client to preserve a wide range of documents – whether in electronic or paper form – because of the litigation and impending discovery. It is important to designate a member of the litigation team as the point person for discovery. That person needs to meet with the client early to establish a procedure to preserve and collect documents. Follow-up meetings are necessary to ensure that the client is following the procedure and sending documents to the litigation team for review and possible production. Unfortunately, this unavoidable process is usually disruptive to the client.

**MISTAKE No 8:** It is a mistake to delay the collection of documents from a client. It is a time-consuming process and waiting until one receives a document request from the adversary will not leave enough time for the collection and pre-production review. Ideally, a plaintiff contemplating litigation should begin the collection before filing suit. Getting those documents reviewed and ready for production early will pay dividends later in the case.

A prospective defendant usually has no idea of the oncoming lawsuit. Therefore, one may conclude that there is little a defendant can do to ease the burden of discovery. This is untrue. Any entity that could be sued for patent infringement should have a policy. Reducing the volume of documents available can dramatically reduce discovery costs. The first indication of this usually occurs in response to a "litigation hold" letter that the litigator sends to the client early in the case. This letter cautions the client to preserve a wide range of documents – whether in electronic or paper form – because of the litigation and impending discovery. It is important to designate a member of the litigation team as the point person for discovery. That person needs to meet with the client early to establish a procedure to preserve and collect documents. Follow-up meetings are necessary to ensure that the client is following the procedure and sending documents to the litigation team for review and possible production. Unfortunately, this unavoidable process is usually disruptive to the client.

**MISTAKE No 9:** Not implementing a document retention policy is a mistake. A policy tailored to comply with business needs must incorporate aspects that facilitate litigation discovery by limiting exposure. In today's patent litigation, electronic discovery is the norm, and the cost of that is usually much larger than anticipated. It is critical to establish a document retention policy in cooperation with your litigator or, if a policy is already in place, have a litigator review it from a discovery perspective.

**The mediation/arbitration option**

At some point during discovery, the parties should discuss the option of mediation or arbitration. Indeed, many courts require the parties to consider alternative dispute resolution (ADR) and/or mandate some form of it during the discovery phase of the case. One theory regarding the timing of the ADR is that after some discovery, including the exchange of documents and a few depositions, the parties should better understand the strengths and weaknesses of their respective cases, and therefore, be more inclined to submit to a mediation or arbitration of their dispute.

Mediation and arbitration are two of the many types of ADR. The level of formality varies depending on the type of ADR. Some types of ADR simply require that each side submit a position statement to a third party who will confer with the sides and render an opinion. Other types of ADR are more involved and may include “mini-trials.” Irrespective of the type, ADR is most often successful in the early- to mid-stages of patent litigation, before each side has spent the majority of their litigation budget on the case. In the later stages of the case, there can be little or no economic benefit to terminating the case through ADR. The result of the ADR can be binding or non-binding on the parties, depending on the form of ADR chosen.

In patent litigation, ADR is usually best considered early on in the case because it can potentially end the dispute before each side has heavily invested in it and committed to see it to the end. Other times to consider ADR include after the completion of some discovery and after the court issues a ruling on patent claim construction (eg, the Markman ruling). Of course, the parties can discuss ADR and settlement at any time. These points in the case, however, often provide incentives to engage in talks.

**MISTAKE No 10:** It is a mistake to ignore opportunities to resolve the litigation using ADR. Look for every instance where a ruling or other event could encourage the parties towards a resolution. ADR can lead to the resolution of a case more quickly and economically compared to going to trial.

**Summary**

These are just a few of the mistakes that can be made during the early stages of patent litigation. There is the potential for many other mistakes to be made early in a case, as well as during patent claim construction, expert discovery, trial, and appeal. Careful planning and good communication and coordination between the attorney and the client are the best ways to avoid mistakes like these.

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