

Patent Litigation, Patent Trolls, and Recent Developments in Patent Law

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Outline

- Patent Litigation in General
- Eastern District of Texas
 - Myth versus reality
 - Recent developments on venue
- Patent Trolls
 - Effects on patent practice
 - Legislative and judicial response
 - Strategies for managing risk

Patent Litigation in General

- Unique aspects of patent cases
- Venue issues
- Electronic discovery
- Cost issues
- Remedies

Jurisdiction & Venue

- Subject Matter Jurisdiction
 - The federal district courts "**shall** have original jurisdiction of any civil action *arising under* any Act of Congress relating to patents.... Such jurisdiction **shall** be exclusive of the courts of the states in patent ... cases." 28 U.S.C. § 1338(a)
 - Claims *arising under* the patent law may only be heard by the U.S. District Courts
 - Ownership of patents and other ancillary issues may be considered by State courts

Jurisdiction & Venue

- Supplemental Jurisdiction
 - The federal district courts "**shall** have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws." 28 U.S.C. § 1338(b)
 - Gives federal courts jurisdiction over state claims that involve **unfair competition** and are **related** to a federal intellectual property claim that is **substantial**

Jurisdiction & Venue

- Supplemental Jurisdiction
 - "Unfair competition"
 - trade secret theft
 - conversion of intellectual property
 - passing off and CL trademark infringement
 - Other non-federal claims
 - must be "so related to claims in the action within such original jurisdiction that they form part of the same case or controversy...."

Jurisdiction & Venue

- Personal Jurisdiction and Venue
 - PJ: Minimum Contacts
 - Purposeful availment;
 - Nexus; AND
 - Fairness & reasonableness.
 - Venue: 28 U.S.C. § 1400(b)
 - Venue is proper in a judicial district where
 - the Defendant resides; OR
 - the Defendant has committed acts of infringement AND has a regular and established place of business.

Jurisdiction & Venue

- Declaratory Judgment Actions
 - 28 U.S.C. § 2201(a) (2000)
 - Actual controversy
 - Reasonable apprehension; AND
 - Actual production OR preparation for production
 - Recent cases have lowered standard for reasonable apprehension
 - “Friendly” letter no longer a safe option

Appellate Jurisdiction

- U.S. Court of Appeals for the Federal Circuit
 - Nationwide jurisdiction for patent appeals
 - 28 U.S.C. § 1295
 - “the Federal Circuit shall have exclusive jurisdiction ... of an appeal from a final decision of a district court of the United States ... if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title ...”

Choice of Law

- Substantive issues
 - Federal Circuit law applies
 - Examples:
 - Statutory bars on patentability (*e.g.*, § 102)
 - Enjoining patent infringement
- Procedural issues
 - Regional Circuit law applies
 - Example:
 - Federal Rules of Civil Procedure

Equitable Defenses

- Equitable Estoppel
 - Defendant substantially **relied** on misleading conduct of the patentee; AND
 - Suffered material prejudice as a result.
 - Complete bar to recovery
- Laches
 - Patentee delayed filing suit for an unreasonable and inexcusable period of time; AND
 - The delay resulted in material prejudice to the infringer.
 - Bars past damages

Remedies

- Injunctions
 - Preliminary
 - Permanent
- Monetary damages
 - Reasonable royalties
 - Lost profits
 - Enhanced damages (willful infringement)
- Attorney fees
 - Prevailing party + Exceptional case

Issues specific to patent cases

- Claim construction
 - Often dispositive of the case
 - Question of law decided by Judge
 - Usually during pre-trial *Markman* hearing
- Special local patent rules in some districts
- Special masters / technical experts used in some districts
- Privilege issues between prosecuting and litigating attorneys
- Inequitable conduct and willful infringement claims
- Electronic discovery

Local Patent Rules

- Adopted by some courts to streamline patent cases
 - Originally from Northern District of California
 - Adopted most famously by ED Texas
 - Recently adopted by NDTX, SDTX, and WA
- Impose additional disclosure requirements on parties
- Set deadlines for exchange of information prior to Markman hearing

Electronic Discovery

- Electronic discovery involves the potential production of Electronically Stored Information (ESI) for litigation purposes
 - Includes: metadata, e-mails, back-up tapes, archived data, etc.
- Prior to *Zubulake*
 - Most attorneys didn't know much about IT or default computer settings such as archiving, auto-delete, etc.
 - Hard-copy mentality – evidence was defined as hard documents

The Zubulake Case (SDNY 2005)

- Held that any accessible electronic data relating to claims/defenses of the suit must be produced
- Accessible = stored in a readily useable format
- Duty to preserve evidence arises when the party has notice that the evidence is related to litigation
- Even before case is filed!
- E-Discovery Federal Rules in force 12/06

Litigation Hold should be Implemented Immediately upon Notice of Litigation

- Parties are required to implement a litigation hold – stop all auto-delete and/or any policies implemented in the company related to electronic clean-up
- Follow-up with preservation of electronic data – monitor efforts to comply and ensure preservation of relevant electronic data
- Identify and interview key custodians – communicate directly with key players and understand each person's data management procedures

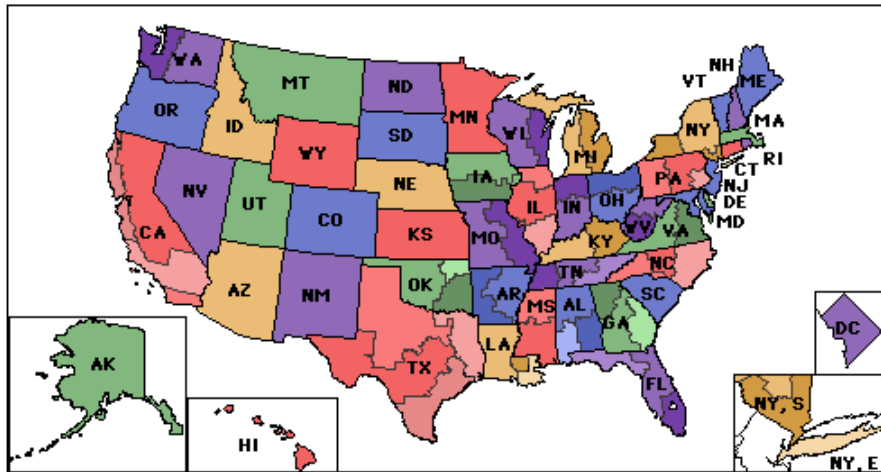
Risks Involved with Non-Compliance

- Failure to comply results in:
 - Sanctions
 - With increasing severity and frequency
 - If willful spoliation of electronic data, lost information is presumed to be relevant
- *Micron Technology, Inc. v. Rambus Inc.* (D.Del. 2009)
 - Rambus' portfolio at issue found unenforceable due to pre-filing document spoliation

Patent Litigation in the Eastern District of Texas

- Why has the Eastern District of Texas become the Patent Litigation Capital of America?
- What to expect if you sue or are sued for patent infringement in the Eastern District of Texas
- Practical considerations for facing patent litigation in the Eastern District of Texas

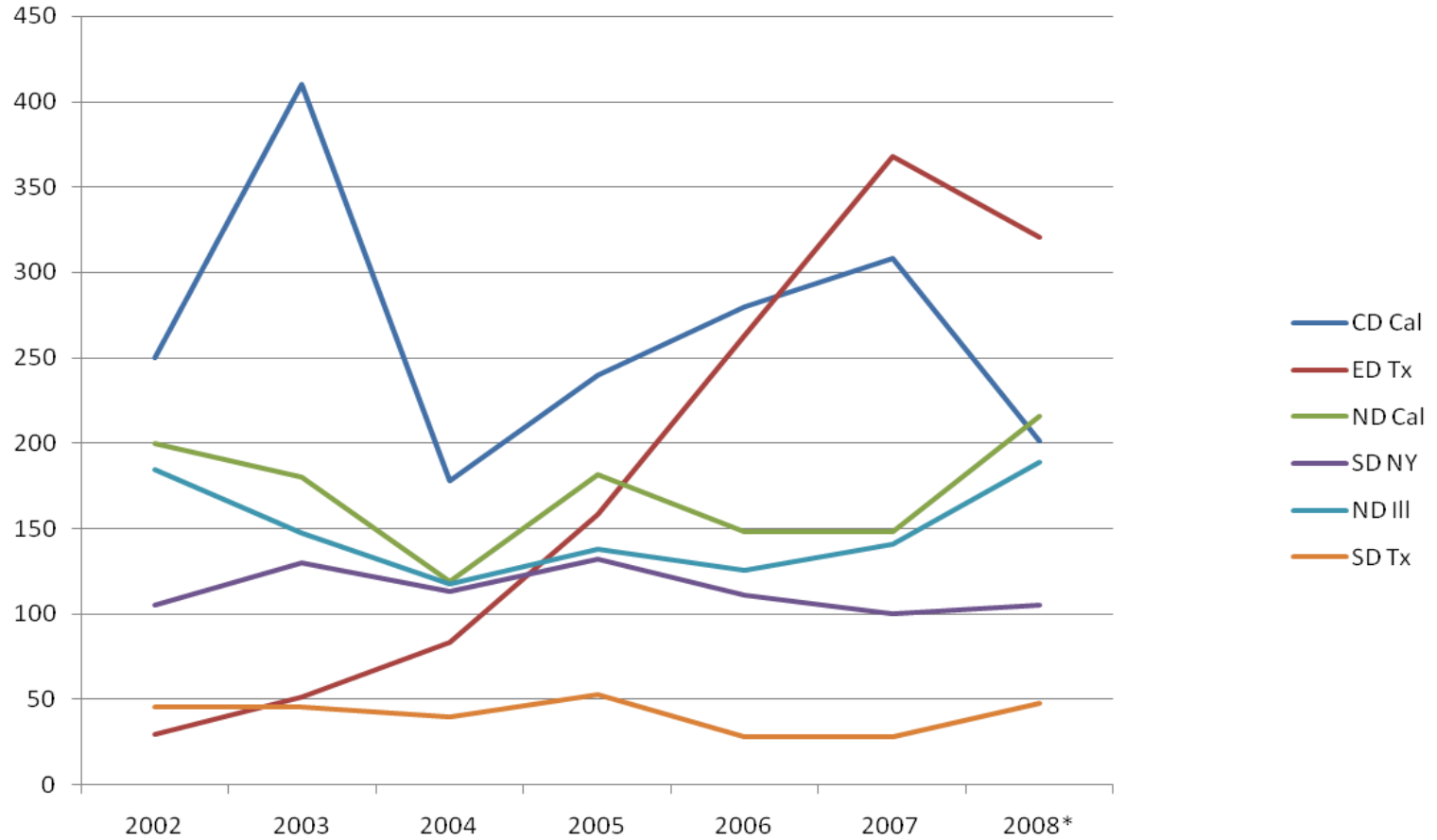
Eastern District of Texas: Patent Litigation Capital of America



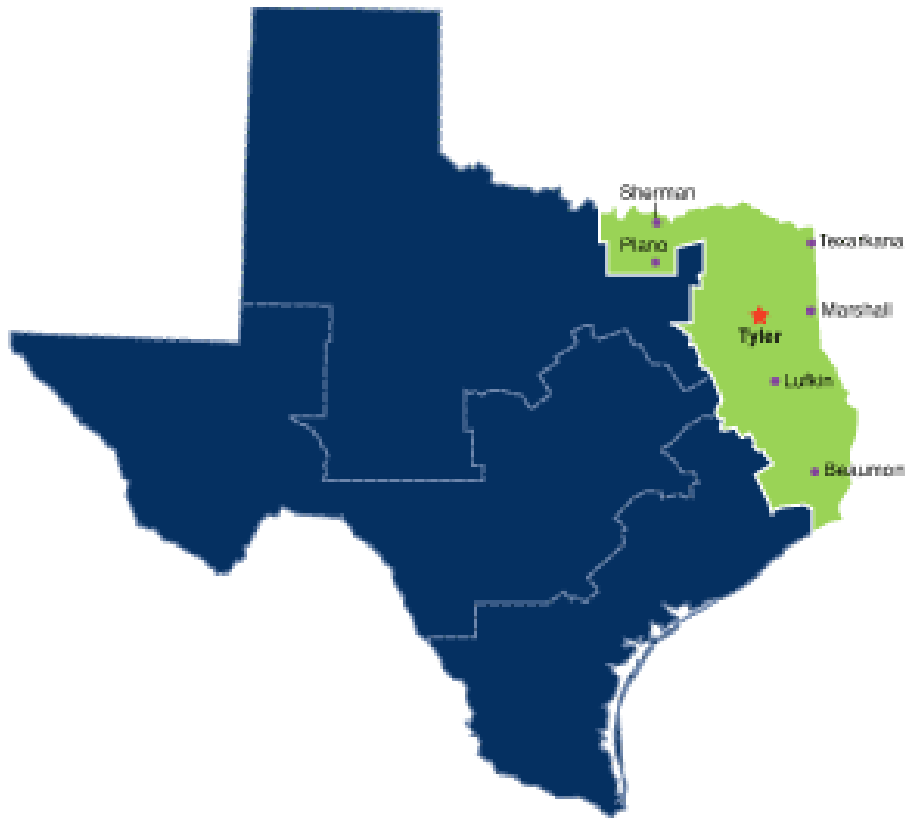
- 94 federal districts, all of which hear patent cases
- 11% of all U.S. patent lawsuits filed in 2008 have been filed in Eastern District of Texas
- For patent cases filed by “patent trolls,” probably over 40%

Patent Lawsuits Filed, 2002-2008*

* projected



Eastern District of Texas: Patent Litigation Capital of America



- Six divisions extending from Dallas suburbs to Houston suburbs
- Sparsely populated; mostly small towns and rural areas
- Patent cases filed primarily in Marshall Division

Marshall, Texas



- Population: 25,000
- Fourth largest city in Texas in 1860; has been declining since the 1960's
- No commercial air service; 3 hour drive from Dallas; 4 hours from Houston
- One resident federal judge: Judge John Ward

Why Marshall?

- Plaintiff-friendly juries
- Historically, lighter docket conditions meant cases could be brought to trial within one year
 - Currently, due to the huge number of patent cases, time to trial is 30-34 months.
- Court has developed a reputation as extremely sophisticated on patent law
- Ruthless enforcement of deadlines and discovery rules
- Historical unwillingness to transfer venue

Venue

- **General Venue Rule:** Patent infringement lawsuits can be filed against a corporation in any federal district where:
 - (1) The corporation has committed acts that are claimed to be infringing (*e.g.*, made, used, or sold infringing goods), and
 - (2) The corporation is subject to personal jurisdiction (*i.e.*, regularly does business or committed the acts in question)
- Requests for discretionary transfer of venue may be made for convenience of parties or witnesses

Venue

- Federal judges have broad discretion to grant or deny such requests; they are commonly granted when none of the parties have any significant connection with the district
- Eastern District of Texas judges (especially Judge Ward) almost never granted discretionary transfers of venue
- Perhaps for this reason, U.S. Supreme Court Justice Scalia has referred to Marshall as a “renegade jurisdiction.”

Recent Developments in Venue

- *In re Volkswagen America, Inc.* 545 F.3d 304 (5th Cir. 2008) (“VW II”)
 - Product liability case filed in Eastern District of Texas
 - Accident occurred in Northern District
 - Plaintiff and witnesses in Northern District
 - ED TX refused to grant request for discretionary transfer of venue
 - Fifth Circuit granted mandamus
 - Ordered ED TX to transfer venue

Recent Developments in Venue

- *In Re TS Tech USA Corp.* (Fed. Cir. Dec. 29, 2008)
 - Federal Circuit granted mandamus in patent case
 - Applied 5th Circuit law (VW II)
 - Plaintiff's choice of venue not distinct factor in analysis
 - No particular public interest in one district when products sold throughout the United States
 - Ordered transfer of venue from EDTX to SDOH
- Significance
 - Makes clear that VW II is now applicable to patent cases
 - Makes it significantly easier to challenge venue in EDTX for actions having a weak jurisdictional nexus
 - May result in fewer patent cases being tried in EDTX

Cases since *TS Tech*

- Odom v. Microsoft (E.D. Tex, Jan 30, 2009)

“Under the circumstances presented here, the convenience of witnesses and localized interests weigh in favor of transfer with the other factors neutral or weighing slightly in favor of transfer. This is a case that is **significantly localized in the Northwest**. Both parties are residents of the Northwest, and Microsoft’s equitable defenses all arise out of conduct and contracts in the Northwest. **No Texas resident is a party to this litigation, nor is any Texas state law cause of action asserted. All identified witnesses—with the possible exception of one—are located in the Northwest.** This is not a case where witnesses are expected to be traveling from all over the country or world. In summary, there is little convenience to the parties for this case to remain in Texas, while there are several reasons why it would be more convenient for the parties to litigate this case in Oregon.”

Cases since *TS Tech*

- *PartsRiver v. Shopzilla* (E.D. Tex. Jan 30, 2009)
 - California plaintiff sued 6 California defendants
 - "based on the regional nature of this case, that the Northern District of California is clearly more convenient to the parties and the potential witnesses."
- *Novartis Vaccines & Diagnostics v. Hoffman-La Roche* (E.D. Tex. Feb. 3, 2009)
 - Motion to transfer venue from EDTX to NC *denied*
 - Witnesses spread throughout the country; move would inconvenience West Coast witnesses

Future Implications

- Motion to transfer case out of EDTX will have higher chance of success if the dispute between the parties does not have a meaningful nexus to EDTX and some connection/convenience points to another district
- The case may likely encourage a wave of transfer motions to challenge venue in EDTX
- The case may force plaintiffs to first establish a tie with or create a presence in EDTX before bringing suit there

Myths about Marshall

- “Patents are never held invalid”
- “Claim interpretations always favor the plaintiff”
- “Juries always find for the plaintiff”
- “Juries always give big awards to plaintiffs”

Litigating in the Eastern District: Early Deadlines

- Response to complaint: generally 20 days from service, but agreed extensions are almost always granted and are common in patent cases
- Usually about six months after the case is filed, court sets an initial scheduling conference
- Standard initial disclosures are typically due within 10 days after the scheduling conference

Litigating in the Eastern District: Standard Initial Disclosures

- Potential witnesses
- Documents and electronically stored information that support claims or defenses
- Computation of damages claimed
- Insurance policies / indemnity agreements
- Disclosures must be timely supplemented if additional information is discovered

Litigating in the Eastern District: Initial Patent Disclosures

- Plaintiff's initial infringement contentions are typically due within 24 days after the initial scheduling conference
- Defendant's initial invalidity contentions disclosures are due within 45 days of plaintiff's disclosures

Litigating in the Eastern District: Plaintiff's Patent Disclosures

- Each claim alleged to be infringed by each defendant
- Each allegedly infringing product / process / etc.
- Claim chart detailing how each element of the claim is present in the infringing product /process / etc.
- Any earlier priority dates

Litigating in the Eastern District: Plaintiff's Patent Disclosures

- Documents sufficient to evidence all pre-application disclosures of the invention to third parties (including offers to sell)
- All documents evidencing the conception, reduction to practice, design, and development of each claimed invention
- Complete file history

Litigating in the Eastern District: Defendant's Patent Disclosures

- Prior art references, including whether defendant claims the art anticipates the claim or renders it obvious
- Claim chart showing each element of the asserted claim in each prior art reference
- Any grounds of invalidity for indefiniteness or lack of enablement
- All supporting documentation (including English translations of non-English prior art)

Litigating in the Eastern District: Initial Disclosures

- Eastern District of Texas judges take these very seriously
- Failure to timely make standard and patent disclosures and to supplement them if necessary is often dealt with harshly
- **Critical** for parties to begin work on disclosures as soon as possible in a case, and to preserve electronic evidence that may be discoverable

Litigating in the Eastern District: Claim Interpretation

- Within 10 days of Defendant's Invalidity Contentions, parties must exchange lists of terms to be construed.
- Within 20 days of exchange of lists of terms, parties must serve their preliminary claim constructions, including identification of extrinsic evidence (including witnesses) that support them
- Within 60 days of Defendant's Invalidity Contentions, parties must submit a Joint Claim Construction and Prehearing Statement that specifies what terms will need to be construed and what the parties' positions are on them

Litigating in the Eastern District: Claim Interpretation

- Discovery on claim construction matters (including expert depositions) to be completed within 30 days
- Claim construction briefing then filed
- *Markman* hearing held (non-jury)
- *Markman* opinion usually issues a few weeks after hearing

Practical Advice

- If threatened with an infringement suit, consider filing a preemptive declaratory judgment action in a more “friendly” venue
- Beware that “notice letters” can now support a declaratory judgment action against you
- If filing suit in Eastern District of Texas (or another district that uses the same patent rules), have claim charts and initial disclosures prepared before filing suit
- If sued in a U.S. Court, immediately preserve electronic evidence and contact counsel.
- Develop “Hurricane Plans” for litigation

“Hurricane Plans” for Litigation



- Customized for particular company / division
- Preservation of electronic and documentary evidence
- Notification of involved employees
- Location and assessment of other key individuals
- Hiring of the appropriate trial team
- Saves time and money, and makes trial team’s job easier

Patent Litigation Costs

- \$25 million or less in damages
 - \$600,000 to \$2 million if settled before trial
 - \$1.2 million to \$3.5 million through trial and appeal
- More than \$25 million in damages
 - \$1.4 million to \$4 million if settled before trial
 - \$2.4 million to \$6 million through trial and appeal
- Entry of non-patent litigators drives up costs
- Strong client control of trial team important
 - Limit on attorneys at depositions, *etc.*

Alternate Approaches to Patent Disputes

- ITC proceeding
- Reexamination
 - *Ex parte*
 - *Inter partes*

ITC Proceedings

- Known as “Section 337 Investigations”
- Imported products only
- Injunction/Exclusion order are the only remedies
- Fast-track action (15-18 months)
- Plaintiff must show domestic industry and use of technology

Reexamination

- Conducted by U.S. Patent Office
 - New central group handles requests
 - Request must raise “substantial new question of patentability”
- *Ex Parte*
 - May be requested by third party
 - Third party has no further involvement
- *Inter Partes*
 - Mini-litigation
 - Requester remains involved

Purpose of Reexamination

- To provide an important quality check on patents
- Allows the government to eliminate defective or erroneously granted patents
 - (H.R.Rep. No. 107-120 (2002)).

Requirements for Reexamination

- The USPTO will grant a reexamination request only if “a substantial new question of patentability affecting any claim of the patent concerned is raised by the request.”
 - 35 U.S.C. § 303(a)(2002).
 - “SNQ” not defined in statute

Swanson (Fed. Cir. 2008) - Background

- The Federal Circuit case was an appeal of a decision by the USPTO Board of Patent Appeals and Interferences (BPAI)
- The BPAI decision upheld the Patent Examiner's rejection of the claims of U.S. Patent No. 5,073,484 ("484 patent") during a reexamination proceeding instituted on the basis of prior art **already of record on the face of the patent.**

Swanson - Background

- **Initial Examination:**

- Examiner initially rejected all claims as obvious under 35 U.S.C. 103, in light of combinations of references (including prior art **Deutsch**).
- Deutsch relied upon only as a secondary reference for limited purpose of teaching an ancillary feature.
- After claim amendments, the 484 patent was granted.

Swanson - Background

- **Prior Litigation & Judgment:**
 - Exclusive licensee of the 484 patent sued an alleged infringer for infringement; the alleged infringer counterclaimed that the claims of the 484 patent were invalid in light of Deutsch.
 - District court held that the alleged infringer failed to prove invalidity by clear and convincing evidence (35 U.S.C. 282).
 - On appeal, Federal Circuit affirmed.

Swanson - Background

- **Reexamination:**

- The alleged infringer filed request for *ex parte* reexamination of the 484 patent, asserting claims were anticipated by Deutsch.
- On reexamination, the Patent Examiner rejected the claims of the 484 patent based on Deutsch as primary reference.
- The Board found that Deutsch raised a SNQ of patentability, and affirmed Patent Examiner's rejections.

Swanson - Analysis (Issue 1)

- **Issue 1 – Prior Judgment**
- 35 U.S.C. § 303(a) discusses references “previously cited by or to the Office or considered by the Office.”
- Hence, the SNQ requirement bars “reconsideration of any argument already decided by the office, whether during the original examination or an earlier reexamination.”

Swanson - Analysis (Issue 1)

- What about prior litigation?
 - 35 U.S.C. § 303(a) only mentions actions “by the office” (*i.e.*, USPTO), not courts.
 - Did Congress intend the SNQ requirement to bar reconsideration of arguments already decided by courts as well as the USPTO?

Swanson - Analysis (Issue 1)

- Court holds **NO** - considering an issue in litigation is not equivalent to the USPTO having had the opportunity to consider it.
- **Rationale:**
 - PTO examination procedures have different standards, parties, purposes, and outcomes compared to civil litigation (see next slide).

Swanson - Analysis (Issue 1)

| | Litigation | USPTO Examinations |
|-------------------------|--|---|
| Presumption of Validity | Patent is presumed valid under 35 U.S.C. 282 | No presumption of validity |
| Standard of Proof | Clear and convincing evidence standard to overcome presumption | A preponderance of evidence (substantially lower standard) |
| Claim Construction | Claims construed to sustain validity (<i>In re Yamamoto</i>) | Claims given broadest reasonable interpretation, consistent with the Specification (<i>Trans Tex. Holdings</i>) |

Swanson - Analysis (Issue 1)

- These differences show that court's final judgment and examiner's rejection are NOT duplicative.
- Thus, Congress did NOT intend a prior court judgment upholding validity of claims to prevent USPTO from finding a SNQ of patentability regarding an issue never considered by the USPTO.
 - During reexamination, USPTO is not bound by a court's claim construction.

Swanson - Analysis (Issue 1)

- **Holding 1:**

- “We, therefore, conclude the Board did not err in holding that the prior district court litigation did not prevent the Deutsch reference from raising a ‘substantial new question of patentability’ under 303(a).”

Swanson - Analysis (Issue 2)

- **Issue 2 – Prior USPTO Proceedings**
- “The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”
 - 35 U.S.C. § 303(a)(2002).

Swanson - Analysis (Issue 2)

- When is SNQ precluded?
 - The test is whether the particular question of patentability presented by the reference in reexamination was previously evaluated by the USPTO.
 - “[T]he PTO should evaluate the context in which the reference was previously considered and the scope of the prior consideration and determine whether the reference is now being considered for a **substantially different purpose.**”

Swanson - Analysis (Issue 2)

- A single prior art reference can create multiple grounds of rejection and thus raise multiple “questions of patentability.”
- SNQ requirement merely bars “a second examination on the identical ground that had previously been raised and overcome.”
- If the reference is now being considered for a “substantially different purpose,” then SNQ exists.

Swanson - Analysis (Issue 2)

- Holding 2:
 - “In light of the extremely limited purpose for which the examiner considered Deutsch in the initial examination, the Board is correct that . . . [whether Deutsch anticipates claims of 484 patent raises] a substantial new question of patentability, never before addressed by the PTO.”
 - Note: In the reexamination, Deutsch was relied upon as the primary reference.

Swanson - Implications

- **Scope of SNQ as determined by *Swanson*:**
 - A SNQ warranting reexamination can exist *even if* a federal court considered the question.
 - A reference may present a SNQ *even if* the examiner considered or cited a reference for one purpose in earlier proceedings.

Swanson - Implications

- By endorsing the USPTO's broad view of what qualifies as a SNQ, *Swanson* expands the capacity for prior art to be used as basis for reexamination request
- Third party can more easily use the reexamination statute to challenge a patent's validity
- *Swanson* makes reexamination a more attractive option for challenging validity, especially after losing in litigation

Reexamination - Warning

- **Reexamination may invoke *de facto* estoppel:**
 - Any claim held valid under reexamination will be significantly more difficult to invalidate in subsequent litigation or proceedings
 - Ideally, reexamination should be requested based on prior art that the examiner failed to adequately consider

Patent Trolls

- What is a “patent troll”?
- Types of patent trolls
- Good faith vs. Bad faith
- Effects of patent trolls
- Efforts to stop patent trolls
- Strategies for dealing with trolls

What is a “patent troll”?

- According to Peter Detkin, who coined the term, a patent troll is:
 - “[S]omebody who tries to make a lot of money off a patent that they are not practicing and have no intention of practicing and in most cases never practiced.”
 - Brenda Sandburg, *Trolling for Dollars*, Recorder, July 30, 2001, at 1 (quoting Peter Detkin, co-founder and managing director of Intellectual Ventures, L.L.C.).

Types of Patent Trolls

- Individual inventors who do not produce or commercialize the patented invention but sue corporations for infringement
- Patentees who patent technologies for the sole purpose of collecting license fees
- Companies who purchase patents as tools for licensing and enforcement and not for commercial production

Good faith vs. Bad faith “patent trolls”

- Sharply derogatory connotation now associated with the term “patent troll”
- Many believe that a patentee should not be pejoratively labeled a “troll” simply because the patentee does not commercialize the patented invention
 - These include non-profit enterprises such as research institutes and universities

Examples:

- Company that exists for sole purpose of acquiring/inventing patents for licensing
- Patentee who knows of a corporation infringing its patent but intentionally waits to send a cease-and-desist letter until that corporation has expended significant resources, so as to extract exorbitant settlement fees
- Patentee who files multiple continuations with claims directed to current market
- Anyone who accuses “me” of patent infringement

Effects of Patent Trolls

- **Negative Effects**
 - **Unreasonable licensing fees**
 - Threat of injunction outweighs value of patent
 - Lack of proper apportionment of damages
 - **Litigation expenses**
 - Plaintiff's attorneys on contingent fee
 - Inconvenient forum (ED TX)
 - **Hinder technological and industrial growth**
 - **Negative public perception of patents**
- **Positive Effects**
 - **Create a secondary market for patents**
 - **Opportunity for small inventors to obtain return on investment in their inventions**

Efforts Directed (in part) at Patent Trolls

- Legislative Action
 - Proposed patent reform
 - Changes to venue rules for patent cases
 - Post-grant opposition and “second window”
 - Apportionment of damages
 - Move to “first to file” system
 - Simplified definition of “prior art”
 - Inequitable conduct moved to separate proceeding
- Patent Office Rule Changes
 - Limit number of continuations and claims
 - Stayed by court order

Efforts Directed (in part) at Patent Trolls

- Judicial Action
 - *eBay v. MercExchange* (2005)
 - Injunction requires application of a reasonableness test
 - *KSR v. Teleflex*
 - Obviousness standard raised
 - *Medimmune*
 - Licensee can sue for invalidity without breaching license
 - *Seagate*
 - Willful infringement standard raised

KSR v. Teleflex (U.S. 2007)

- Federal Circuit used “teaching, suggestion, motivation” test to determine when an invention would have been obvious to person skilled in the art
- Supreme Court rejected as too narrow
 - Must consider common sense
 - Must consider predictable results of combination of known elements
 - Revives “obvious to try” as avenue of attack on validity

MedImmune, Inc v. Genentech, Inc.

(U.S. 2007)

- Issue: whether a licensee can sue for invalidity of licensed patent without breach of license
 - Previously, licensee had to stop paying royalties on a patent license to challenge the validity of the patent
 - This exposed licensee to risk of willful infringement and injunction
- Ruled: a licensee can sue to challenge validity of the licensed patent while continuing to pay fees under the license
 - Breach of license not required

In re Seagate and Willful Infringement

- Tool used by U.S. Courts to punish a party who does not exhibit proper respect for patent owned by another
 - Encourages good behavior
 - Makes intentional infringement more expensive than taking license
- Willful infringement is a “question of fact”
 - Decided by the jury
 - Actual damages may be increased up to three times
 - Actual damages “no less than a reasonable royalty”

In re Seagate (Fed. Cir. (en banc) 2007)

- Background
 - Seagate requested opinions from patent attorney regarding 3 patents owned by Convolve and MIT
 - Convolve and MIT sued Seagate for willful infringement of the 3 patents
 - Opinion counsel and Trial counsel were separate and independent

In re Seagate (cont'd)

- Privilege waived
 - During discovery Seagate waived privilege as to opinions, disclosed all of opinion counsel's work product, and made him available for deposition
- Scope of waiver in dispute
 - Plaintiffs sought access to all communications with any counsel regarding the opinions *or the subject matter of the opinions*
 - Includes communications regarding trial strategy!!

In re Seagate (cont'd)

- Trial court *granted* plaintiff's request
 - Required disclosure of *all* work product and communications with trial counsel regarding opinions and subject matter of opinions
 - Plaintiff noticed trial counsel for depositions
 - Denied motion for stay, motion to certify for interlocutory appeal

In re Seagate (cont'd)

- Federal Circuit granted writ of mandamus
 - Mandamus rare
 - Used in situations where party has no other means of obtaining desired relief
 - Granted *en banc* review
 - Recognized close practical ties between willfulness and privilege issues
 - Certified three questions

In re Seagate (cont'd)

- Three Seagate Questions
 - Does the waiver of attorney-client privilege caused by reliance on opinion of counsel defense to willful infringement extend to communications with trial counsel?
 - What is the effect of this waiver on attorney work product?
 - Should Court reconsider the “due care” standard?
- 21 *amicus* briefs filed

Privilege Issues

- Court recognized importance of privilege to promote frank communications between attorney and client
- May not be used as both sword and shield
- Lack of uniformity at district court level
 - Some extended waiver to trial counsel
 - Some did not
 - Some took middle ground – waiver only as to trial counsel communications that cast doubt on opinions

Question #1

- Does the waiver of attorney-client privilege caused by reliance on opinion of counsel defense to willful infringement extend to communications with trial counsel?
- Answer: No (in most cases)
 - Significantly different functions of trial and opinion counsel
 - Opinion counsel gives objective assessment as basis of sound business decisions
 - Trial counsel – involved in adversarial process – finds most effective way of presenting case
 - Willfulness claim based on pre-filing conduct
 - Court has discretion in extreme cases

Question #2

- What is the effect of this waiver on attorney work product?
- Answer: No effect (in most cases)
 - Reasoning same as for question 1

Question #3

- Should Court reconsider the “due care” standard?
- Answer: Yes
 - Willfulness in other areas of civil law means “reckless disregard”
 - Due care standard is lower, more like negligence
 - Standard in patent cases will be changed to match that in other areas

The New Willfulness Standard

- “[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”

Strategies for dealing with Trolls

- Prophylactic procedures
 - “triage” process for evaluating problem patents and obtaining opinions
 - “hurricane plan” for patent litigation
 - E-Discovery SOP in place
- When confronted
 - Review the troll’s litigation history and weigh the risks
 - Expect aggressive behavior
 - Look into quality of patents being asserted, and attempt to invalidate patents through reexamination or DJ action
 - Negotiate running royalty and consider *Medimmune* attack post-license

Thank You!

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