

NEW COMPLEXITIES IN IP

Successful Early Resolution Strategies

Helping Companies Avoid the Enormous
Costs of Litigating Complex Patent Cases

By Edward A. Mas II and Robert A. Surrette

There are three universal truths regarding complex patent infringement cases. First, patent litigation can be expensive. Where more than \$25 million is at stake, the total litigation costs range from \$3 million to more than \$9 million, according to the most recent economic survey from the American Intellectual Property Association.

Second, patent litigation can be lengthy. Recent data suggest an average of five years from the filing of the complaint to final judgment after all appeals.

Third, patent litigation can disrupt a business.

As Troy R. Lester, chief patent counsel for the Acushnet Company, explains: “Although often necessary, patent infringement lawsuits expend significant company resources. Not only do such litigations burden the fiscal resources of a company, they also require a substantial amount of attention from key stakeholders within the company. Employees are frequently called upon to spend countless hours

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responding to discovery requests, preparing for depositions, and reviewing and attesting to litigation papers. (Early resolution,” he adds, “can avoid the litigation tax associated with such matters and, thus, generally lead to significantly better outcomes for both parties.”)

In light of the expense, time, and disruption associated with patent infringement lawsuits, it’s easy to understand the following sage advice often given to clients: “If you have the choice between patent litigation and the plague, consider choosing the latter.”

For those who choose the former (or for those defendants who have no choice), consider employing some or all of these ten proven strategies for achieving a successful, early resolution of these cases.

1. Prepare, Prepare, and Prepare!

More than 2,500 years ago, the military strategist Sun Tzu advised: “The general who wins the battle makes many calculations in his temple before the battle is fought. The general who loses makes but few calculations before the battle is fought.

These words ring as true today in the context of patent litigation as they did when Sun Tzu wrote them about combat. Early, effective preparation is critical for obtaining a successful result.

According to conventional wisdom, a patentee’s case is never as good as the day it is filed. A plaintiff, therefore, should thoroughly prepare its case before filing suit by doing the following:

- Scour the patent specification and relevant file histories.

- Examine the closest prior art.
- Identify and meet with key personnel early, including third parties.
- Locate and study key documents (such as conception and development documents, marketing documents, and financial documents).
- Carefully analyze the accused product or process.
- Engage technical and financial experts early.
- Anticipate your opponent’s defenses.

A defendant should undertake many of these same preparations once a plaintiff has filed or threatened a lawsuit.

By performing the tasks outlined above, a party can develop a detailed litigation plan outlining the evidence necessary to prove its case and how such evidence will be gathered.

Revisit the plan monthly to determine the evidence gathered to date, the evidence still needed, and whether the plan needs to be revised in light of any case developments.

2. Select an Appropriate Forum.

Selecting the appropriate forum for your lawsuit can result in significantly faster resolution. Initial forum selection generally rests with the plaintiff. Assuming multiple forums are legally possible, the plaintiff should consider selecting a forum that has a relatively quick average length of time from filing of complaint to trial.

That statistic is available on various government websites (e.g., www.uscourts.gov/cgi-bin/cmsd2005.pl), or from private research organizations (e.g., www.legal-metric.com). The figure can vary greatly from district to district.

For example, for the 12-month period ending September 30, 2005, the median time from filing to trial in the Eastern District of Virginia was 9.4 months. In contrast, for the District of Utah it was 24.5 months. Stagnant cases generally are more expensive, and they rarely settle.

Parties often overlook the possibility of an early attempt at settlement for one simple reason – they are too busy fighting.

Equally important when selecting a forum is the level of experience a particular court has with patent cases.

In testimony before a House subcommittee, Kimberly A. Moore, a professor at the George Mason University School of Law, noted that ten of the 94 judicial districts in the United States handled 47 per-

cent of all patent cases filed for the five-year period 2000-2004.

Many of these courts have special procedures in place for dealing with patent cases. These procedures, coupled with the courts' greater experience in handling these types of complex cases, will help to keep your case on track.

3. Assess Litigation Costs and Potential Exposure.

It is important to assess litigation costs and potential exposure as early as possible, preferably before filing suit. Because your opponent will likely file counterclaims, it will not always be possible to extricate yourself from the suit once it has started. Therefore, a party that initiates a lawsuit must be prepared financially to go the entire distance. Parties should utilize the detailed litigation plan developed in step one to assess costs.

A party should decide early whether the dispute is worth litigating or whether resources should be directed at other means of dispute resolution. Parties frequently fail to compare expected costs with potential recovery value.

Of course, there may be important reasons for litigating a case apart from the potential recovery (obtaining an injunction, for example), and these reasons, if present, need to be weighed when evaluating whether the dispute is worth litigating.

4. Identify Potential Counterclaims.

It is important to identify potential counterclaims. Too often these are not known until it is too late. Identifying potential counterclaims early on highlights the strengths and weaknesses of a particular case and exposes possible avenues for settlement (eg., cross-licensing). Failing to identify potential counterclaims could place a party at a distinct disadvantage with respect to both the litigation and potential settlement.

5. Conduct Early Targeted Discovery and Avoid Extensions.

Conducting early targeted discovery generates an appearance of strength, confidence, and willingness to proceed with the litigation, if necessary.

Early discovery includes promptly serving focused interrogatories and document requests, as well as scheduling an early deposition of either the corporate plaintiff or defendant to identify key witnesses and documents. Certain key witnesses should also be deposed as soon as possible to obtain pertinent admissions and lock in testimony. A party should move to compel, as appropriate, at the first sign of delay.

Another important part of the equation: Avoid unnecessary extensions of time. Extensions often increase the costs, and they decrease the chance of settlement, because the more time and resources invested in a case, the less likely settlement becomes. Extensions of time are often the death knell for early case resolution, and therefore they should be avoided whenever possible.

6. Seek an Early Claim Construction.

The outcome of a patent infringement lawsuit often hinges on how the claims of the asserted patent are interpreted – that is, on claim construction. A party should therefore attempt to schedule a claim construction hearing (often referred to as a Markman

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hearing) as early as possible.

The court's claim construction often will serve as the springboard to settlement or an early summary judgment motion by the party prevailing on claim construction. Although the federal courts have not adopted a standard approach to claim construction, the process outlined in the Northern District of California's Local Rules for Patent Cases provides a structured process by which the parties make sequential disclosures of relevant information to arrive at an early and well-informed claim construction hearing. A party may consider adopting these rules via stipulation and court order.

7. File an Early Motion for Summary Judgment.

Because district courts often resolve patent cases on summary judgment, a party should always consider filing an early summary judgment motion. The motion can focus on issues of infringement, validity, or both.

In particular, if the parties agree on the structure and operation of the accused product, and the only dispute centers on the proper interpretation of the patent's claim terms, then a summary judgment motion can be an effective vehicle to resolve the case or significantly narrow the issues.

The keys to a successful summary judgment motion are effective preparation and discovery. In some instances, the information necessary for filing a summary judgment motion will be collected before the plaintiff files the complaint or the defendant serves its answer.

If some discovery is needed, the parties may agree to conduct limited discovery directed at issues related

to summary judgment and then ask the court to stay the remaining discovery until a ruling on the summary judgment motion.

8. If You Don't Try to Settle, You Won't.

Parties often overlook the possibility of an early attempt at settlement for one simple reason – they are too busy fighting. In some cases, a simple phone call

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from one party to the other can start the ball rolling.

Performing steps one through five as expeditiously as possible will allow a party to conduct substantive and meaningful settlement discussions early. During the pre-trial conference, a party should encourage the court to schedule an early settlement conference if one is not already required by the court's local rules.

Reaching an early settlement often requires a party to think about matters other than money-for-settlement. Parties should explore all available options, including cross-licensing, various royalty structures, joint ventures, OEM agreements, phase-out agreements, and the acquisition or sale of the relevant intellectual property or entity. In the end, the possible shape of a settlement is limited only by the parties' creativity.

9. Properly-Timed Alternative Dispute Resolution.

Mediation is often useful in reaching settlement, particularly after the parties are well-informed after completing steps one through five.

Mediation is a confidential, non-binding process in which a mediator facilitates the settlement discussions between the parties. The process frequently involves an initial presentation by each party, followed by joint and separate sessions with the mediator. The goal is to identify and reach a mutually acceptable resolution of the dispute. Mediation participants should include decision-makers with settlement authority from each party. Parties should keep in mind that more than one round of mediation may be required to resolve a case.

If the parties agree to use a mediator, the focus then shifts to selecting the right mediator for the case. Selecting the right mediator will increase the chances for resolution. In addition to having the requisite

background and experience, any mediator under consideration should have proven ability in the art of bringing parties together.

Such issues can be explored in a joint interview by both parties (highly recommended).

In addition to mediation, the parties should consider other alternative dispute resolution (ADR) alternatives, such as arbitration, early neutral evaluation, or other customized ADR processes.

Because of the benefits provided by ADR, many federal courts provide a menu of ADR options by local rule and will assist the parties in designing an ADR process that will meet their needs.

10. A Redesign Might Do the Trick

A defendant or potential defendant should consider whether redesigning its product or process would resolve the matter. Although it's frequently overlooked, a redesign provides distinct and measurable benefits. First, it mitigates damages. Second, it eliminates the threat, and harm, of any injunction that might result from an infringement finding. Third, it often results in a more competitive product.

Often, a party has little choice except to become involved in a complex patent infringement lawsuit. But once that happens, there are various strategies for bringing the case to a successful resolution before a costly trial. Although not as dramatic as a favorable jury verdict, this kind of victory often is greater than one achieved in the courtroom. Strategies for achieving it – through motion practice, ADR, settlement, or some other mechanism – are based on early, effective and diligent preparation of the case.



Edward A. Mas II is a shareholder at McAndrews, Held & Malloy. His practice focuses on litigation regarding patent, trademark, antitrust, unfair competition, contract, and other technology-related disputes. His experience encompasses a broad spectrum of technologies, with emphasis in the mechanical, medical device, and biotechnology fields.



Robert A. Surette is a shareholder at McAndrews, Held & Malloy. His practice focuses on the resolution of intellectual property and technology-related disputes with an emphasis on patent, trademark, and trade dress litigation. He has extensive experience in managing and preparing complex intellectual property cases, for trial and appeal, in a wide range of technologies.