

Key Issues in Patent Litigation

PLI PATENT BASICS FOR THE NON-
SPECIALIST

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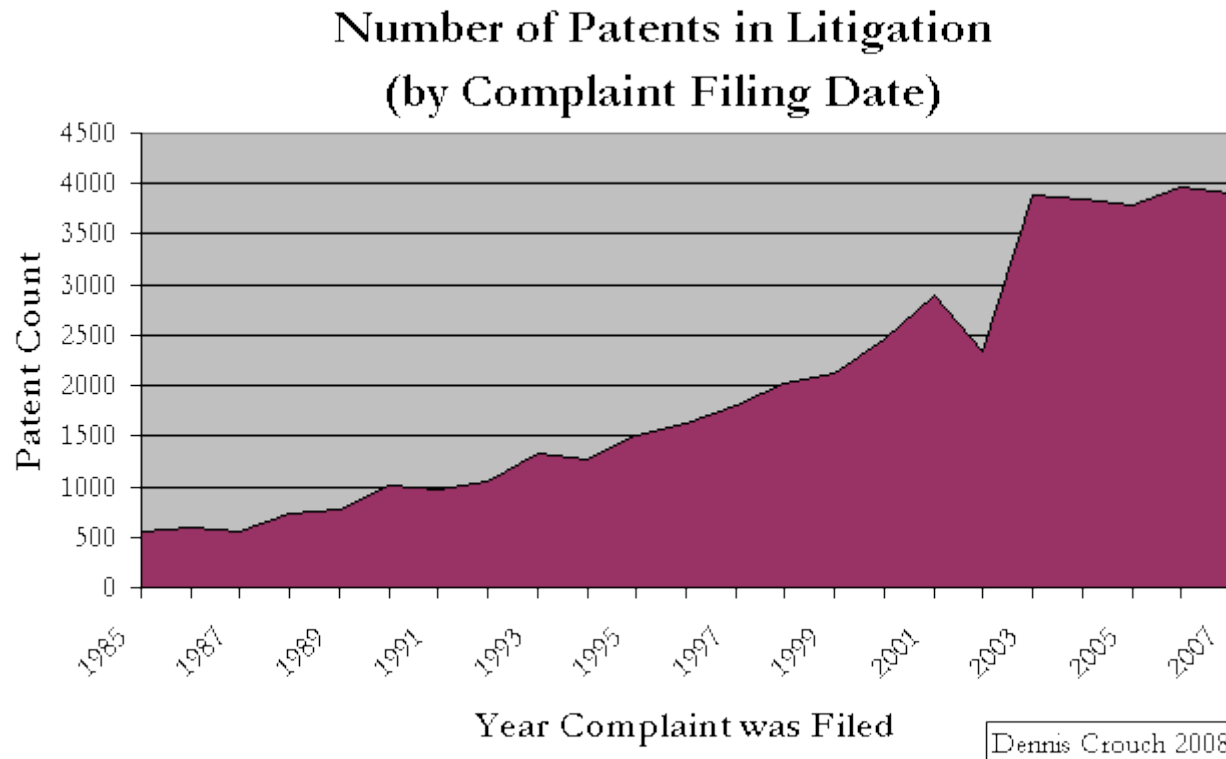
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Introduction

- Parties
- Forums
- Claim Construction
- Invalidity
- Unenforceability
- Infringement
- Willfulness
- Damages
- Injunctions
- Patent Reform
- Sample case

Number of Patents in Litigation



Parties

Plaintiffs

- All legal owners of a patent must be joined as plaintiffs.
- Exclusive licensees can have standing to sue.

Defendants

- Direct infringers are those who make, use, sell or import.
- Indirect infringers are those who contribute to or induce others to infringe.

Forums

- United States District Court
- International Trade Commission for imported products.

Popular plaintiff forums

- Eastern District of Texas
- Delaware

Reputed fast forums

- Western District of Wisconsin
- Southern District of Florida
- Maine



Patent Claims and Defenses

- Infringement
 - Two step inquiry:
 - Claim construction
 - Comparison of construed claims to accused product
- Defenses:
 - Invalidity
 - Unenforceability
 - Patent Misuse, unclean hands, laches, estoppel, FRCP 12(b) defenses, *Walker Process* antitrust

Claim Construction

- **What is it?**
- **Why do it?**
- **Who does it?**
- **What are the sources of claim meaning?**
 - Intrinsic
 - Extrinsic

What, Why, Who?

What?

- Process by which the meaning of certain terms or phrases in a claim is determined.

Why?

- Need constructions in order to determine infringement and validity.

Who?

- “Judges, not jurors, are the better suited to find the acquired meaning of patent terms.”
 - *Markman v. Westview*, 517 U.S. 370, 398 (1996)
- Not binding case-to-case, but persuasive.

Appellate Review

- Claim construction reviewed *de novo*, without deference to district court.
 - *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed Cir 1998 (*en banc.*))

Claim Construction - Evidence

Intrinsic Evidence

- Claims
- Specification
 - “Lexicography”
- Prosecution History
- Patent “family”

Extrinsic Evidence

- Dictionaries
- Treatises
- Industry usage
- Inventor testimony
- Expert testimony

Current Authority On Claim Construction

- *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc)
 - Attempts to resolve once and for all the rules of claim construction, and the priority in which the rules are applied.
 - Addressed the importance and relevance of both intrinsic and extrinsic evidence.

Rule 1: Claims Define Invention

- “It is a ‘bedrock principle’ of patent law that ‘the claims of a patent define the invention to which the patentee is entitled the right to exclude.’”
 - *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), citing *Innova/Pure Water, Inc. v. Safari Water Filtration Systems, Inc.*, 381 F.3d 1111 (Fed. Cir. 2004)

35 USC §112, paragraph 2

- The specification “shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.”

Rule 2: Claim Terms Presumed To Have Their Ordinary And Customary Meaning

- The words of a claim “are generally given their ordinary and customary meaning.”
 - *Phillips v. AWH Corporation*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), citing *Vitronics Corp v. Conceptor, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996).
- “Ordinary and customary meaning” is “the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application.”
 - *Phillips*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc).

Temporal Inquiry On “Ordinary Meaning”

- “The focus in construing disputed terms in claim language is ... on the objective test of what **one of ordinary skill in the art at the time of invention** would have understood the term to mean.”
 - *Markman v. Westview* 52 F.3d 967 (Fed. Cir. 1995) (en banc)
- “When a claim term understood to have a narrow meaning when the application is filed later acquires a broader definition, the literal scope of the term is limited to what it was understood to mean **at the time of filing.**”
 - *Schering Corp. v. Amgen, Inc.*, 222 F.3d 1347, 1352-54 (Fed. Cir. 2000)

Heavy Presumption Of Ordinary Meaning

- “Courts must presume that the terms in a claim mean what they say, and, unless otherwise compelled, give full effect to the ordinary and accustomed meaning of claim terms.”
 - *Johnson Worldwide Associates, Inc. v. Zebco Corp.*, 175 F.3d 985 (Fed. Cir. 1999)

Four ways to overcome presumption

- Lexicography
- If intrinsic evidence shows that the patentee distinguished that term from prior art on the basis of a particular embodiment, expressly disclaimed subject matter, or described a particular embodiment as important to the invention
- If claim term deprives claim of clarity, look to intrinsic evidence to determine meaning.
- 35 U.S.C. §112(6)

Rule 3: The “Ordinary Meaning” Is Informed By Specification And File History

- Ordinary meaning is the definition that one of ordinary skill in the art could ascertain from the intrinsic evidence in the record.

35 USC §112, paragraph 1

- A patent specification “shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise and exact terms to enable any person skilled in the art to which it pertains... to make and use the same.”

Claims Construed In Light Of Specification

General Principles:

- “Claims must be read in view of the specification of which they are a part.” *Markman v. Westview*, 52 F.3d 967 (Fed. Cir. 1995) (en banc)
 - “For claim construction purposes, the written description may act as a sort of dictionary, which explains the invention, and may define terms used in the claims.” *Id.*
 - The specification is always highly relevant to the claim construction analysis. Usually it is dispositive; it is the single best guide to the meaning of a disputed term. *Vitronics Corp. v. Conceptor, Inc.*, 90 F.3d 1576 (Fed. Cir. 1996)

The Specification

General principles (con't.)

- Limitations may not be imported into the claims from the specification.

But in certain cases, claims will be limited to the preferred embodiment described.

- “When the preferred embodiment in the specification is described as the invention itself, the claims are not entitled to a broader scope than that embodiment.”
Modine Mfg. v. ITC, 75 F.3d 1545 (Fed. Cir. 1996)

Use Of Prosecution History In Claim Construction

- The prosecution history limits claim scope.
 - “The prosecution history limits the interpretation of claim terms so as to exclude any interpretation that was disclaimed during prosecution.”
 - *Southwall Technologies, Inc. v. Cardinal IG Co.*, 54 F.3d 1570, 1576 (Fed. Cir. 1995).
 - The prosecution history of a parent patent may limit the scope of a later patent application using the same claim term.
 - *Alloc, Inc. v. ITC*, 342 F.3d 1361 (Fed. Cir. 2003); *Augustine Med., Inc. v. Gaymar Indus., Inc.*, 181 F.3d 1291, 1300 (Fed. Cir. 2000); *Elkay Mfg. Co. v. Ebco Mfg. Co.*, 192 F.3d 973, 980 (Fed. Cir. 1999)

Rule 4: Lexicography And Disclaimer

- A term defined in a claim or specification will have that meaning.
- Disclaimer of claim scope in specification will be binding on patentee.
 - Distinguished term from prior art on the basis of a particular embodiment
 - Described a particular embodiment as important to the invention

Lexicography

- Lexicography is the other side of the coin in the ordinary and accustomed meaning analysis.
 - “A patentee may choose to be his own lexicographer and use terms in a manner other than their ordinary meaning, as long as the special definition of the term is clearly stated in the patent specification or file history The specification acts as a dictionary when it expressly defines terms used in the claims or when it defines terms by implication.”
 - *Markman v. Westview*, 52 F.3d 967, 978 (Fed. Cir. 1995) (en banc)

Rule 5: Technical Dictionaries Assist But Do Not Determine

- Technical dictionaries can be used to assist in understanding the commonly understood meaning of claim terms.
 - Relevant timeframe
 - Right field of technology
- But dictionary definition cannot contradict definition ascertained from claims and specification.
- Specification first, not dictionary first.

Infringement

Literal Infringement

- Each limitation of a claim, as properly construed, is found in the accused device.
- Direct Infringement - 35 USC §271(a)
- Indirect Infringement
 - Contributory Infringement - 35 USC §271(b)
 - Inducement - 35 USC §271(c)

Infringement

Infringement under Doctrine of Equivalents

- Infringement may be found if there is an element which performs substantially the same **function** in substantially the same **way** to achieve substantially the same **result** as the element which is not literally met.
 - *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950).
- Infringement may also be found if the accused device is “insubstantially different” from the claimed invention.
 - *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997).

Infringement - Limitations on the Doctrine of Equivalents

1. All Elements Rule

- Each limitation of a claim must be found, literally or equivalently, in accused device.
 - Cannot vitiate a claim element.
 - Extra elements do not negate infringement.

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722 (2002).

2. Prosecution history estoppel

- Claim amendments (*Festo*)

3. The Asserted Scope of Equivalents Cannot Encompass The Prior Art.

4. Disclaimer of Equivalents

- Can occur in the claim language, specification, or during prosecution

Infringement (con't)

An amendment to claims may estop application of the Doctrine of Equivalents if:

1. The amendment narrowed the claims and surrendered subject matter;
2. The amendment was made for reasons related to patentability;
3. The alleged equivalent is within the scope of the surrender subject matter; and
4. The alleged equivalent was foreseeable at the time of the amendment.

Invalidity - Anticipation

- All elements of invention contained in one reference or product.
- 35 USC §102(a)
 - Known or used by someone other than the inventor in USA, or published anywhere before invention.
- 35 USC §102(b)
 - If, more than a year before filing, the invention was patented or published anywhere (i.e., in the USA or any other country); or put into public use or on sale in the USA.
- 35 USC §102(e)
 - The invention is described in a patent or patent application filed by another in the United States (and in some instances, outside of the United States);
 - Filed before the invention by the applicant;
 - Even if the patent or application does not publish until after the invention by applicant.
- 35 USC §102(f)
 - The invention was invented by someone other than the applicant.

Burden of proof is clear and convincing evidence.

Invalidity - Obviousness

- 35 USC §103(a)
 - Invention would have been obvious to one of ordinary skill in the art.
- Generally proven by combining two or more prior art references.
- *KSR International Co. v. Teleflex, Inc.*, 550 U.S. ____ (2007) has made this a viable basis to invalidate a patent.
- No longer limited to showing a teaching, suggestion or motivation in the prior art to combine or modify references.
- Instead, there is a “need for caution in granting a patent based based on a combination of elements found in the prior art.”
- An “apparent reason” to combine the known elements is sufficient to establish obviousness.
 - Reasons may come from market demands, design demands, an inference or creative step that a person of ordinary skill in the art may employ, etc.

Invalidity – Obviousness (con't)

- Obvious to try is sufficient.
 - A person of ordinary skill has good reason to pursue known options within their technical grasp.
- Obvious if “predictable”
 - The combination is likely obvious if “it does no more than yield predictable results” or “implements a predictable variation” of a known work
 - When predictability is shown, a person of ordinary skill “will be able to fit the teachings of multiple patents together like pieces of a puzzle.”
- Recent Statistics
 - As of October 15, 2007, there have been approximately 51 post-*KSR* obviousness cases, with 66% (34 cases) holding a patent obvious.

Burden of proof is clear and convincing evidence.

7 Ways to Establish Obviousness Post KSR According to PTO

- Combine prior art elements using known methods to get predictable results
- Substitute one known element for another to get predictable results
- Use known technique to improve similar devices, methods or products in same way
- Apply known technique to known device, method or product to yield predictable results
- Obvious to try: choosing from limited number of possible solutions which have reasonable probability of success (all examples are drugs)
- Predictable variations from the same or a different art driven by design incentives or market forces
- TSM (teaching, suggestion or motivation) to combine prior art

Invalidity – Technical Defects

35 USC §112, paragraph 1

- Written description requirement.
 - Disclosure “reasonably conveys to the artisan that the inventor had possession at that time of the later claimed subject matter.”
- Enablement requirement.
 - Specification enables “any person skilled in the art to which it pertains ...to make and use the same.”
- Best mode requirement.
 - Inventor is required to disclose the best mode known at the time for making and using the invention.

Burden of proof is clear and convincing evidence.

Unenforceability

- Fraud on the PTO due to failure to disclose material prior art.
 - Patentee and attorney have a duty of candor to the PTO.
 - Rule 56
 - Under current law, attorney's breach of duty is attributable to patentee.
 - Technically, failure to disclose prior art that would not invalidate the patent can nonetheless make patent unenforceable, but this rarely occurs.
 - Analyze evidence of materiality and intent.
 - Sliding scale.
- Patent Misuse.

Burden of proof is clear and convincing evidence.

Damages

35 USC §284

- Patentee entitled to “damages adequate to compensate for the infringement, but in no event less than a reasonable royalty.”

35 USC §287

- Damages begin to accrue upon proper “notice.”
 - Actual notice – letter or filing a complaint.
 - Constructive notice – marking.
 - Notice not required for method patents
 - Notice not required if neither patentee nor its licensees are practicing patent

Lost Profits/Price Erosion

Lost profits

- Patentee must be competitor of infringer
 - Patentee must prove it would have made sales **BUT FOR** infringement.
 - Hard standard: must prove capacity, and that no non-infringer would have captured all of the sales and profits
- Price erosion
 - If patentee proves it had to lower its prices on sales it actually made.

Reasonable Royalty

- Patentee is entitled to “damages adequate to compensate for the infringement but not less a reasonable royalty...”
- Reasonable royalty typical measure of damages
 - Always measure in troll cases and others where patentee does not practice invention
- Royalties of less than 1% and more than 25% have been found by juries and upheld

Reasonable Royalty

The 15 “*Georgia Pacific*” Factors

- **Royalties received for licensing patent.**
- **Rates paid by licensee for use of similar patents.**
- **Nature and scope of the license.**
- **Plaintiff’s policy of preserving patent monopoly.**
- **Commercial relationship between plaintiff and licensees.**
- **Effect of selling the patent specialty in promoting sales of plaintiff’s products.**
- **Duration of patent and term of license.**
- **Used if plaintiff does not practice the invention.**
- **Usually lower than lost profits/price erosion.**
- **Established profitability of patented product.**
- **Utility and advantages of patented technology over prior art.**
- **Nature of the patented invention.**
- **Extent to which the infringer used the invention.**
- **Portion of profit customary in the business.**
- **Portion of realizable profit credited to the invention.**
- **Expert opinion testimony.**
- **Hypothetical negotiation at time infringement began.**

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Willfulness and Enhanced Damages

Willfulness

- If jury finds infringement to be willful, damages can be enhanced.
 - Up to three times actual damages.
 - By the judge (not by jury)
- **35 U.S.C. §284**: “When the damages are not found by a jury, the court shall assess them. In either event the court may increase the damages up to three times the amount found or assessed...”

Establishing Willful Infringement

(8/20/07 *In re Seagate* unanimous en banc Federal Circuit decision)

- Abandons precedent requiring a “duty of due care” to avoid infringement - **no affirmative obligation to obtain opinion counsel.**
- Standard: clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.
 - The state of mind of the accused infringer is irrelevant.
 - The patentee must also demonstrate that this objectively defined risk was either known or so obvious that it should have been known to the accused infringer.
- Any allegation of willfulness in the Complaint must be based solely on the defendant’s conduct before filing.
 - Without a preliminary injunction motion, enhanced damages for post filing conduct should not accrue.
 - Failed attempt to secure injunctive relief = likely the infringement is not reckless.
 - Substantial question about invalidity or infringement is likely sufficient to avoid willfulness based on post-filing conduct.

Opinions of Counsel and Waiver of Privilege

- Because *Seagate* abandons affirmative duty of due care, there is no obligation to obtain opinion counsel if charged with infringement.
- Can assert advice of counsel as defense to willfulness, but failure to do so cannot be commented on.
- If assert advice of counsel as defense to willfulness, will waive privilege as to all opinion counsel.
- However, after *Seagate*, asserting the advice of counsel defense does not constitute waiver of the attorney-client privilege for communications with trial counsel.

Injunctions

Preliminary Injunction and Permanent Injunctions

- Standard balancing test (post *MercExchange v. eBay*)
 - Irreparable injury to the plaintiff.
 - Legal remedy inadequate to compensate for injury.
 - Balance hardships.
 - Public interest not disserved.

Preliminary Injunction and Permanent Injunctions Rare

- Preliminary injunction easier to get if patent's validity has been upheld in litigation or broad licensing by industry.
- Non-practicing patentees (trolls) other than academic institutions have not gotten permanent injunctions after eBay.

Patent Litigation is Expensive

AIPLA Economic Survey – 2005

- **\$1M-\$25M at risk:**
 - Washington DC = \$3,000,000*
 - Chicago = \$1,600,000*
 - Texas = \$2,500,000*
 - San Francisco = \$2,000,000*

* **Potentially per patent**

Time to Trial

Fast Forums

ED Texas = 14.5 months

ED Virginia = 9.6 months

WD Wisconsin = 8.5 months

SD Florida = 15.2 months

Maine = 14 months

Slower Forums

CD California = 23.9 months

ND California = 27.5 months

Delaware = 29 months

***Current stats can be found at
<http://www.uscourts.gov/caseload2006>***

Patent Litigation Timeline For A Sample Case

- Pre-filing investigation.
- Pleadings.
- Rule 26(f) conference.
- Initial disclosures.
- Case management statement and case management conference.
- Preliminary infringement and invalidity contentions.
 - Document production accompanies
- Claim construction exchanges
- Claim construction hearing and ruling.
- Final infringement and invalidity contentions.
- Disclosure of willfulness opinions.
- Discovery - liability and damages.
- Summary judgment motions.
- Experts.
- Trial preparation and trial.

Pre-filing Investigation

- Plaintiff reviews patents, file histories and accused product if possible.
- Before filing complaint.
- Compliance with FRCP 11.

Pleadings

Plaintiff:

- Prepares and files complaint.
- Given 120 days to serve complaint on defendant.

Defendant:

- Prepares Answer - affirmative defenses and counterclaims.
 - Declaratory relief counterclaims.
 - Note that inequitable conduct must be pled with Rule 9(b) specificity.
- Motions to Dismiss - FRCP 12
- Due twenty days after service but extensions routinely granted.

Prepare and File Answer

- Due twenty days after service.
- Extensions routinely granted.
- Defendant prepares Answer and identifies affirmative defenses and counterclaims.
 - Declaratory relief counterclaims.
 - Note that inequitable conduct must be pled with Rule 9(b) specificity.
- FRCP 12.

Rule 26(f) Conference

- Both parties prepare for and participate in Rule 26 conference.
 - **New Rule 26(f) requires identification of “any issues relating to disclosure or discovery of electronically stored information, including the form or forms in which it should be produced.”**
- FRCP 26(f).
- Last day to comply is set by court order.

Initial Disclosures

- Both parties prepare and make initial disclosures.

Identify

- Witnesses
 - Documents
 - Damages
 - Insurance
-
- FRCP 26.

Case Management Statement and Conference

- Both parties prepare joint case management statement and attend case management conference.
- ND Cal LR 16.
- Case management statement due ten days before case management conference.
- Results in CMC order and calendar

Disclosure of Asserted Claims And Preliminary Infringement Contentions

- Plaintiff serves disclosure of asserted claims and preliminary infringement contentions.
- Due ten days after case management conference.
- Disclosures:
 - Documents that show first sale, first offer for sale of claimed invention prior to date of applications.
 - Documents that show conception, reduction to practice of the invention.
 - File history.
- ND CAL Pat LR 3-1 and 3-2.

Preliminary Invalidity Contentions

- Defendant serves preliminary invalidity contentions.
- Due 45 days after receipt of infringement contentions.
- Disclosures:
 - Documents that show operation of accused devices.
 - Copy of each prior art reference not in the file history (with translations if necessary).
- ND CAL Pat LR 3-3 and 3-4.

Claim Construction Exchanges

- Parties exchange proposed terms for construction (10 days after service of invalidity contentions).
- Parties exchange preliminary claim constructions and intrinsic evidence supporting preliminary claim constructions (20 days after exchange of terms).
- Parties file joint claim construction and claim construction hearing statement (60 days after service of invalidity contentions).
- Parties complete claim construction discovery (30 days after joint claim construction statement).
- Parties serve claim construction briefs.
 - Opening brief due 45 days after service of joint claim construction statement.
 - Opposition due 14 days later.
 - Reply due 7 days later.
- ND CAL Pat LR 4-1 through 4-5.

Claim Construction Hearing And Ruling

Claim construction hearing

- Tutorials.
- Limits on number of claim terms.
- Court determines date and format, usually at case management conference.
- ND CAL Pat LR 4-6.
- Claim construction ruling issues.
 - Timing depends on judge.

“Final” Contentions

- Preliminary infringement contentions deemed “final” unless claim construction ruling requires change (30 days after claim construction order).
- Defendant serves final invalidity contentions if plaintiff serves “final” infringement contentions (50 days after claim construction order).
- Court can permit amendment to infringement or invalidity contentions only for good cause.
- ND CAL Pat LR 3-6 and 3-7.

Discovery

- Liability: both parties take and respond to discovery on infringement, validity and unenforceability.
 - Court to determine, but likely to accelerate after claim construction order.
- Damages: both parties conduct and respond to damages discovery.
 - Likely to overlap liability discovery.
- FRCP 21, 30, 33, 34, 35 and ND CAL LR 26.2.

Summary Judgment Motions

- Both parties to prepare and file summary judgment motions on liability.
- Court to determine, likely in CMC order.
- FRCP 56.

Experts

- Both parties to identify technical and damages experts, prepare reports, and initiate and respond to expert discovery.
- Identification, report, and expert discovery dates likely set in CMC order.
- Often multiple reports (infringement, invalidity, etc.)
- FRCP 26.

Trial and Trial Preparation

- Both parties prepare for and conduct trial.
- Set in CMC order.
- FRCP 38.

Potential Patent Litigation Pitfalls

- Forrest...trees...weeds
 - Effective communication of complex issues and technology
- Pre-suit preparation
 - Due diligence and DJ Jurisdiction
- Retaining the right experts
- Waiver of A/C Privilege
 - Prosecution v. trial counsel
 - Testifying expert v. consultant
- Spoliation – electronic discovery