

# Managing High-Stakes IP Litigation

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September 4, 2019



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# Agenda

- How to prepare for upcoming litigation – demand letters and opinion of counsel
- How to manage outside counsel costs
- Handling administrative proceedings and their impact – International Trade Commission and Post-Grant Proceedings
- Choosing the best venue

# ANALYZING AND RESPONDING TO DEMAND LETTER

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# Need to analyze strength of demand

1. Patent owner's litigation history, propensity for litigation, and sophistication
2. Commercial relationship between the patent owner and the recipient of the demand letter
3. Established profitability of the alleged infringing product
4. The strength of the infringement allegations
5. The strength of the asserted patent
6. What demand is included in the letter (e.g., license offer)

# Need to determine when and how to respond

- Do Nothing
- Requesting more information from patent owner
- Seek to invalidate the patent
- File a Declaratory Judgment action of non-infringement
- License the patent

# USING OPINIONS TO AVOID LIABILITY & LIMIT EXPOSURE

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# Why do you need an opinion?

- Opinions are invaluable to shield a company from a willful infringement verdict or to help avoid being sued for infringement in the first place
- Halo Electronics v Pulse Electronics, 136 S. Ct. 1923 (2016)
  - Pre-Halo - **patent holders** had to show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent
  - Post-Halo – shifted focus to the alleged infringer’s “state of mind” at the time the infringing conduct occurs
    - Now the advice of counsel (i.e., opinions) are a crucial factor courts look at in determining whether a company had a good faith belief that a patent is not infringed or invalid



# Types of Opinions

## Offensive Opinions:

1. Protectability opinion
2. Clearance opinion

## Defensive Opinions:

1. Non-infringement opinion
2. Invalidity opinion
3. Unenforceability opinion

# Protectability Opinion

Usually the starting point when a company is seeking to protect its technology or assess the competing intellectual property landscape

- Is the invention/mark eligible for protection?
- Searches the prior art to determine if the technology/mark is novel.
- Typically sought independent of any adverse proceedings

# Clearance Opinion

- Used to limit the risk of infringement allegations and avoid unnecessary expense
- Used to identify any potentially problematic patents or trademarks that may exist prior to the development or launch of a new product
- Allows companies several possible avenues:
  - (1) Modify the design of the new product to avoid potential infringement before reaching the point of no return,
  - (2) Seek a license to the IP covering the new product in order to avoid potential future litigation
  - (3) Determine whether a non-infringement, invalidity, or unenforceability opinion should be sought

# Non-infringement

- More focused than clearance opinions
- Generally sought after a company receives a “demand letter” from a company alleging infringement
  - Non-infringement opinions evaluate patents to determine if any infringement issues exist with regards to a company’s product.
  - Often used when competing companies have similar products
  - Can be relied on to demonstrate a good faith belief of non-infringement when allegations are made

# Invalidity/Unenforceability Opinions

- Generally sought in conjunction with non-infringement opinion
- Can also be relied on during litigation to establish that there was a good faith belief of non-infringement when allegations are made
- Used to minimize infringement issues by evaluating the validity and enforceability of a patent

# Are oral opinions of counsel sufficient?

- The short answer is probably no.
- *Omega Patents, LLC v. CalAmp Corp.*, 2017 U.S. Dist. LEXIS 55846 (April 2017)
  - Plaintiff brought the patents to the defendant's attention years prior to the infringing product being brought to market.
  - The defendant allegedly received an oral opinion of non-infringement and invalidity prior to bringing products to market.
  - Court rejected defendant's reliance on oral opinion because no definitive evidence of that opinion was produced (and some contradictory evidence regarding the non-infringement position came out during trial).

# MANAGING COSTS AND PRESSING SETTLEMENT

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# General Cost Considerations

- Communication with Client regarding Cost Strategy
  - Depends on Settlement Strategy and Likelihood of Trial
  - Weight to place on different aspects of case, e.g., fact discovery, experts, Markman, trial or appeal
- Fact Discovery – exhaustive or minimal decided early
- Expert Selection
- Early Settlement is a Typical Cost Management Device
  - Typical case has key settlement pressure points
  - Opportunities to Communicate with Opposing Side to Manage Expectations



# Cost reduced by Early Settlement or at Key Settlement Pressure Points

- Complaint - Answer/Motions to Dismiss
- Rule 26 Report - **Scheduling Conference**
- **Markman**
- Fact Discovery & Contentions
- Expert Discovery
- **Summary Judgment & Daubert Motions**
- Pre-trial & Motions in Limine
- Trial
- Post-trial & Appeal

# Joint Defense Group Considerations

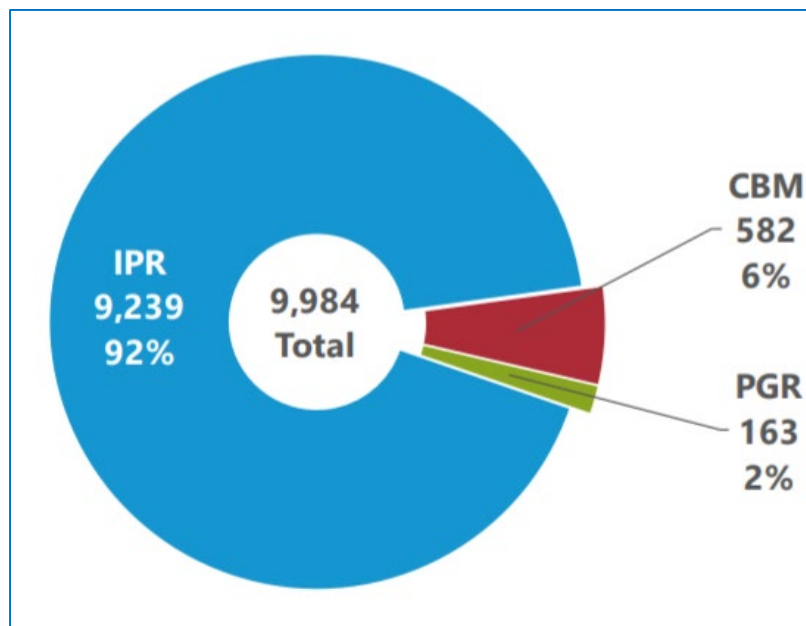
- Litigation between competitors is different than NPE litigation, often involving joint defense groups and different strategies
- Organization and division of labor of joint defense group can decrease costs
- Duplication of effort and coordination can increase costs
- Division of Labor reduces level of control over case
- Strategic division of validity challenges

# ADMINISTRATIVE PROCEEDINGS

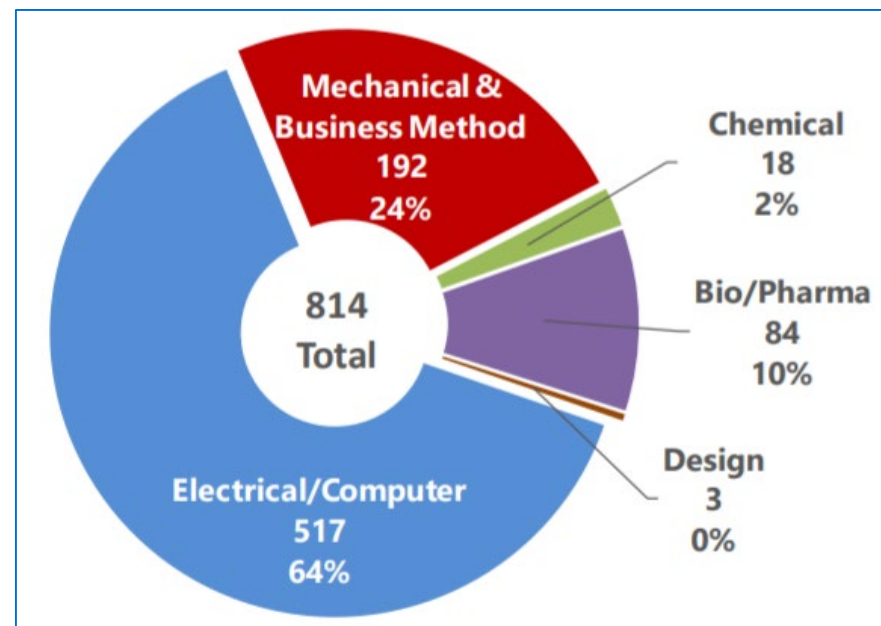
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# Post Grant Proceedings

## Petitions by Trial Type



## Petitions by Technology



Source: U.S. Patent and Trademark Office Trial Statistics (March 2019)

# *Inter Partes Review (IPR)*

## **Advantages to IPR:**

- Lower Cost
- Faster Resolution
- Technical expertise of judge panel
- Limited to issues regarding validity (not infringement or damages),
- Obviousness
- Claim construction
- Potential Settlement Tool - Pushes initial cost and risk to Plaintiff and can extend timeline (case stayed or delayed)

# *Inter Partes* Review (IPR)

## **Disadvantages to IPR:**

- Estoppel issues regarding prior art
- Claim construction
- Motions to amend patent claims
- Moving target (e.g., cited prior art)
- Standing
- Claim Issues for Appeal
- Additive time and potential cost

# ITC Proceedings

Handled by two-layered quasi-judicial administrative agency

- 6 Administrative Law Judges (“ALJs”) – first trial level layer
- 6 Commissioners appointed for nine-year terms – second de novo layer
- ITC and Customs enforce remedies
- President, through US Trade Representative (“USTR”) can deny remedy for public interest reasons



# ITC Proceedings

- Broad *in rem* jurisdiction, so cases named after products at issue, not parties
  - e.g. Hybrid Electric Vehicles and Components Thereof*
- Can join many parties from around the world in one case
- Speed
  - ≈ 15-18 months vs. 3-5 years in district court
  - Discovery begins immediately upon institution of case
  - 10 calendar days for responses to motions/discovery
- Protective Order only allows outside counsel to view CBI
- Extremely liberal discovery
- Federal Rules considered but not controlling



# ITC Proceedings

- No damages, only injunctive relief
- Limited Exclusion Order – enforced by Customs
  - Stops imports of infringing goods from named respondents
  - Also applies to affiliates
- Cease & Desist Order – enforced by ITC
  - Captures infringing products already in USA
  - Stops US respondent from selling inventory
  - Violations can result in fines

# ITC: Violation Findings

Determinations	2011	2012	2013	2014	2015	2016	2017	2018	2019 (Q3)
Violations	6	10	11	8	7	11	14	13	11
No Violations	11	12	10	10	4	5	2	8	4
% of Violations	35.30	45.5	47.6	44.4	63.6	69	88	62	74

Source: USITC Website

# ITC Proceedings: Appeal to Federal Circuit

- 60 days to file Notice of Appeal from final ITC determination (i.e. after close of Presidential review)
- Appeal takes 11-20 months
- Remedy **NOT** stayed during appeal
- No cross appeal
- Federal Circuit reverses ITC on about a 1/3 of issues
- Review governed by the Administrative Procedure Act
  - De novo review of legal determinations
  - Review of factual findings for substantial evidence



# CHOOSING THE BEST VENUE

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# Venue Options

- **DJ Action** in District Court for Non-infringement or Invalidity of Asserted Patents
  - Which DCT: Jurisdiction, Convenience, Patent familiarity, Patent friendliness, Stay/Transfer history, Docket speed
- **Patent Infringement Suit** in District Court or ITC on Own Patents
- **IPR** proceeding in US Patent and Trademark Office
- If Sued first, any of the above plus potential **Motion to Transfer**