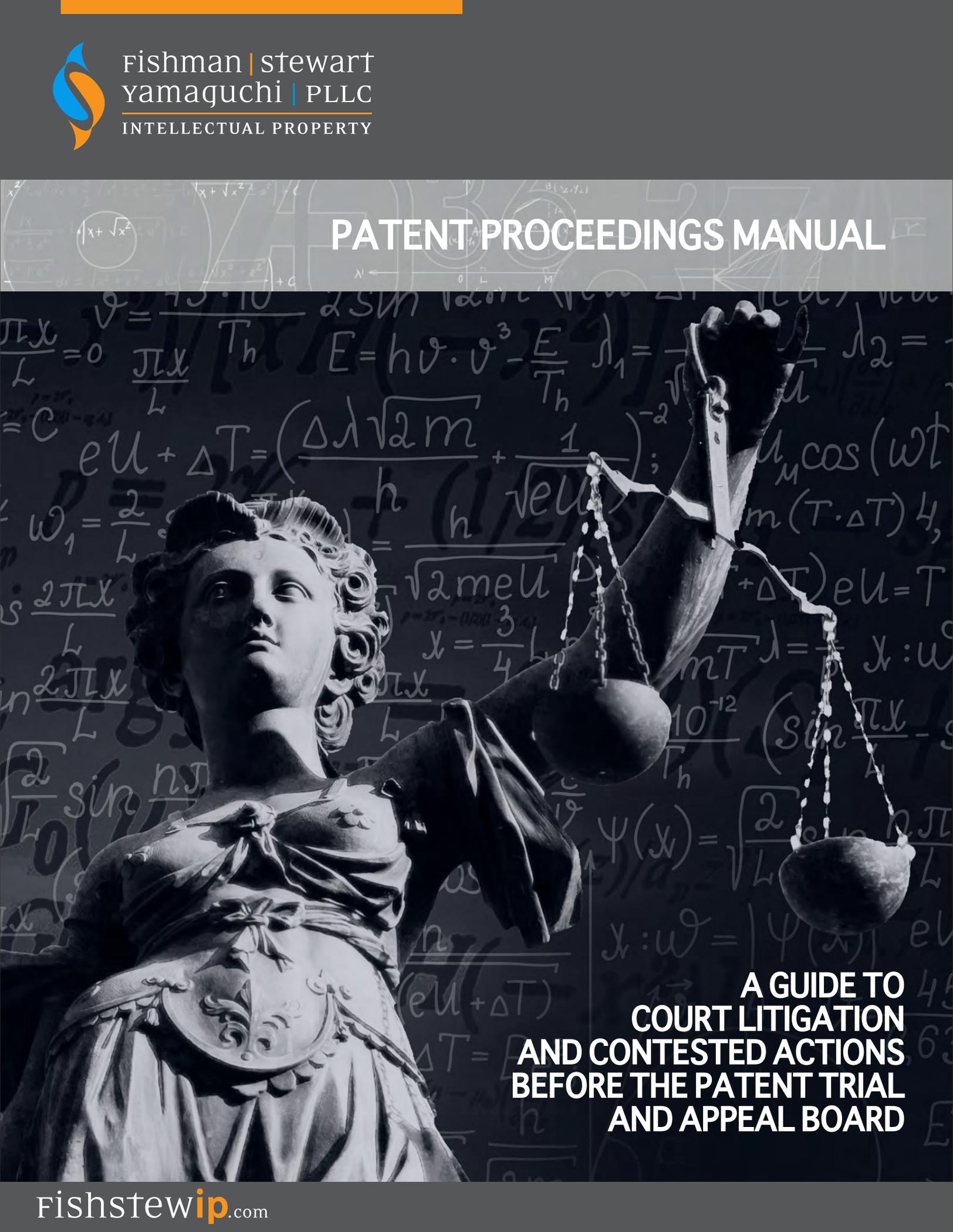




Fishman | Stewart
Yamaguchi | PLLC
INTELLECTUAL PROPERTY

PATENT PROCEEDINGS MANUAL



**A GUIDE TO
COURT LITIGATION
AND CONTESTED ACTIONS
BEFORE THE PATENT TRIAL
AND APPEAL BOARD**

PATENT PROCEEDINGS MANUAL

PREFACE

Prior to 1982, when the Federal Circuit Court of Appeals was formed, patent litigators tried almost all patent cases to a judge. It was rare to have a jury trial in a patent case.

Twenty years later, we routinely presented even the most complicated patent cases to juries and provided them with the testimony of many experts and employed many high tech visual aids, including animations, to simplify and explain the issues.

The patent litigation landscape underwent another seismic shift almost thirty years later with the enactment in 2011 of the America Invents Act (“AIA”). With experts at the United States Patent and Trademark Office (“USPTO” or “Patent Office”) now available to preside over the new and carefully managed post-issuance proceedings, the AIA has expanded litigation options for both patent owners and putative infringers, with the potential for both vastly reduced costs and timeframes as compared to federal court litigation.

This manual, which represents ideas and concepts from more than 35 years of trial experiences, provides an overview of patent litigation in the courts and at the Patent Office. We hope that our clients and others who are faced with potential patent enforcement will find the information useful and informative.

LITIGATION, if used properly, can be a powerful strategic business tool. Fishman Stewart Yamaguchi ranks as one of the top IP litigation firms in the U.S. and has represented clients in more than 400 Federal Court cases since 1996. We develop strategies for resolving disputes of any size or complexity. Fishman Stewart Yamaguchi's multidisciplinary litigation team has also represented clients before the International Trade Commission, the United States Patent and Trademark Office, the Federal Trade Commission and in Uniform Dispute Resolution Proceedings. Our attorneys have litigation experience in:

- Patent, Trademark and Copyright Infringement
- Antitrust Issues
- Unfair Competition
- False or Misleading Advertising
- Trade Secrets
- License Agreement Disputes
- Employment Contract Disputes
- Domain Name and E-commerce Disputes
- Proceedings Before the Trademark Trial & Appeal Board
- Proceedings Before the Patent Trial & Appeal Board
- Proceedings Before the International Trade Commission

When advisable, our attorneys consider Alternative Dispute Resolution to attempt to resolve disagreements. Our attorneys also serve as neutral arbitrators and mediators.

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PATENT PROCEEDINGS MANUAL

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INTRODUCTION

This Patent Proceedings Manual is intended to provide a quick overview of the different forums and formats for resolving patent disputes between private (non-governmental) parties.

The manual can be used as an introductory text for the training and skill development of relatively new attorneys. It can also be used as a practical reference for corporate managers and business executives who want to make informed decisions about when to litigate and in what forum.

We also hope we may assist our clients in developing appropriate management procedures for patent proceedings. Ultimately, success in a patent lawsuit should not come at any cost. Instead, success should be achieved with reasonable fees and costs that are consistent with the litigation target. Patent proceedings should have a defined “target” that is consistent with corporate goals and budget considerations. It should be an instrument to make money, not spend money. Therefore, this manual is intended to provide our clients with a description of the anatomy of various patent proceedings so that they will be better able to define a “target” that is consistent with corporate goals and represents a sensible expenditure when compared to an alternative investment of the same funds.

Planning the management of a lawsuit is not easy, because each party has little control over the tactics and strategy of the opposing party or over the decisions of a judge, jury, Federal Circuit Court of Appeals, or Patent Trial and Appeal Board. Under these circumstances, estimating a budget and staffing requirements, much less an expected outcome can be a challenge. And, even though intellectual property litigation is a well-plowed field, the intellectual property universe has now diversified under the AIA and repetition cannot be expected. Therefore, the management of patent proceedings continues to be a unique and challenging task.

Fishman Stewart Yamaguchi PLLC
Last Updated: March 18, 2014
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**SECTION I:
THE DECISION TO FILE A PATENT PROCEEDING**

The Engagement Letter

The engagement letter should set out anticipated staffing and the way that staffing will be managed. For example, not all tasks in a lawsuit can or ought to be handled by the first chair litigator, and therefore, there must be other attorneys and paralegals on the team. An example of an engagement letter follows:

Attorney-Client Privileged Correspondence

Dear Mr./Ms.:

This is an engagement letter. Its purpose is to confirm the terms and conditions under which our firm will undertake to represent [client] in the above-identified litigation.

At the outset, you should understand that patent litigation is expensive. Multiple legal personnel are necessarily involved in a patent litigation because of its complexity. Accordingly, based on our past experiences in patent litigation, [client] should understand that it can expect to receive monthly attorney fee billings in excess of \$_____ and possibly ranging up to \$_____ [these numbers should be reviewed for each case], depending on the intensity of the work. We cannot give you any precise estimate of the total costs nor of the duration of the matter. While we will make every effort to control costs, estimating costs is imprecise because the extent of the other side's activities is not known at this time.

Because of the need for travel for witness interviews, depositions, court appearances and, sometimes, trial, there may be substantial out-of-pocket disbursement costs. There will also be court reporters' bills for transcripts of testimony and potentially large expert witness fee billings, billings from electronic discovery management firms, as well as from firms who assist in the production of trial exhibits and animations.

We forecast a need for at least one technical expert witness and one damages expert witness. There may also be a need for a patent law expert witness. There will also be demands on the company's personnel to meet the requirements of furnishing us with the facts, testimony and documentation necessary for the case.

It will be necessary that appropriate personnel of [client] be made available to attend meetings, conferences, discovery proceedings including depositions, hearings, and other proceedings. It is essential that the principals and employees of [client] give trial counsel their cooperation in this regard.

An initial and continuing requirement will be to produce all relevant documents for our inspection and potential production to the opponent to comply with initial disclosure requirements and in response to requests by the opponent for the same.

The lawsuit will be appropriately staffed, with consideration being given to the value of the controversy, including a senior litigation partner for overall supervision and management and appropriate associates and legal support staff for conducting various tasks, including document handling. Additional staffing may include, as the case requires, the services of one or more other partners or associates with appropriate experience. We endeavor to have the work done by the lower hourly-rate personnel wherever appropriate to reduce fees.

The billing rates for our attorneys currently range from \$ _____ an hour for associates to \$ _____ an hour for senior partners; my time is billed at \$ _____ an hour. Our law clerks', legal assistants', and technical consultants' charges range from \$ _____ to \$ _____ an hour. These billing rates are subject to adjustment from time to time by the firm, generally on an annual basis.

As part of our representation, we normally advance routine disbursements and out-of-pocket expenses for the client's benefit. These costs vary from month to month and may be substantial depending on the month's activities. If we anticipate incurring substantial expenses (such as extended hotel arrangements or large reporter billings for extended depositions or trial), we may request advance payment prior to incurring such expenses. Generally for independent expert fee billings, large local counsel billings, and the like, we will make arrangements so that they are in a direct client relation with you. Their statements for services will first be sent to us for review and approval and we will then send those statements to you for direct payment to them.

Our billing statements for fees and disbursements will generally be rendered at least monthly. We expect to receive payment of our statements within thirty (30) days of the mailing date thereof. It is understood between us that in the event our billings are not paid, we may, at our discretion, withdraw and discontinue our services and disbursements rendered or incurred on its behalf prior to our withdrawal.

Since the outcome of any litigation is subject to risks inherent in the litigation process, it is understood between us that we cannot make any assurances as to the outcome of this case. In addition, you should be open to engage in any desired Alternative Dispute Resolution procedures which may be agreed upon. We are willing to provide you with a general description of various ADR techniques which may be of interest.

We request that [client] acknowledge its acceptance of this engagement letter by signing and dating below and returning the signed letter to us.

Early Risk Management is Critical

Management of any patent proceeding involves risk management. Risk management for the plaintiff begins before the lawsuit is filed. It includes thoroughly reviewing the client's files and interviewing potential key witnesses. Counsel for the patent owner and the alleged infringer must also develop an outline of the potential vulnerabilities in the case. Questions to be asked include: (a) What is in the prior art? (b) What searches have been conducted? (c) Whether statutory bars such as prior uses, sales, and offers of sale been considered? (d) Have any experimental conditions been fully and accurately presented in the patent application? (e) Is the disclosure enabling? (f) Has any evidence submitted on patentability, such as evidence under Rule 131 or Rule 132 of the USPTO Rules of Practice, been accurately presented? (g) Are there any defects in the patent title or exclusive license to the plaintiff? (h) Is this a contributory or 'inducement to infringe' situation? (i) What is the patent owner's exposure to a patent infringement counterclaim? (j) What about exposure to an antitrust counterclaim? (k) What unfair competition issues can be advanced? (l) Are there any specific attorney-client privilege issues? (m) Has an appropriate control group been formed?

Discussions with the Patent Owner

If you are the patent owner (or have the right to sue on behalf of the patent owner as discussed below) the following items are illustrative of the information that should be elicited from the patent owner during a litigation strategy conference:

- (a) Patent validity/enforceability issues: Has any additional adverse prior art been found? Does the patent list all significant prior art? Is the uncited prior art cumulative to the art of record? Does the known prior art invalidate the patent?
- (b) Are there any file history problems? Estoppel issues?
- (c) Are there any declaration evidence problems?
- (d) Infringement: Identify the likely defendants; do the accused product(s) show literal infringement or infringement under the Doctrine of Equivalents?
- (e) Are there any possible counterclaims?
- (f) Objectives/goals for the patent owner: (1) Is there a basis for seeking a preliminary injunction? (2) Are lost profits appropriate for damages? (3) Is there evidence of price erosion or inability to raise prices? (4) Is there evidence of lost market share? (5) What is the evidence as to the lack of acceptable non-infringing alternatives? (6) What is an acceptable royalty rate? (7) Can the royalty be based on sales of both the product and "convoyed goods"? (8) Should a complaint be filed but not served to preserve venue selection?
- (g) Venue consideration: Should the proceeding be initiated at the Patent Office or in court? If court, do the facts such as availability of Local Patent Rules, defendant's presence,

ease of discovery, time to trial, convenience of client and counsel, and jury pools favor a particular venue?

- (h) Are there protective order/trade secret/proprietary information issues?
- (i) Can technical and economic experts be identified?
- (j) Will there be communications to customers regarding the lawsuit, including public announcement considerations?
- (k) Explore history (if any) between the parties, including any agreements or settlement proposals.
- (l) Discuss client's document retention system, including electronically stored information.

Discussions with Alleged Infringer

If you are the alleged infringer, the following items are illustrative of the information that should be elicited during a litigation strategy conference:

(a) – (c), (e) and (h)-(l) under Discussions with Patent Owner

- (m) Discuss whether to file any early motions, such as a motion to change venue and a motion to dismiss.
- (n) Discuss whether filing a proceeding at the Patent Office makes strategic sense.
- (o) Discuss whether to settle and take a license, defend the action or stop the allegedly infringing activity. A driver of this decision would be an infringement study.

Settlement Considerations for Both Sides

Settlement is always an alternative to litigation. Whether settlement can be reached, however, is primarily within the patent owner's discretion because the patent owner has no duty to offer a license or to offer a license on less than exorbitant terms. Compulsory licensing does not exist in the United States. The accused infringer must position itself, through mounting an aggressive defense, including filing at the Patent Office, to negotiate favorable licensing terms. The patent owner's strategy is to bring pressure on the accused infringer, possibly by involving customers in the battle, in order to secure higher royalties or improvement in the competitive market.

Is a Finding of Willful Infringement a Possibility?

One way for a patent owner to obtain settlement leverage is to claim willful infringement. In *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc), the Federal Circuit held that, in order to establish willful infringement, the patent owner must prove by clear and

convincing evidence first, that the alleged infringer acted despite “an objectively high likelihood that its actions constituted infringement of a valid patent.” *Id.* This threshold determination of objective recklessness is a question of law to be decided by the judge and subject to *de novo* review. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003, 1006-07 (Fed. Cir. 2012). Second, the patent owner must then show that this objectively high risk was “either known or so obvious that it should have been known” to the alleged infringer. *Id.* The first prong of this test is objective and typically turns on whether the infringer’s defenses were or were not reasonable. The second prong is subjective and involves the accused infringer’s state of mind. The AIA prohibits the use of an accused infringer’s failure to obtain or to present advice of counsel to prove willful infringement or inducement to infringe. *See* 35 U.S.C. § 298. Nevertheless, opinions of counsel can still help negate the intent required for willfulness and can weigh in a defendant’s favor under this threshold prong of the willful infringement test.

What is the Range of Financial Exposure?

In addition to exposure to enhanced damages for willful infringement, the accused infringer may face other liabilities based on the patent owner’s lost profits, price erosion, prejudgment interest on damage awards, an award of opposing counsel’s attorney fees and, most significantly, an injunction. Even if there is a strong defense against the patent’s validity, it may be wise to consider accepting a license if the terms are reasonable, rather than risk the potentially serious consequences of a jury verdict for the patent owner and the issuance of an injunction.

Can Client Stomach the Burdens of Litigation?

In addition to risks, legal fees and expenses, federal court litigation imposes an extraordinary burden on the officers and employees of a party litigant. The greatest burden arises from the amount of time required for consultation with counsel on strategic matters and for responding to discovery demands from the adverse party. It is typically necessary for a company to dedicate one or more professionals to serve as liaison between the company and outside counsel to ensure effective and timely communication and preparation. An adversary may target for deposition officers and directors who can ill afford to take time away from their regular duties and responsibilities to prepare for and participate in depositions. Consultation with the client’s officers and employees is also required, not only in preparing for depositions, but also in preparing responses to initial disclosures and discovery requests.

Document productions in federal court cases generally requires employees or, in the case of electronically stored information, assistance from third party consultants, to search for, compile, identify, review, and assemble the requested documents. This process may take weeks and can disrupt files and work in progress. Counsel must also screen company documents and mark and/or classify business and technical information, redact wholly irrelevant information and categorize attorney-client and work product privileged information. It is not uncommon for tens of thousands of documents to be processed for production in an important patent infringement action between head-to-head competitors. An accused infringer’s relationship with vendors and/or customers may also be affected by discovery intrusions. For example, vendors or customers may be involuntarily brought into the action by subpoenas for depositions and document productions that inevitably cause business disruption and inconvenience. Therefore,

the burden of litigation includes, among other things, interference with regular business activities, commitment of substantial time by key personnel for consultation with counsel and preparing for discovery, disruption of files, exposure of confidential information to the other side (unless a protective order is obtained, but then, the information is still disclosed to the opposing attorney, the court, and to expert witnesses), potential damage to customer and vendor relations and significant attorney fees and costs. As we will discuss below, Patent Office proceedings have limited discovery opportunities, both in terms of depositions and document production.

From the totality of the analysis, there should be sufficient information to form the basis of a decision to proceed or continue with litigation or not. The magnitude of the investment and expense of the lawsuit (both external and internal) can be estimated and balanced against the magnitude of the potential return or loss.

SECTION II: THE FEDERAL COURT LAWSUIT

1. FORUM SELECTION

A. Who Can Bring a Lawsuit

To bring a lawsuit, an entity must have “standing” to sue. Standing refers to the capacity of a person to act. The owner or assignee of a patent always has standing to bring a suit. In addition, unless there is something in the license to the contrary, exclusive licensees are considered to have standing. A threatened punitive infringer may bring a lawsuit. See Declaratory Judgment Actions, below. A putative infringer may also take advantage of one of the Post Grant Proceedings provisions by filing a Petition with the U.S. Patent and Trademark Office. See Section III, below.

B. Where to File Suit

As in any other federal court suit, the plaintiff in a patent suit must satisfy the requirement that the court have “personal jurisdiction” over the defendant. This requirement means that the defendant must have “minimum contacts” with the forum. Personal jurisdiction over the defendant can be had in the district where the defendant is incorporated or where the defendant has a manufacturing plant or distribution facility. A more difficult issue of personal jurisdiction arises when infringing goods can be found in the forum without any other real presence of the defendant.

A plaintiff may have a choice of forums in which to bring suit if personal jurisdiction can be established in multiple forums. However, the plaintiff must also satisfy venue requirements. The purpose of venue statutes is to prevent the defendant from having to defend an action in an inconvenient locality. Two separate statutes govern venue, the general venue statute, 28 U.S.C. § 1391 and the patent venue statute, 28 U.S.C. § 1400(b).

With respect to a corporate defendant, the venue requirements are met by bringing suit in the state of incorporation, in the district of its corporate headquarters, or where it is doing business and where there are acts constituting infringement. For individuals, venue is proper only in a forum where the person resides or has committed acts of infringement and has a regular and established place of business.

If a patent action is brought in a district where venue is improper, the court may dismiss the action or transfer the action to any district where venue would have been proper. If a defendant does not challenge venue in a timely fashion, the objection to venue is waived and the case will proceed. Even where venue is technically proper, a party that is inconvenienced by the forum may file a motion with the court under 28 U.S.C. § 1404(a) to transfer the case to another forum where it might have been brought.

C. Who Can Be Sued

All infringing parties are jointly and severally liable for any infringement. Defendants who are jointly and severally liable are each responsible for the full amount of the damages awarded. Thus, the patent owner has the option of suing a single infringer or joining, as codefendants, the manufacturer, distributors and customers. The only limitation is that a patent owner can only recover the full amount of damages once. If a patent owner sues the manufacturer of an infringing device and recovers 100% of its damages from the manufacturer, the patent owner cannot then sue the distributors to collect additional damages.

A patent owner may also sue contributory infringers and persons or corporations that induce infringement. Where there are multiple lawsuits pending in different jurisdictions, a patent owner may proceed first against the primary infringer and stay the suit against the secondary infringer until the primary infringement suit has been fully adjudicated. This rule normally applies even where the suit against the primary infringer was filed after the secondary infringement suit. Principles of equity are considered in granting or denying a stay in such instances and the general rule will be ignored where equity demands.

In most instances, a corporation's directors, officers, shareholders and employees are not personally liable for acts of infringement against the corporation. However, when such a person affiliated with the corporation actively induces or encourages infringement, that individual may be held personally liable.

D. The Complaint

(1) Action by Patent Owner

The federal court lawsuit commences when the plaintiff files a complaint with a federal court. The complaint is typically filed with a summons, and these two documents are then served upon the defendant. Rule 4 permits a delay in service of up to 120 days after the complaint is filed. This time period can be used by the plaintiff to pursue/evaluate settlement options. Upon filing of the complaint, the court clerk will assign a docket number to the case and establish a case file. Under the local rules of the court, the case is typically assigned randomly to a federal judge when the complaint is filed. That judge will preside over the case for the duration of the lawsuit. Many courts also have a magistrate judge practice where a magistrate judge is also assigned to the case and typically rules on routine discovery matters.

The relief sought by the plaintiff should be specifically pled. The plaintiff should plead a request for injunctive relief, compensatory damages, damages for willful infringement and attorney fees and costs, if appropriate. Forms of relief available in patent infringement actions include damages pursuant to 35 U.S.C. § 284, which must be at least a reasonable royalty or lost profits. The patent owner should also request pre-judgment interest, attorney fees as provided by Section 285, if applicable and injunctive relief from the infringement.

If a jury trial is sought, it must be requested in accordance with Rule 38. Either party can demand a jury trial. The rule provides that a separate jury demand may be made "at any time after the

commencement of the action and not later than 10 days after the service of the last pleading directed to the issue.”

(2) Declaratory Judgment Action by Accused Infringer

A declaratory judgment action, in accordance with 28 U.S.C. § 2201, permits the potential defendant in a patent dispute to become the plaintiff by taking the initiative in filing suit in an appropriate forum and asking for a declaration of non-infringement, unenforceability and/or invalidity. The principal basis upon which a possible patent defendant may seek a declaratory judgment is that an actual controversy exists between the parties. For example, the alleged infringement cannot be merely speculative or prospective. Further, the potential infringer must have a reasonable apprehension that the patent owner will bring suit. This typically means that there must have been an actual or implicit charge of infringement so as to put the declaratory complainant under a reasonable apprehension that the patent owner will seek to enforce its patent. Some data support the view that it is more advantageous in a jury proceeding to be in the position of plaintiff, rather than defendant, thus motivating one to bring such an action, particularly if such a move will allow litigation in a particularly favorable forum.

E. The Answer

Rule 12 of the Federal Rules of Civil Procedure provides that within twenty days after service of the summons and complaint, the defendant is required to file an Answer presenting its defenses. The Answer must set forth its position on the allegations in the complaint. All affirmative defenses must be raised in the responsive pleading. Certain defenses, including non-infringement of the patent, absence of liability for infringement, unenforceability, invalidity of the patent and failure to comply with 35 U.S.C. § 112, must be pled.

In the Answer, the defendant should assert, as a counterclaim, any claim that it has against the plaintiff. If the patent owner is the plaintiff the defendant will often include a counterclaim for declaratory judgment of invalidity and non-infringement of the patent asserted by the plaintiff. This step prevents unilateral dismissal of the action by the plaintiff, and therefore provides negotiation leverage to a defendant that has been damaged by a suit based upon a patent secured by inequitable conduct or otherwise filed in violation of Rule 11 of the Federal Rules of Civil Procedure, which requires that claims and defenses not be filed for improper purposes, be warranted by existing law and have evidentiary support for the facts. Counterclaims, like the complaint, set forth the jurisdictional basis for the counterclaim and provide a short statement to give the plaintiff notice of what the defendant’s counterclaim is and the grounds upon which it rests.

Inequitable conduct before the Patent Office is a form of fraud that must be specifically pled. A mere allegation of inequitable conduct will be insufficient. If the accused party has insufficient knowledge of facts underlying alleged inequitable conduct at the time the complaint is filed, inequitable conduct should not be included in a complaint or a counterclaim. Rather, the accused party should amend the pleading once specific information has been developed that permits the standard of particularity for pleading “circumstances constituting fraud” to be satisfied.

Cross-claims against a third party are also permitted under Rule 8. The most common cross-claims in a patent action are those seeking indemnification.

There must be a reply to a counterclaim. The reply to the defendant's counterclaim must be served within twenty days after service of the defendant's Answer.

Rule 12 allows a defendant to raise a number of defenses by motion. Where appropriate, an accused infringer may file a motion to dismiss or a motion to transfer. Courts favor transferring a case to a district where venue is proper over dismissing the case.

2. FEDERAL COURT DISCOVERY

Pre-trial discovery is the phase of a lawsuit in which the parties attempt to gather information about the opponent's facts and contentions on the issues of the case. Discovery can seek anything that appears reasonably calculated to lead to the discovery of admissible evidence. The length of the discovery period (generally six to twelve months or longer) is established by the court in its scheduling order.

The Federal Rules of Civil Procedure provide several tools that can be used to obtain information from opponents and third parties. The following is a general description of these discovery tools:

A. Interrogatories

These are written questions sent by one party to another, which must be answered under oath. The party must respond not only as to those facts known, but also with facts that are reasonably available. Interrogatories are useful for obtaining information that includes the names of knowledgeable individuals, product identifications, dates of production and other relevant information. Interrogatories are typically classified into fact interrogatories, contention interrogatories and expert interrogatories.

B. Requests for Documents and Things

These are requests from a party to an opposing party to produce any and all documents (not privileged) that may be relevant to (or lead to the discovery of matters relevant to) the issues in the lawsuit for inspection or copying by the requesting party. Inspection of premises and devices may also be permitted.

The request for documents is the most useful discovery tool. Document requests can identify specific documents, but more typically describe categories of documents. The rule for production of documents allows two alternatives for producing documents. Either the documents can be produced "as they are kept in the usual course of business" or they can be organized and labeled to correspond to the categories in the document requests.

Electronically saved information is also discoverable and may require the retention of a third party to search and procedure.

Documents may be obtained from third parties by means of a subpoena under Rule 45. The rule authorizes the subpoena to merely require production of the documents or it may also request the person on whom it is served to appear and give testimony at the same time.

In addition to authorizing inspection of documents, Rule 34 provides for inspection, copying, testing or sampling of things that are relevant under the standard of Rule 26. This can be important in patent cases that often involve machines, products and other tangible things. Rule 34 also provides for entry upon land for inspection and other purposes. This means that an opponent's factory, machines and other facilities can be inspected.

One thing to bear in mind is that all documents must be preserved and no document destruction or overwriting, even routine, should take place once litigation is anticipated.

C. Requests to Admit

These are written propositions of fact used for obtaining admission of undisputed facts. The responding party must answer based on knowledge and good faith.

D. Expert Reports

Rule 26 requires a party to provide an expert report for each person "retained or specially employed to provide expert testimony" or for any person "whose duties as an employee of the party regularly involve giving expert testimony." The report is required to include a statement of the opinions to be expressed, the basis and reasons therefor, the data and other information considered by the expert in formulating the opinion, any exhibits to be used, the qualifications of the expert, the compensation to be paid to the expert and a list of cases in which the expert has testified.

E. Depositions

A deposition is a procedure for taking oral testimony of witnesses, including expert witnesses and non-party witnesses. Subpoenas may be issued under Rule 45 for non-party witnesses in any part of the United States. Depositions of a corporation may be taken under Rule 30(b)(6) through persons designated by the corporation to be knowledgeable as to the specified facts or issues. Depositions are frequently used to impeach the testimony of the deponent who later testifies at trial.

(1) Reasons for Taking Depositions

In oral depositions, an attorney asks questions of the witness and both the questions and answers of the witness are recorded by stenographic or other means. The procedure is similar to an examination in a courtroom, except that no judge or jury is present. Oral depositions give the examining attorney a measure of surprise, thereby reducing the likelihood of the witness giving pre-rehearsed answers. The answers given by the witness may open wholly new areas of inquiry

that can be explored before the witness has an opportunity to develop theories or strategies that change from the facts of the situation.

Many good reasons exist for taking depositions, including:

- (a) Discovering the strengths and weaknesses of the adversary's case, *e.g.*, the facts underlying an infringement claim or invalidity defense, as well as the quality and credibility of witnesses;
- (b) Obtaining the opposing party's commitment to positions and commitment to having knowledge or lack of knowledge concerning critical issues;
- (c) Discovering facts and obtaining evidence for use at trial including authenticating documents, developing prior art, etc.;
- (d) Perpetuating testimony for later use at trial;
- (e) Obtaining impeachment and effective cross-examination material for use at trial;
- (f) Securing admissions against interest for purposes of supporting a motion for summary judgment, favorable settlement or victory before the judge or jury;
- (g) Pinning down the adversary's story to avoid being surprised at trial and to narrow the issues in the litigation.

A discovery deposition should only be taken if the benefit of educating and committing the witness to a story is more important than exposing your case to the other side. Further, a cost-benefit analysis must determine if it makes sense to conduct depositions. Alternative forms of discovery, *e.g.*, requests for production of documents, requests for admissions, interrogatories, etc., may be more cost effective than oral depositions in preparing for trial. Before embarking on a deposition, it is important to consider your objectives. Admissions or commitments as to knowledge or lack of knowledge obtained from the adverse party by means of depositions can represent the difference between success and failure on summary judgment. It is more difficult for a party seeking to oppose a summary judgment motion to create the necessary issue of fact with respect to its own deposition testimony than it is with respect to affidavits filed on behalf of the party moving for summary judgment. With the limitation on the number of depositions that may be taken by each side, one must be selective in choosing whether to take a particular deposition.

Corporations may be examined in accordance with Rule 30(b)(6) through their officers or managing agents who are acting in those capacities at the time of the examination. The Rule 30(b)(6) deposition notice must describe in detail the matters requested for examination. In response to a Rule 30(b)(6) deposition notice, a corporation must designate one or more officers, directors, managing agents or other persons to respond to matters for examination identified in the deposition notice.

Currently, a party cannot take more than ten depositions, each lasting no more than seven hours. Further, a party cannot reexamine a previously deposed witness or take a deposition prior to the time specified in Rule 26(d) without permission of the court or stipulation by the parties. A Rule 30(b)(6) deposition counts as one deposition even if more than one person is designated to testify. The limitation on depositions and scheduling for discovery is designed to encourage cooperation between the parties during initial discovery.

The best place for a deposition is normally at a location which you control. It may be beneficial to take the deposition at the opposing party's plant or manufacturing facilities where documents and other physical evidence will readily be available. If the plaintiff is a non-resident, courts have generally held that you can require the plaintiff to attend depositions in the forum where the action has been filed. A subpoena to a non-resident witness must issue from the court for the district in which the deposition is to be taken, generally near the witness' residence. Videotaping of the deposition is effective in sobering a witness or his counsel if disputes are anticipated, and can be useful if the testimony is to be used at trial because the witness is unavailable or is beyond the court's subpoena power.

Thorough preparation and organization are keys to a successful deposition. Because the testimony given in a deposition may determine the ultimate outcome of the litigation, attorneys must carefully prepare and establish goals or objectives to be obtained for each deposition. In general, the preparation should include:

- (a) Acquiring an in-depth knowledge of the facts and legal issues involved in the litigation through a review of pleadings, substantive law and all information provided by the client or acquired during the investigation;
- (b) Preparing an outline of points that the attorney intends to cover; however, writing out each of the questions to be asked should be avoided since this reduces the attorney's ability to be flexible and spontaneous in the interrogation;
- (c) Reviewing, organizing and identifying all documentary or demonstrative evidence intended for use during the course of the interrogation;
- (d) Obtaining as much information as possible about the background and temperament of the person being deposed; and
- (e) Organizing and digesting references to the current deponent from depositions of others.

(2) Preparing a Witness for Deposition

A deponent should understand what a deposition is and how to conduct himself/herself at the deposition. The attorney should explain that a deposition is a procedure by which an opponent learns about the case by asking questions to be answered under oath and that it may be used in the litigation for impeachment or for supporting a motion for summary judgment. The preparation of a witness should include:

- (a) Understanding who else will be present at the deposition, i.e., opposing counsel, court reporter and perhaps a representative of the opposing party, but no judge or jury;
- (b) Describing the procedure by which the deposition will be conducted, including objections, and explaining to the deponent that he/she should pause before answering a question, which permits time for the defending attorney to object and also encourages the careful consideration of each question by the witness;
- (c) Explaining the importance of giving truthful and responsive answers while avoiding argument, speech-making and volunteering;
- (d) Explaining that the shortest answer is normally the best answer, and that the longer the answer, the longer the deposition and the greater the opportunity for opening doors into new cross-examination by opposing counsel;
- (e) Discussing as much as possible about opposing counsel's style and personality and reviewing all subject matters on which the deponent is likely to be deposed. The deponent should be interrogated on those subjects to evaluate the deponent's responses before the deposition;
- (f) Describing to the witness that he/she should only answer questions that are understood. If there is any doubt, the deponent should ask that the question be clarified or restated. The deponent should only respond to questions that are asked rather than questions the deponent thinks should have been asked. The deponent should also be told to testify only as to those things about which he/she has personal knowledge, not to give speculative answers or opinions and not to volunteer information;
- (g) Advising the deponent that he/she may be asked if he/she has met with counsel before the deposition, and to respond truthfully about such meetings. However, discussions between the attorney and client are not discoverable, and the deponent should be advised that he/she will be instructed to not respond to a question which elicits attorney-client communications; and
- (h) Explaining to the deponent that during the deposition, the interrogating attorney will usually ask what the deponent has done to prepare for the deposition and whether any documents have been used to refresh the deponent's memory or for the purpose of testifying or in preparation for testifying. It is important to avoid discussing the case with anyone other than counsel and to limit or avoid using such documents to refresh one's recollection, if possible, during the preparation process since the interrogating attorney may request production of those documents.

F. The Required Disclosures of Rule 26

Rule 26 requires the disclosure of information in documents without waiting for an adversary's formal request. The required disclosures include an identification of individuals who have discoverable information relevant to disputed facts alleged in the pleadings, copies of documents

relevant to disputed facts alleged in the pleadings, computation of damages, access to insurance agreements and the names of expert witnesses who will testify at trial.

G. Restrictions on Discovery

(1) Protective Orders

Much of the work undertaken by a company involves confidential, trade secret or otherwise sensitive and proprietary information. Consequently, before producing documents or materials that are in any way confidential or proprietary, the parties must negotiate a suitable protective order. This protective order defines how confidential, trade secret and proprietary information will be treated and handled by the parties. It will limit those to whom disclosure of such information may occur and may prohibit disclosure of confidential information to employees of the other party. Frequently, the protective order will specifically identify those individuals who can see confidential information. For example, it may be permissible for an in-house attorney who is neither involved with the patent prosecution work of a party nor responsible for managerial or business decision-making for that party to be named in the protective order and to have access to the opposing party's confidential information. Protective orders also permit disclosure to trial attorneys for each side as well as independent experts hired by a party. A protective order may specify at least two categories of documents. The most sensitive may be disclosed only to outside counsel and expert witnesses, while less sensitive documents may be available to selected employees of an opposing party.

(2) Claim of Privilege

It is possible to withhold from discovery privileged materials, *i.e.*, attorney-client communications and work product an attorney or party prepared in anticipation of any litigation. The withholding party must still, however, describe the nature of the documents, communications or things that are being withheld, and provide sufficient information to enable an opponent to assess the applicability of the claimed privilege. It is generally necessary to supply the names of the author and all persons who received the documents or copies, the date, the subject matter contained in the document, without compromising the confidential information that is withheld.

3. CLAIM CONSTRUCTION or MARKMAN PROCEEDING

In 1995, the Federal Circuit found in *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (1995), that: “competitors should be able to rest assured, if infringement litigation occurs, that a judge, trained in the law, will similarly analyze the text of the patent and its associated public record and apply the established rules of construction, and in that way arrive at the true and consistent scope of the patent owner’s rights to be given legal effect.” The *Markman* decision requires that the court interpret the language in a patent claim and then instruct the jury on its meaning. It has become common practice for the court to make a *Markman* determination before ruling on any motions for summary judgment regarding infringement or validity. Many federal courts today typically employ a separate proceeding to construe the claims as required by the *Markman* decision. During a *Markman* proceeding, the parties will identify any claim terms in

dispute and file briefs in support of their respective interpretations. The court generally holds a hearing after briefing is complete, during which a technical tutorial may be presented, if useful, and testimony of witnesses, including experts, may be offered. The court's ruling on the *Markman* hearing will determine the claim construction for the remainder of the case.

4. MOTION PRACTICE

Motions are requests for a court order, typically made in writing, and accompanied by a “brief” or memorandum of law in support of the requested relief. Support for the motion is contained in exhibits, which may be documents, deposition transcripts, pleadings, sworn declarations or affidavits, or discovery responses. The party opposing the motion likewise submits a memorandum of law, setting forth the reasons why the motion should be denied. It, too, may include exhibits. Court rules may permit the moving party to file a “reply” to the opposition papers. Moreover, the non-movant may make a cross-motion on the same legal question but seeking the opposite relief. Significantly, a motion is never decided by a jury; it is always decided by the court. The following are some typical motions in federal court proceedings.

A. Motion for Separate Trial

We frequently see motions for separate trials (also known as motions to bifurcate) in patent litigation. Under F.R.C.P. 42(b), the court may conduct separate (and later, in terms of timing) trials on any claim, cross-claim, counterclaim or any separate issue for its own convenience, to avoid prejudice to any party, or to expeditiously and economically resolve the controversy.

A motion to bifurcate may be accompanied by a motion under Rule 26(d) to stay discovery on the issue to be severed. A court may also decide to separate out single issues for advanced trial and discovery when resolution of the severed issue would dispose of the entire controversy. Examples of dispositive questions in patent infringement actions are whether there were prior sales or public use that would invalidate a patent, as well as issues relating to anticipation, estoppel, laches, inequitable conduct and the like.

Motions to bifurcate liability and damages issues in patent cases are frequently filed and sometimes granted, often before substantial discovery has occurred. A party may also move to bifurcate litigation of willful infringement. Motions to bifurcate may be accompanied by a motion to stay discovery on the bifurcated phase. If the patent owner fails to establish liability for infringement, then the litigation ends with substantial savings in time and expense without probing into damages or willfulness issues.

B. Motion for Preliminary Injunction

One form of relief sometimes available to a patent owner is a preliminary injunction prohibiting the accused infringer from continuing its allegedly infringing activities during pendency of the case. Injunctive relief in patent cases is authorized by 35 U.S.C. § 283, which provides that [t]he several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.” Such extraordinary relief is afforded because the principal

value conferred by the patent statute is the right to exclude others from making, using or selling the claimed invention. (35 U.S.C. § 154). (If monetary relief were the sole relief afforded by the patent statute, then injunctions would be unnecessary and infringers could become compulsory licensees for as long as the litigation lasts.)

F.R.C.P. 65(a) expressly requires that a court give notice to an adverse party before issuing a preliminary injunction. The court will also require that a successful movant post a bond, for compensating the enjoined party in the event the court later decides the preliminary injunction was inappropriately granted.

The Federal Circuit has stated that, as a general rule, a preliminary injunction should not issue on the basis of affidavits alone. The Federal Circuit has cautioned that the danger of disturbing the balance between antitrust concerns and the need to protect intellectual property rights may be great where the plaintiff occupies a dominant position in the relevant market. However, where the magnitude of the inquiry would make a hearing impractical, a preliminary injunction may issue on the basis of affidavits alone.

The scope of an evidentiary hearing for a preliminary injunction may vary. Formal evidentiary hearings tend to resemble actual trials, with each side presenting evidence through live direct and cross-examination. The benefit of presenting evidence through witnesses is especially important in the trademark and patent areas, where a plaintiff can totally prevent the conduct of a defendant's business through the use of these injunctions.

Preliminary injunctions are granted sparingly. Yet, because a successful moving party may garner significant leverage for an early settlement, if circumstances favor such relief, a prospective plaintiff should strongly consider filing a motion.

C. Motions for Summary Judgment

A motion for summary judgment is an attempt to resolve the entire case or portions of it prior to trial. The burden is on the moving party to demonstrate that no material facts in the case are in dispute and that judgment is proper as a matter of law. Although a motion for summary judgment is typically filed near or after the close of discovery, the movant may move for summary judgment much earlier. Motions for summary judgment may be supported by affidavits, depositions, and answers to interrogatories or other admissible evidence. The opposing party must respond with contrary evidence to avoid the entry of judgment. It is not sufficient for the opposing party to respond simply by disagreeing with the moving party's proffered evidence. Motions for summary judgment are frequently considered as a device for narrowing factual contentions.

The Supreme Court encouraged the use of summary judgment by the courts in deciding a trilogy of cases in 1986. The Court restated the importance of summary judgment even in complex cases and placed the burden upon the party opposing summary judgment to come forward with evidence that a genuine issue of material fact exists. Prior to the Supreme Court's trilogy of summary judgment cases, the Federal Circuit had already approved the use of summary judgment in patent cases.

(1) Summary Judgment for the Patent Owner

While summary judgment should be equally available to the patent owner and accused infringer, the patent owner rarely obtains a summary judgment of validity. By raising issues of fact concerning the nature and content of the prior art, differences between the prior art and the patent claims, and the level of ordinary skill in the relevant art, an accused infringer normally can defeat the patent owner's summary judgment motion for validity. The patent owner can, however, seek a summary judgment of infringement. By disposing of the infringement issue prior to trial, the issues at trial are narrowed, thereby simplifying the trial.

(2) Summary Judgment for the Accused Infringer

Whether the accused infringer is a defendant in a patent infringement case or the plaintiff in a declaratory judgment action, the accused infringer is more likely to prevail on summary judgment than the patent owner. Summary judgments of invalidity are more difficult to obtain than summary judgments of non-infringement. Summary judgments of invalidity are more likely granted in response to a motion based upon one of the statutory bars under 35 U.S.C. § 102 than one based on "obviousness" under 35 U.S.C. § 103. Summary judgments based on a showing of unenforceability because of inequitable conduct are quite rare. Those cases involve contested factual issues concerning intent. Summary judgments of non-infringement are the most commonly granted motions in patent cases. In almost all cases of summary judgment for non-infringement, there has been a clear omission of one or more elements from the patent claims, a substantially different mode of operation or a clear prosecution history estoppel.

5. TRIAL PREPARATION AND TRIAL

The trial of a patent case will inevitably include consideration of at least two issues: (a) Is the patent valid? And (b) Has the alleged infringer actually infringed? Patent validity may involve consideration of whether the patented invention is anticipated under 35 U.S.C. § 102, and whether it was obvious, in view of the prior art, under 35 U.S.C. § 103. Prior art, of course, includes patents, published literature and other available information that was in existence at the time the invention was made.

As set forth in *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1566 (Fed. Cir. 1987), the first determination in assessing patent validity under 35 U.S.C. § 103, is the pertinent prior art and what has been claimed:

Analysis begins with a key legal question- what is the invention claimed? Courts are required to view the claimed invention as a whole, 35 U.S.C. § 103 ... another key preliminary legal inquiry is – what is the prior art?

Id. At 1597.

The trier of fact must also go through the factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966), which includes determining the scope and content of the prior art,

differences between prior art and the claimed invention, resolving the level of ordinary skill in the prior art, and reviewing objective evidence, normally referred to as “secondary considerations.” The last inquiry may include such elements as “commercial success due to the invention, a failure of others to arrive at the invention, long-felt need, movement of those skilled in the art in a different direction, skepticism of experts, copying of the invention in preference to the prior art and other events proved to have actually happened in the real world.” *Panduit* at 1598.

With regard to infringement issues, it is also necessary for the court, and each member of a jury where a jury is involved, to understand the patented technology, as well as the nature of the allegedly infringing apparatus or process, including how it operates, how it is constructed and how the patent claims “read on” the allegedly infringing device or method. A patent owner may also be required to proceed under the Doctrine of Equivalents to prove a case of infringement. If this is necessary, the trier of fact is led through what is disclosed in the patent and then educated as to what constitutes equivalents of the claimed invention. The alleged infringer has the opposite task of proving why there is no infringement or why the patent is invalid or unenforceable.

Since the judge or jury is faced with prior art patents, technical literature and other forms of technical and scientific information, each party has the task of educating to produce both understanding and comprehension. This is the primary reason why expert witnesses are important in patent cases.

A. Testimony by Experts

Under Federal Rule of Evidence 702, an expert can be permitted to testify about anything that “will assist the trier of fact to understand the evidence or to determine a fact in issue.” The primary consideration for testimony under Rule 702 is “helpfulness.” Rule 702 addresses the qualifications which can enable persons to testify as “experts.” People who do not have formal education but have had practical experience within a field may testify as experts in addition to those who have formal education.

Rule 703 of the Federal Rules of Evidence sets forth the nature of the evidence, information or material upon which an expert can base his/her opinion. There are three sources of facts or data upon which the expert can rely: (a) facts or data perceived directly and independently by the experts; (b) facts or data made known to the expert at trial; and (c) facts or data made known to the expert before the trial.

Rule 704 of the Federal Rules of Evidence allows an expert to provide an opinion on the ultimate issue of fact. In patent cases, the issues of validity, invalidity, obviousness, non-obviousness, infringement, non-infringement, willfulness and other issues are all matters that can be considered as “ultimate issues” to be decided by the trier of fact.

Rule 705 of the Federal Rules of Evidence permits an expert to give opinion testimony, together with giving reasons therefore, without prior disclosure of the underlying facts or data. The expert

may set forth qualifications and then proceed directly to the opinion, followed by an explanation of the basis for that opinion.

Rule 706 (Court Appointed Experts) of the Federal Rules of Evidence recognizes that there are instances where the court needs its own assistance in dealing with technical issues. A busy trial court faced with complex technology may require independent education or analysis if it is to understand the technology before the trial. For example, a court may find it helpful in determining a motion for summary judgment in a patent case to obtain an independent explanation of the technology and assistance in understanding the positions of the parties.

B. Types of Experts in a Patent Case

(1) Technical Experts

A technical expert in a patent case can include the inventor or an independent expert that has worked in the field or has some other basis for having the necessary familiarity with the technical subject matter. Technical experts may perform one or more of the following functions: (a) perform tests or undertake inspections concerning the accused product or process; (b) educate the court and jury as to the underlying technology; and (c) testify on a broad range of patent issues.

Technical experts may be utilized to conduct tests or inspections of the accused or patented product or process or even of a prior art product or process. These tests and inspections can be particularly desirable when the patent covers a process or method. The patent claims may specify steps or parameters that are not readily ascertainable without a physical inspection or test. The insight the expert gains from the inspection or test may be the basis for testimony at trial.

At trial, it is normal to have technical experts, including the inventor, explain the invention, underlying technology and prior art. The patent owner frequently explains how the invention is an important advance over selected prior art and how the accused product or process meets the limitations of the claims in issue, either literally or under the Doctrine of Equivalents. The patent owner's presentation often includes one expert applying the infringed claims to the accused product or process, with demonstrative evidence for illustrating the expert's testimony.

Patent infringement is an issue of fact. The Federal Circuit has permitted expert testimony on infringement, as long as it explains, in sufficient detail, whether the accused product or process meets every claim limitation literally or under the Doctrine of Equivalents. Expert testimony on the Doctrine of Equivalents may convey how the patent owner compares the "function-way-result" of the elements of the claimed invention with those elements of the accused product or process, or otherwise explain whether the differences are substantial or insubstantial.

Expert testimony concerning the underlying factual inquiries of obviousness is permissible. Technical experts have been allowed to testify concerning: (a) the general knowledge of a person of ordinary skill in the pertinent art; (b) a review and explanation of prior art and a comparison of the differences or similarities between the prior art and the claims; (c) the teachings of prior art references and the presence or absence of suggestions in the prior art for combining the prior art; (d) whether a given prior reference is enabling, and whether one skilled in the art would

understand it to be so; (e) whether modifications of prior art were known to persons skilled in the art; and (f) whether one skilled in the art would be motivated to combine the pertinent prior art references.

Expert testimony related to the so-called “secondary considerations” of obviousness, including long-felt need, failure of others and commercial success, has been allowed. With respect to means-plus-function claims, expert testimony has been permitted with respect to the structure referred to in a means-plus-function limitation, the prior art containing that structure, and whether the function of that structure is the same or equivalent to the function of the structure in the prior art.

The Federal Circuit has approved the use of expert testimony on the issue of inequitable conduct, including testimony on the issues of intent to deceive and materiality of information that was not disclosed and opine on what that information teaches one of ordinary skill in the art.

A need for expert testimony may arise in connection with the *Markman* hearings described above. The Federal Circuit has ruled that the primary sources for construing patent claims are the claims themselves, the specification and the prosecution history, *i.e.*, the so-called “intrinsic evidence.” Where ambiguity remains after consideration of the intrinsic evidence, “extrinsic evidence,” such as dictionaries, treatises and prior art, may also be considered. Expert testimony may also be helpful to the Court in arriving at an understanding of the technology and how the intrinsic evidence would be understood by a person of ordinary skill in the art. However, the decision in *Markman* has created uncertainty and inconsistency with respect to the proper role of experts, including technical experts, in connection with the patent claim construction portion of patent cases.

Expert testimony or affidavits and expert reports have been used in connection with preliminary injunction and summary judgment motions in patent lawsuits. In many instances, technical experts have been utilized to explain the technology, interpret prior art and claim language, and otherwise speak to substantive issues like infringement or obviousness.

(2) Legal Experts

A patent law expert is an individual with specialized knowledge, training, education and experience in Patent Office practice and patent law. Such an expert may also have a technical background that encompasses the technology involved in the lawsuit. The role of patent experts in claim interpretation has become disfavored, especially in view of the *Markman* decision. However, patent experts may still have a role in explaining Patent Office procedure and patent practice, particularly where inequitable conduct has been changed, and analyzing the prosecution history of the patent-in-suit.

(3) Damages Experts

If the liability phase has been concluded in favor of the patent owner and the patent has been held valid, enforceable and one or more of its claims infringed, then damages are assessed. Economic experts can testify during trial (if the case is not bifurcated) on the profits lost by the

patent owner, assuming the measure of damages is “lost profits,” and on the value of the patent when the measure of damages is a “reasonable royalty.” If the measure of damages is a reasonable royalty, a damages expert can be helpful in explaining how licenses are negotiated.

Accounting experts normally compute the amount of damages based on appropriate accounting practices. Licensing experts present evidence with respect to the reasonable royalty measure of damages by applying the factors of *Georgia Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1121 (S.D.N.Y. 1970). Industry experts normally testify on issues relating to the patent owner’s entitlement to lost profits. Finally, economists normally deal with issues addressed by industry experts, such as analyzing the “relevant market” and dealing with lost profits theories based on price erosion or market share.

Normally, the parties rely on industry or patent licensing experts in determining the reasonable royalty measure of damages. The licensing expert typically applies the Georgia-Pacific factors and his/her knowledge and experience in drafting and negotiating license agreements in the pertinent field. In making the royalty determination, it is appropriate to look to other licenses of the parties and other licensing practices in the pertinent industry as well as the testimony of witnesses on commercial success or the pioneering nature of the patented invention.

Damages experts may also be employed in assessing lost profits depending on the facts and circumstances of the case. If there is a two-supplier market, or if the damages are strictly tied to lost bids for specialized contracts, the parties may employ an accounting expert as well as industry and technical experts. If “lost profits” is the appropriate measure of damages, a technical expert deals with the issue of non-infringing substitutes and commercial success. Industry experts, including marketing employees of the parties, typically address the demand for the patented product, the manufacturing and marketing capability to meet that demand and the commercial success of the patented invention. An accounting expert computes the amount of lost profits, taking into account incremental expenses and applicable gross margins, and any specific accounting practices unique to the patent owner or the industry. The accounting expert normally testifies as to the aggregate amount of lost profits and interest due.

In some instances, the patent owner pursues lost profits or reasonable royalty damages based on the “entire market value rule.” In such a case, testimony of a technical expert is needed to establish whether the patented and unpatented components were analogous to a single functioning unit.

C. Compensatory Damages

Once a patent is held valid, enforceable and infringed, the issue of damages must be addressed. In patent cases, damages are provided by statute (35 U.S.C. § 284). A patent owner whose patent has been infringed is entitled to: (a) an award of lost profits from sales the patent owner would have made “but for” the infringement; (b) a reasonable royalty on the infringing sales; or (c) a combination of lost profit and reasonable royalty. A reasonable royalty reward provides the floor below which damages cannot fall. Additionally, the patent owner is entitled to interest on the lost profits or on the reasonable royalty from the time of the infringement until the award is paid, and to the costs incurred in the district court litigation. Costs normally include amounts paid to the

court, witness fees and travel expenses, fees for transcripts and miscellaneous expenses. They do not include attorney fees. Interest and costs are included to compensate for the infringement. Thus, the lost profits of the patent owner or a reasonable royalty on the infringer's sales, or a combination of lost profits and a reasonable royalty reward, along with interest and costs, are called "compensatory damages." Further, a patent owner may be awarded enhanced damages for willful infringement, up to three times the compensating award, and may be entitled under 35 U.S.C. § 285 to attorney fees as well. Damages over and above compensatory damages are called "punitive damages." The damages issue can be addressed by either a judge or jury.

(1) Lost Profits

The typical way for a patent owner to prove entitlement to lost profits damages is the test set forth in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978). The *Panduit* test requires that a patent owner establish: (a) demand for the patented product; (b) absence of acceptable non-infringing substitutes; (c) the patent owner's manufacturing and marketing capability to exploit the demands; and (d) the amount of profit it would have made.

Lost profits are the profits the patent owner would have made "but for" the infringement. These additional profits the patent owner would have made if the infringer had not been infringing equal the patent owner's incremental profit margin in a "but for" world times the number of sales lost to the infringer due to the infringement. Proof of lost profits generally requires a showing that: (a) but for the infringement, there is a reasonable probability that the patent owner would have made the sales; and (b) the computation of the amount supported by the evidence. The burden of proof on these issues is by a preponderance of the evidence. Any doubts about the correctness of the award are to be resolved against the infringer.

When there is a two-supplier market, satisfaction of the first two factors can normally be inferred. Further, insignificant competitors and other infringers can be ignored. In a two-supplier market, demand for the patented product would normally equal the sum of the patent owner's sales plus the infringer's sales. Thus, in a two-supplier market case, the patent owner usually need only prove the third and fourth factors -- its capacity to have made the infringing sales and the amount to which it is entitled.

Usually, "demand" for the patented product sold by the infringer is inferred from the fact that those sales were made. Other factors that have been considered relevant to the demand question include long-felt need and commercial success of the patented product.

The existence, or non-existence, of an acceptable non-infringing substitute is determined at the time of the infringement. Thus, among other things, continued infringement after an infringement suit has been filed is evidence of the absence of an acceptable non-infringing alternative. To be an acceptable non-infringing alternative, the alternative must have all of the advantages of the patented product. Thus, the fact that a product competes in the marketplace does not necessarily make it an acceptable non-infringing product. Even when there are acceptable non-infringing alternatives in the marketplace, the patent owner may still be able to establish its entitlement to lost profits based on its share of the market. However, the patent owner must still prove that its product and the infringer's product are similar, competing for the

same customers. In such a case, the patent owner would be entitled to a reasonable royalty on the remaining infringing sales, those for which lost profits were not proven.

Regardless of the number of the suppliers in the market, the patent owner must establish that it had the ability to manufacture and sell the infringing products. However, in-place capacity is not required; neither is bidding on each product. The manufacturing capacity requirement has been met by showing that the work could have been subcontracted, that the patent owner's facilities were sufficient to manufacture the product, or that the patent owner could have expanded its facilities enough to meet the demand for the infringing product. The need to run extra shifts is not sufficient to prevent capability. The marketing capacity requirement has been met by showing that the patent owner had developed the market, protected its market and had substantial sales and advertising budget, employed direct salesmen and is aware of sales techniques necessary to obtain orders from large corporate buyers. If lack of manufacturing or marketing capacity is due to the infringement, then the capacity requirement is considered satisfied.

The amount of damages need not be proven with precision, but cannot be speculative. The most straightforward calculation involves determining the dollar volume of infringing sales and multiplying it by the patent owner's gross or incremental profit margin. Fixed costs – costs that do not vary with increases in production -- are excluded from the calculation. Examples of costs that are normally fixed are management salaries, property taxes and insurance.

The amount of damages determined by multiplying the number of infringing sales by the patent owner's gross profit margin may not be adequate to compensate for the infringement. For example, the patent owner will generally be entitled to additional compensation if there is proof that, without the infringer in the market, (a) the patent owner could have charged more for its product; (b) the demand for the patented product would have been greater; or (c) the patent owner would have sold other non-patented products along with its sales of the patented products sold by the infringer ("convoyed products").

When an additional supplier enters the market, the potential for price competition increases. Price competition frequently results in "price erosion." If an infringer competed through price, it normally follows that the patent owner could have charged more, absent the infringer. A court can take into consideration what alternatives would have competed at the higher price. Evidence to be considered on this issue includes: the relative prices charged by the patent owner and the infringer; a decrease in price or increase in discounting by the patent owner following the infringer's entry into the market; retarded sales growth attributable to the drain of substantial litigation; and the reasons why a bid was lost or won, as might be found in bid documents or the testimony of those actually selling the product.

Occasionally, the infringer will offer a product which is of a lesser quality than that offered by the patent owner. In such case, that offering may affect the reputation of the product and, therefore, affect the sales of the patent owner's product.

The "entire market value rule" permits the patent owner to recover damages based on unpatented products that the patent owner would normally expect to sell with the patented product. Factors to be considered include the way products are marketed, price lists, industry practice of selling

the unpatented product with the patented product, marketability of the unpatented product by itself and physical dependence of the unpatented product on the patented product.

(2) Reasonable Royalty

When lost profits cannot be established, the patent owner is still entitled to at least a reasonable royalty on the sales the infringer made of the patented product. By statute, a reasonable royalty is the “floor” below which damages cannot fall. A reasonable royalty award is normally determined by multiplying the infringer’s total sales of infringing product by the reasonable royalty rate. The royalty rate to be used in a damages calculation can be determined by: (a) constructing a hypothetical negotiation; (b) applying an established royalty rate; or (c) using the “analytical approach.”

The hypothetical negotiation is based on the following premise: “[a] reasonable royalty is an amount ‘which a person, desiring to manufacture and sell a patented article, as a business proposition, would be willing to pay as a royalty and yet be able to make and sell the patented article, in the market, at a reasonable profit’.” A reasonable royalty, in other words, is the amount the infringer would have been willing to pay prior to beginning its infringement in an arm’s length negotiation.

The negotiation cannot be treated as the equivalent of ordinary royalty negotiations among truly willing patent owners and licensees. Such an approach would ignore the cost of litigation and would impose a compulsory license on the patent owner.

In *Georgia-Pacific*, the court set forth a list of fifteen factors to be considered in determining a reasonable royalty. The patent statute, *i.e.*, 35 U.S.C. § 284, itself contemplates a role for experts in assessing damages by providing: “[t]he court may receive expert testimony as an aid to the determination of damages or of what royalty would be reasonable under the circumstances.”

In determining the reasonable royalty rate using a hypothetical negotiation approach, fifteen factors are normally considered:

- 1) Royalties received by the patent owner for the licensing of the patent-in-suit, proving or tending to prove an established royalty;
- 2) Rates paid by the licensee for the use of other patents comparable to the patent-in-suit;
- 3) Nature and scope of the license, as exclusive or non-exclusive, or as restricted or non-restricted in terms of territory or with respect to whom the manufactured product may be sold;
- 4) The licensor’s established policy and marketing program to maintain his patent monopoly by not licensing others to use the invention or by granting licenses under special conditions designed to preserve that monopoly;

- 5) The commercial relationship between the licensor and licensee, such as whether they are competitors in the same territory in the same line of business, or whether they are inventor and promoter;
- 6) Effect of selling the patented specialty in promoting sales of other products, the existing value of the invention to the licensor as a generator of sales of non-patented items and the extent of such non-patented sales;
- 7) Duration of the patent and the term of the license;
- 8) Established profitability of the product made under the patent; its commercial success and its current popularity;
- 9) Utility and advantages of the patent property over the old modes or devices, if any, that had been used for working out similar results;
- 10) Nature of the patented invention, the character of the commercial embodiment of it as owned and produced by the licensor and the benefits to those who have used the invention;
- 11) Extent to which the infringer has made use of the invention and any evidence probative of the value of that use;
- 12) Portion of the profit or of the selling price that may be customary in the particular business or in comparable businesses to allow for the use of the invention or analogous invention;
- 13) Portion of the realizable profit that should be credited to the invention as distinguished from non-patented elements, the manufacturing process, business risks or significant features or improvements added by the infringer;
- 14) Opinion testimony of qualified experts; and
- 15) Amount that a licensor (such as the patent owner) and a licensee (such as the infringer) would have agreed upon (at the time the infringement began) if both had been reasonably and voluntarily trying to reach an agreement; that is, the amount which a prudent licensee -- who desired, as a business proposition, to obtain a license to manufacture and sell a particular article embodying the patented invention -- would have been willing to pay as a royalty and yet be able to make a reasonable profit and which amount would have been acceptable by a prudent patent owner who was willing to grant a license.

Alternatively, in determining a reasonable royalty rate, the “analytical approach” may be used. This approach is based on a hypothetical negotiation between a willing licensor and a willing licensee, but focuses primarily on what the infringer would have been willing to pay. In certain cases, it can yield a very high royalty rate, particularly if the infringer’s expectations prior to the infringement were high and can be proven. There is no requirement that the infringer actually

make any profit, but rather only that it expected to do so. The analytical approach may begin with the anticipated gross profit of the infringer, subtracting the infringer's overhead expenses, allocating an acceptable or normal net profit to the infringer and awarding the remaining profit to the patent owner.

D. Willful Infringement

Under 35 U.S.C. § 285, it is within the court's discretion to grant attorney fees to a prevailing party in an exceptional case. Where the patent owner is the prevailing party, conduct of the infringer that may make the case exceptional is misconduct during the litigation or a frivolous defense to the suit. Further, an exceptional case has been established by proving, clearly and convincingly, a case of willfulness.

E. Limitation on Damages

In certain circumstances, the amount of damages may be limited by statute or by the equitable doctrines of "laches" and/or "estoppel." Under 35 U.S.C. § 287, damages generally cannot be collected unless the public was given constructive notice of the patent-in-suit by marking the patented product with the patent number, unless the infringer had actual notice of the alleged infringement. The filing of the suit constitutes notice. The marking requirement does not extend to patented methods. If both a product and a method are patented and are asserted against an alleged infringer, then notice that the product is patented is required to collect damages for infringement of the method. By statute, the period for collecting damages cannot extend back more than six years from the filing of the suit.

When the patent owner has delayed in filing suit such that the delay is unreasonable, inexcusable and prejudicial to the alleged infringer, then laches may prevent the collection of damages for the period preceding the filing of the suit. If the patent owner has delayed more than six years from the time it became aware of the infringement, then a presumption that the delay was unreasonable, inexcusable and prejudicial arises. The burden of going forward with evidence to overcome the presumption shifts to the patent owner. However, the ultimate burden of persuasion on the defense of laches remains with the alleged infringer at all times. Involvement in other litigation or delay by the United States Patent Office are some of the justifications courts have recognized to rebut the presumption.

Equitable estoppel, may bar all damages, past and future. Equitable estoppel requires proof of (a) affirmative conduct by the patent owner (either action or misleading inaction) which led the alleged infringer to believe that it would not be sued for infringement; (b) detrimental reliance on the patent owner's conduct by the alleged infringer; and (c) material prejudice to the infringer due to that reliance, if the patent owner is allowed to proceed with its suit.

F. Section 282 Notice

Section 282 of the Patent Act provides that, in actions involving the validity or infringement of a patent, the party asserting invalidity or non-infringement shall give notice to the adverse party of the prior art to be relied upon at trial. The notice is required to be in the pleadings, or otherwise

in writing, at least thirty days before trial. Notice must include the country, number, date and name of the patentee of any patent; and the title, date and page numbers of any publication to be relied upon in an anticipation defense against the patent-in-suit or in a showing of the state of the art. Also required is the name and address of any person who may be relied upon as the prior inventor, or as having prior knowledge of or as having previously used or offered for sale the invention of the patent-in-suit. In the absence of such notice, proof of the matters required under the notice may not be made at trial except as the court permits.

G. Final Pre-Trial Conference

A final pre-trial conference is typically held before, but as close to the trial date as is reasonable. The conference serves to formulate a plan for the trial. Pre-trial orders are prepared in advance to extensively set out admitted facts, facts in dispute, a statement of legal issues (agreed and contested), a list of all witnesses and all exhibits to be offered into evidence. A court order is entered that becomes a blueprint for the trial.

The importance of the final pre-trial conference cannot be overstated. The court can be expected to address the question of how and when evidence will be admitted into the record, including a system for resolving evidentiary objections. In many cases, the court will already have required the parties to exchange exhibit lists and lists of objections prior to the final pretrial conference. The court may require that the parties attempt to resolve evidentiary objections and come to the pre-trial conference prepared to argue or waive any unresolved objections. In a patent case, the parties can expect encouragement to agree to the authenticity of documents, unless there is a genuine issue as to an individual exhibit.

A final pre-trial order is entered after the final pre-trial conference is held. The final pretrial order addresses several matters including the order of proof; the factual, legal and procedural stipulations; the admissibility of exhibits; a detailed statement of the undisputed facts; and a statement of the factual and legal issues still in controversy. The final pre-trial order can be modified only to “prevent manifest injustice.”

The method of formulating the final pre-trial order is within the court’s discretion. Normally, a broad range of items are included in the final pre-trial order, including:

- (a) Statement of the nature of the action, the pleadings in which the issues are raised and whether counterclaims, cross-claims, etc., are involved;
- (b) Constitutional or statutory basis of federal jurisdiction together with a brief statement of the facts supporting such jurisdiction;
- (c) Statement of the facts which are admitted and require no proof;
- (d) Statement of the issues of fact which any party contends remain to be litigated;
- (e) Statement of the issues of law which any party contends remain to be litigated and a citation of authorities relied upon by each party;

- (f) List of pre-marked exhibits, including designations of interrogatories and answers thereto, and requests for admissions and responses, which each party intends to offer at the trial, with a specification of those which will be admitted into evidence without objection, those that will be objected to and the support for any objection;
- (g) Names and addresses of all witnesses a party intends to call to testify either in person, or by deposition, at the trial;
- (h) Statement of what plaintiff intends to provide in support of the claims, including the details of damages or other relief sought;
- (i) Statement of what the defendant intends to prove as a defense;
- (j) Statements by counterclaimants;
- (k) Any amendments to the pleadings desired by a party; and
- (l) Certification that persons having authority have explored the resolution of the controversy by settlement in good faith.

H. Motions in Limine

At any pre-trial conference, the court may consider and make advance rulings on the admissibility of evidence brought to the court's attention through "motions in limine." Early decisions concerning the admissibility of evidence will often clarify a party's likely chances of prevailing on the merits and thereby may facilitate settlement. Further, if a motion in limine is granted, the non-moving party may still have time before trial to develop an alternative line of evidence.

The effect of a pre-trial ruling to exclude certain evidence is not always dispositive of the matter. Sometimes developments at trial allow for the admission of the evidence despite the earlier ruling. In such cases, the attorney may re-offer previously excluded evidence outside the jury's presence in an attempt to revise the prior ruling and preserve the issue for appeal.

I. Proposed Jury Instructions

The Federal Rules provide that at the close of all the evidence in a jury trial, or at such time during trial as the court directs, the parties may file written requests for jury instructions. Procedures for submitting requests for jury instructions are usually found in the pre-trial order, the local rules, or are left to the discretion of the judge. Typically, requests for jury instructions are exchanged by the parties prior to the final pre-trial conference and any agreed-upon jury instructions are submitted to the court shortly before that conference. If the parties cannot resolve their differences as to particular instructions, each party is required to submit its own form of proposed jury instructions in the areas where there is disagreement, accompanied by citations to supporting authority. As a practical matter, proposed jury instructions should be prepared as early in the case as possible. The proposed jury instructions can be used as a guide to the legal

issues and the evidence needed in the case, and early preparation helps to avoid the time drain of preparing the proposed jury instructions with the final pre-trial order or at trial.

J. Trial

It is generally perceived that jury trials are more favorable to the patent owner since some jury verdicts for patent infringement damages have been very substantial. As compared to bench trials, jury trials require advanced preparation of jury instructions and more care in the development of exhibits, demonstrative evidence and trial testimony. Jury trials typically result in a verdict and final judgment much sooner than do bench trials. Moreover, a jury verdict is more difficult to overturn on appeal as to its fact-finding, assuming no prejudicial error in the jury instructions. Equitable issues that are typically not triable to a jury include an enhanced (up to treble) award of damages, an award of attorney fees (35 U.S.C. § 285) and interest awards. At the outset, there is no single “right way” to try a case. There are two goals in conducting a trial. One goal is to persuade the trier of fact, whether it be a judge or jury, to rule for your side. The second goal is to establish a record upon which findings can be made and supported on appeal. Prior to trial, it is very desirable to simplify the case into two or three issues of law and fact. It is also desirable to develop a simple theme or theory of the case. The theme will be the basis for developing a discovery plan, determining how discovery affects the theory and for outlining trial strategy.

For a case to be properly decided at trial, facts and evidence must be organized and properly presented. To be properly presented, facts and evidence must be properly prepared. Preparation begins with the first contact between the attorney and the client, and is part of the effort that should be undertaken to develop the theory or theme of the case. The theory of the case affects the choice of the forum, content and scope of discovery, determination of theories of recovery or defenses, issues to be argued and presented at pre-trial, selection of the jury, content of the opening statement, direction and scope of direct and cross-examination at trial and the closing argument at the end of trial.

(1) Witness Preparation

A determination must be made before trial as to the order of witness and evidence presentation at trial. A decision must be made as to which witnesses should testify and in what sequence to provide the “story” you need to present to the judge or jury. There may be basic underlying testimony, providing definitions and background, that needs to be presented at the beginning of the trial to educate the judge and jury about the testimony to follow. Throughout the trial proceeding, however, the role of witnesses and evidence presentation is to educate the judge or jury on the client’s view of the facts and issues of the case. The fact-finder must be able to understand the story from a factual standpoint. Expert witnesses, on the other hand, educate the fact-finder as to specific technical issues of which they have expertise and knowledge. Fact witnesses are also educators since they provide some of the factual basis and background upon which the experts later testify with their opinions.

After the witnesses have been selected and their order determined, a decision must be made as to the exhibits that will be used during their testimony. An outline of the testimony of each witness is necessary. This must be done in consultation with the witness so that the testimony is correct and consistent with the witness' view of the facts. The pre-trial preparation of witnesses also provides an assessment of the strengths and weaknesses of each witness and helps to formulate the questions that should be used at trial. These witness outlines form a roadmap for the direct examination and further preparation of witnesses prior to trial.

When witnesses are being prepared for trial testimony, potential problems should be considered. For example, based upon pre-trial deposition testimony and the opponent's trial exhibit list, a determination should be made as to what the cross-examination may involve. If, for example, parts of the witnesses' testimony to be presented at trial are inconsistent with that given by deposition, a determination should be made as to the basis for the inconsistency and whether additional facts have been developed that may explain the difference in testimony. It may be helpful to present potentially damaging facts to your case through your witnesses so that you can put your own "spin" on them. This may be a better approach than creating an appearance at trial that the client was hiding facts, which may be the perception if those facts are brought out by opposing counsel. Thus, witnesses must be given as much guidance as possible as to what they can expect on cross-examination at trial to avoid a situation in which the witness may leave the inaccurate impression that he/she is not being honest.

An effective way to resolve or limit the problem with witnesses at trial is to videotape their testimony before trial and analyze it with them. Taking a witness through the entire direct examination and expected cross-examination allows the witness to review his/her own body movements, tone of voice and impact upon the listener. By critiquing the videotape presentation and then repeating it with the witness, the witness learns how to strengthen his/her testimony at trial.

(2) Jury Selection

Each jurisdiction or court has its own manner of selecting juries. There must be at least six jurors to deliberate. The court frequently has a set of questions that it asks prospective jurors ("voir dire"). It is not uncommon for the court to request counsel to submit questions that they would like to have asked of prospective jurors. Most courts make available to counsel, before the time of jury selection, a list of potential jurors who will be included in the jury pool. This information can be reviewed in advance to provide information about the backgrounds of prospective jurors. After the court conducts its questioning of prospective jurors, a short list of potential jurors is passed back and forth between counsel, with names being struck sequentially until a jury is chosen. Typically the jury is comprised of six jurors plus two alternates. The process is not as much selecting a jury as it is deselecting or excusing jurors who are believed to be most biased.

(3) Opening Statement

After the jury is selected, the trial begins with opening statements by counsel for both parties. The purpose of the opening statement is to generally inform the court and jury as to the nature of the case, what the facts of the case are from each side's standpoint and provide a basis to enable

the jury to understand, as the evidence is presented and the testimony is heard, the relevance they bear to the case.

The opening statement should be factual in content, not conclusory. This is the first chance a jury will have to form an opinion of the case that is being presented. An error in many opening statements is to proceed in tedious detail to list all the evidence the jury will hear instead of providing the jury with a simple story. The length of the opening statement depends on the case. Studies have shown that 80% of the juries had the same verdict following opening statements as were returned following the close of trial. In fact, some of the best and most effective opening statements have been fifteen to twenty minutes in length.

The opening statement should introduce the court and the jury to the parties and include a general and accurate statement of the facts in a brief and simple manner. Exaggeration of the facts, and making unrealistic promises to the jury as to the evidence that will be presented, are errors that should be avoided. Jurors want to connect the evidence and testimony themselves, and therefore, the opening statement should provide an outline of the fundamental propositions of the case with an appeal to the common sense of the jurors.

(4) Direct Examination

After the opening statements, the plaintiff's case in chief is presented through direct examination of each of its witnesses. Examination can proceed through a combination of narrative and questions and answers. The narrative is presented with a simple question followed by a lengthy answer in which the witness is the focus of attention for a prolonged period. The question and answer approach requires questions that call for short answers. Whether the examination is conducted using narrative, question and answer, or a combination of the two, it is imperative that the testimony not appear to be rehearsed since it is not likely to be considered credible by the jury. It is important that the testimony be as truthful and convincing as possible. The impression made by an honest witness is more lasting than any argument by counsel.

While the use of leading questions on direct examination to cover preliminary and noncontroversial issues as to the background of the witness and setting the scene is rarely objectionable, questions that relate to the heart of the issue will be objected to if leading. By suggesting the answer in the question, the impact of having the witness present the facts is diminished. Jurors will wonder whether the witness would have been able to give the answer if the lawyer had not put the answer into the witness' mouth. Thus, it is best to mix narrative answers with question and answer examination to keep the focus on the main issues and prevent the examination from becoming boring. Short, simple questions that elicit direct responsive answers, asked at a reasonable pace, can be followed by any juror. Thus, the selection of an examination style, along with the use of visual aids and other demonstrative tools, is necessary to make the presentation interesting.

(5) Cross-Examination

Cross-examination requires judgment as well as the ability to know whether to ask the question and when to stop. An important tenet of cross-examination is to set specific goals. There are also

specific rules to keep in mind. The first rule is that it is difficult to get a witness to change his/her testimony. Thus, it is risky to confront a witness as to those matters about which he/she has truthfully testified. Also, it is not wise to cross-examine a witness merely to make the point to the jury that there are questions that can be asked regardless of their meaning to the case. Some attempts to cross-examine witnesses provide a second chance for that witness to make his/her point. If the jury did not understand it the first time, they probably will understand it the second time they hear it from the witness. Also, open-ended questions that allow the witness to add to his/her testimony should be avoided. Moreover, counsel will not ask questions unless they know the probable answer before the question is asked.

Maintaining control of the witness is critical in cross-examination, and is generally accomplished by using leading questions at all times. The questions should be short, simple and leave no opportunity for the witness to explain, ramble, or elaborate.. There are many examples of cross-examination in which the lawyer asked one question too many, and then heard an answer that negatively affected the case.

Cross-examination can be used to elicit additional favorable testimony that is consistent with the theory of your case. It can also be used to discredit the witness, discredit the basis or underlying rationale for the witness' testimony, cause the witness to be viewed as irrelevant or permit the jury to disregard what the witness says. It is preferable to stop a cross-examination than to argue with a witness. Moreover, cross-examination is not a deposition, and therefore, it should not be used as a fishing expedition for something a party hopes might develop.

When cross-examining an expert witness, it may not be possible to discredit the witness with respect to the technology or background presented by the witness. Instead, it may be more fruitful to determine what the expert was not told or shown. If possible, the examination should demonstrate that there were facts left unconsidered by the expert, to raise doubt in the minds of the jury as to the basis for the expert's opinion. Thus, attacking the foundation upon which the expert bases his opinion is normally more productive. Further, the scope of the expert's experience may be limited such that it is shown that the expert is knowledgeable in another area, but not an expert in the technology at issue.

(6) Objections

Every trial involves numerous situations in which objections might properly be made. It must be recognized and understood that judges and jurors do not like frequent and constant use of objections. Jurors believe that lawyers who are constantly objecting are trying to keep them, as jurors, from hearing the truth. If, on the other hand, there is a solid legal basis on which to make an objection, the objection should be made in a simple, clear and timely manner prior to the answer.

Unfortunately, important evidentiary objections need to be made to protect the record, *i.e.*, preserve any error for appeal purposes, and keep the jury from hearing or seeing improper evidence. Errors that permit the admission of evidence at trial are usually waived on appeal unless a proper and timely objection was made during trial.

(7) Offers of Proof

When an objection has been sustained that excludes evidence deemed to be important, counsel will make an offer of proof to preserve the record. The offer will also create a record so that the appellate court will know what the excluded evidence was and will be able to determine if the exclusion was proper or improper and whether or not the ruling constituted reversible error.

One approach for making an offer of proof is simply to explain to the court, out of hearing range of the jury, as to what the proposed testimony would be. Usually this is in narrative form by trial counsel. Sometimes, the witness will give the testimony, through a series of questions and answers, out of the jury's presence. This provides a verbatim transcript of the excluded testimony.

(8) Closing Argument

The closing argument is the time to reflect on the evidence presented, the witnesses and their credibility, and to summarize the case. While many juries may have arrived at initial conclusions as to who should win following opening statements, those conclusions can either be solidified or changed with closing argument. It is perfectly permissible to comment on the evidence, on inferences that can be drawn from the evidence and on the credibility of witnesses based upon testimony elicited, both during direct and cross-examination. It is objectionable, however, to argue the law in a jury case, since the judge will instruct the jury through appropriate jury instructions as to the law to be applied to the case.

Closing argument should review the theory of the case. The testimony of witnesses can be summarized and what they have said of significance pointed out to the jury. Closing arguments can be based on a logical review of the facts of the case in a strong factual case. Another approach in closing argument is to appeal to the sympathies and emotion of the jury. The most important factor with respect to closing arguments is that the person making the argument be able to relate to the jury. If the presenter talks to the jurors in terms they understand, they will more readily follow the argument in their own mind and agree as to the recollection of what has developed at trial. Most cases are decided on relatively few controversial facts, but it is those facts that the closing argument must stress. Finally, it must be remembered that the attention span of the jury is limited, and therefore, the closing argument must clearly state what the party wants the jury to understand about the case.

(9) Post-Trial Proceedings and Appeals

Rule 50(a) of the Federal Rules of Civil Procedure provides that a party may file a motion for judgment as a matter of law at any time before a case is submitted to a jury. No later than 28 days after the entry of judgment, the moving party may file a renewed motion for judgment as a matter of law under Rule 50(b). The Rule further states that a motion for new trial, under Rule 59, may be joined with a renewal of the motion for judgment as a matter of law, or a new trial may be requested in the alternative. Note that failure to move at the conclusion of the evidence waives the party's right to file a Rule 50(b) motion after judgment.

The losing party in a patent case has the right to file an appeal from a final judgment in the district court. The United States Court of Appeals for the Federal Circuit was created in 1982. It hears all patent appeals from the federal district courts. The record on appeal before the Federal Circuit consists of the original papers and exhibits filed in the district court, the transcript of the proceeding and a certified copy of the docket entries. One of the more crucial undertakings in prosecuting an appeal is the proper selection of materials which should appear in the joint appendix. In the Federal Circuit, principal briefs are not to exceed fifty double-spaced pages and reply briefs are not to exceed twenty-five pages exclusive of certain materials. An oral argument is normally held, and heard and determined by a panel of no fewer than three judges. However, if the issues involved in the case warrant, a larger number of judges may be convened. The Federal Circuit ordinarily allocates a party fifteen minutes for oral argument. Since counsel is normally confronted with an active and inquisitive panel, counsel must be prepared to answer a wide range of questions from the panel at any time.

All decisions of the Federal Circuit are subject to review by the Supreme Court pursuant to 28 U.S.C. § 1254 by a petition for writ of certiorari. The time for filing the petition is ninety days from the date of the final decision or judgment of the Federal Circuit. The chances of the Supreme Court granting a petition for certiorari, particularly in patent cases, are remote.

SECTION III: PROCEEDINGS AT THE USPTO

An alternative to federal litigation for parties who wish to challenge the validity of an issued patent is found in the post-grant proceedings created by the America Invents Act (“AIA”) enacted on September 16, 2011.

1. PROCEEDINGS UNDER THE AMERICA INVENTS ACT

Major patent offices around the world have put in place some form of post-grant review of issued patents and, because these proceedings have worked well, the AIA established a number of “post grant proceedings” at the U.S. Patent Office. The public policy benefit of these various Patent Office proceedings is the opportunity to verify that only truly deserving inventions are protected. They also offer the opportunity to limit unnecessary and counterproductive litigation costs. The decision maker is a new tribunal established by the AIA called the Patent Trial and Appeals Board (PTAB).

The post-grant proceedings may be initiated either alone or in conjunction with federal court litigation. One potentially cost saving avenue for accused infringers who have been served with federal court patent litigation is to file the appropriate post grant proceeding at the USPTO and simultaneously file a motion to stay the pending federal court case. Clients should consult with counsel to discuss the most effective strategy under the particular circumstances.

The following are the post grant review proceedings at the USPTO which third parties, i.e. non patent owners, may initiate. *Ex parte* proceedings, including the new Supplemental Examination proceeding, are not addressed here. We also address the new “derivation” proceeding, intended to replace the interference proceeding.

A. *Inter Partes* Review

Inter Partes Review (IPR) is a cost effective alternative/adjunct to litigation. IPR may be brought to challenge the claims of any patent. The process begins when a party other than an owner of the patent files a petition for review. The petition is limited to 60 to 80 pages, inclusive of claim charts, and must be accompanied by the evidence upon which the petitioner intends to rely for a finding of invalidity, and the payment of a fee.

For IPR and Post Grant Review, discussed below, the patent owner is afforded an opportunity to file a preliminary response to the petition, which is due within three months of notification of the filing date of the petition. The patent owner may choose to file a simple statement that it elects not to respond to the petition. The PTAB will determine whether to institute a trial within three months of the date the patent owner’s preliminary response was due or was filed, whichever is first.

Petitions may be filed any time after the later of either: 1) nine months after the grant or reissuance of a patent¹; or (2) the termination of any Post Grant Review. The invalidity review is limited to prior art in the form of issued patents, published patent applications and printed publications. This is a distinguishing standard from Post Grant Reviews, discussed below, in which the PTAB may review additional grounds challenging validity.

The petitioner may not file an IPR petition if it previously filed a declaratory judgment action challenging the patent or if it waited more than one year after the patent owner brought an infringement action against it.

The threshold standard the PTAB employs to decide whether to proceed with a trial on a petition is “a reasonable likelihood that petitioner will prevail on at least one claim.” Grounds for proceeding in an IPR are limited to challenging validity under 35 U.S.C. §§ 102 and 103. Appeals from a decision of the PTAB go to the Federal Circuit.

The PTAB is required to conclude the proceeding, including trial, within one year of institution, with the discretion to extend for another six months with cause. Limited discovery is allowed. Because of the speed of the proceedings, owners of significant patents ought to be prepared to defend IPR proceedings by third parties who may have taken months to prepare for them. Otherwise, an unexpected filing and accompanying speed may force the patent owner to take narrow positions on claim construction to avoid invalidity, without the critical knowledge that it was foreclosing claims against the petitioner’s product.

Interestingly, a party may appeal a PTAB finding on claim construction to the Federal Circuit while parallel federal court litigation is stayed. The PTAB and the federal court would then both have the benefit of conclusive claim construction. By contrast, interlocutory appeals are seldom granted in federal court litigation.

Legal estoppel immediately applies once the PTAB makes its final written determination. The estoppel bars a petitioner from asserting in any civil action that a PTAB-reviewed claim is invalid on any ground that the petitioner either raised or reasonably could have raised during the IPR. Because of estoppel, a challenger must bring all available evidence to invalidate one or more claims of the patent under the standards of 35 U.S.C. §§ 102 and 103. Estoppel also applies to the patentee under 37 CFR §42.73(d)(3), which provides that a patent applicant or owner, whose claim is canceled, is precluded from taking any action inconsistent with the adverse judgment, including a claim that could have been filed in response to any properly raised ground of unpatentability for a finally refused or cancelled claim.

B. Post Grant Review

Post Grant Review (PGR) is another proceeding that may be filed either in lieu of, or in conjunction with litigation. PGR applies only to patents having a claim with a priority date on or after March 16, 2012. Petitions for PGR are also filed by third parties and they must be filed

¹ The nine month “dead zone” was eliminated for filing an IPR petition challenging a first-to-invent patent or reissue patent.

before any civil action claiming invalidity and not more than one year after the putative infringer was served with an infringement complaint.

The process begins with a petition filed within nine months post-grant or post-reissuance of a patent, plus the payment of a fee. The threshold standard for approving a PGR petition is different from the standard for approving an IPR petition. The petitioner in a PGR proceeding must establish that it is more likely than not that at least one claim is unpatentable. If the standard is met then a PGR may be instituted.

Grounds for succeeding in a PGR proceeding are broader than those for succeeding in an IPR. Specifically, Petitioners in a PGR proceeding are free to raise any invalidity ground under 35 U.S.C. § 282(b)(2) or (3). Because of the narrow nine-month filing window, potential challengers wishing to proceed under the PGR rules ought to obtain copies of competitors' newly issued patents, assuming the priority date standard is met, so that they can file within the window.

Note that the AIA has eliminated best mode as a basis for invalidating a patent.

The time frame is the same as for IPR proceedings. Legal estoppel applies to the same extent as well.

C. Derivation Proceedings

Derivation Proceedings are the AIA's version of patent interference proceedings and are instituted to ensure that the first person to file the application is the true inventor. Derivation proceedings may be brought in connection with any claim having a priority date on/after March 16, 2013. Interference remains available for claims with an earlier priority date. Derivation proceedings in the United States District Court must be filed within one year of issuance of the patent containing the allegedly derived claims. Derivation proceedings in the USPTO must be filed within one year of publication of the application containing allegedly derived claims. Estoppel does not apply.

D. Covered Business Method Patent Proceedings

As described below, a "covered business method review" is essentially the same as a PGR. The review is available for all patents issuing from applications subject to the first-inventor-to-file provisions of the AIA as well as those patents issuing from applications subject to the first-to-invent provisions in current Title 35, provided that the patent is drawn to a covered business method. The AIA specifies that a covered business method patent is a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions. The AIA does not specify what a patent for a technological invention covers, and, therefore, the Patent Office has promulgated a rule for technological invention. In determining whether a patent is for a technological invention, the following will be considered on a case-by-case basis: whether the claimed subject

matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution. The petitioner bears the burden to demonstrate that the challenged patent is a covered business method patent and that at least one claim of the challenged patent is not directed to a technological invention to show that the petitioner has standing to proceed. The showing for both covered business method patents and technological invention is based on what is claimed.

Only a person who is sued or charged with infringement of a covered business method patent may petition for a covered business method review of the patent. A covered business method review may be requested except during the period in which a petition for post-grant review could be filed, e.g., nine months after the issuance of a patent that is subject to the first inventor-to-file provisions. The transitional review program is available for non-first-to-file patents, even within the first nine months of the grant of such patents. A petitioner for covered business method review may request to cancel as unpatentable one or more claims of a covered business method patent granted under the first-to-file provisions of the AIA on any ground, but limited prior art shall apply for those challenged covered business method patents granted under the first-to-invent provisions of Title 35. Generally, the AIA provides that covered business method reviews will employ the standards and procedures of a post grant review, subject to certain exceptions such as the grounds for challenge and the scope of estoppel.

2. TIMELINE FOR PROCEEDINGS UNDER THE AMERICA INVENTS ACT

Unlike federal court proceedings, the pretrial and trial schedule is fixed by law and is significantly expedited. While this has the benefit of reducing costs, the patent owner may suffer from being caught defending an unexpected petition and having to scramble over the course of several months to find experts, take discovery, amend his claims and file other motions and put together exhibits and testimony. The schedule, therefore, might present a tactical advantage to the potential petitioner.

A. The Petition.

The first step in the process is the filing of the petition by the third party who is challenging the patent. The petition must lay down all of the challenger's cards up front. The filing is not dissimilar to a filing in support of a motion for summary judgment or preliminary injunction and must contain all of the evidence (declarations and exhibits) needed to win the case. Although the petitioner will have an opportunity to make a subsequent submission in response to the patent owner's submission, the petitioner will strictly be limited to rebutting the patent owner's evidence and argument.

The petition must identify the real party in interest so that the patent owner does not face successive challenges to the patent and so that the courts may decide who is bound by estoppel. The identity of real parties in interest may give rise to jurisdictional challenges to the proceeding, for example, if a real party in interest has been defending federal court litigation on the patent for over a year before the petitioner filed, the PTAB would reject the petition as untimely.

The petition should also discuss claim construction. Note that, unlike the federal court standard, the PTAB looks at the “broadest reasonable interpretation of claims.”

The petition should also include a detailed invalidity claim chart.

B. The Patent Owner’s Preliminary Response.

Although the patent owner has the option as to whether to file a preliminary response, it must still identify its counsel and its real parties in interest. We recommend that the patent owner file a preliminary response disputing the petitioner’s claim construction whenever it appears that claim construction will be an issue because if the Board issues a decision that it will be initiating a trial on the petition, it will include its preliminary claim construction with the decision.

Note that there are limitations on what a patent owner may include in its preliminary response, to avoid the situation of conducting a trial to determine whether to institute a trial. Patent owners may not introduce testimonial evidence.

C. Institution of a Trial.

The PTAB gets three months from the date that the patent owner files its preliminary response, or the date when its preliminary response would have been due, whichever is earlier, to issue its decision on whether it will proceed with the petition. The standard it applies in PGR and CBM proceedings is “more likely than not” at least one claim is unpatentable. The standard it applies in IPR proceedings is whether there is a “reasonable likelihood” that at least one claim is unpatentable.

The decision to institute will identify the claims and grounds on which the trial will proceed, include a preliminary claim construction ruling, and a scheduling order.

A petitioner has no right to appeal the denial of a petition. The petitioner may, however, still file a declaratory judgment in federal court.

D. Scheduling Order.

The scheduling order might, for example, provide a three month deadline for the patent owner to take discovery on the contents of the petition, for filing a patent owner response to the petition and for filing a motion to amend claims. Then the order might provide the petitioner with three months for discovery of the patent owner’s response, for filing a petitioner’s reply to the response and for filing the petitioner’s opposition to the amendment of claims. The order might then provide the patent owner with one month for discovery and for filing a reply to the petitioner’s opposition to the amendment.

Once the time for taking discovery has ended, the parties may file motions to exclude evidence believed to be inadmissible. Note that all evidence must be filed in the form of an exhibit and the Federal Rules of Evidence govern the admissibility of exhibits in PTAB proceedings. 37 C.F.R. § 42.63 restricts evidence to affidavits, transcripts of depositions, documents and things.

The order will also set forth a date for requesting oral argument, which would be before at least three members of the PTAB.

3. DISCOVERY UNDER THE AMERICA INVENTS ACT

Discovery under the AIA is far more limited than federal court discovery. In addition to Mandatory Initial Disclosures², only so-called Routine Discovery is permitted without prior authorization.

Routine Discovery includes discovery of exhibits cited in a paper or testimony that a party has submitted to the PTAB and depositions of the opponent's declarants. Depositions in PTAB proceedings are limited to 7 hours for initial testimony (direct or cross); 4 hours for the following phase (cross or redirect) and 2 hours for the last phase (re-direct or re-cross). Most PTAB depositions are taken in connection with a submitted declaration and are limited to the scope of that declaration. Routine discovery also includes the production of any information that is inconsistent with a position advanced by the party in the proceeding. See 37 C.F.R. § 42.51(b)(1)(iii).

Additional Discovery (that is not "routine") may only be obtained by stipulation between the parties or by order of the PTAB in Inter Parties Reviews when it "is necessary in the interests of justice" or in Post Grant Reviews under a "good cause" standard. 37 C.F.R. §42.51(b)(2). Because the PTAB has only rarely granted motions for additional discovery, the parties are advised (where there are parallel federal court proceeding) to secure as much relevant discovery as possible there. Note, however, that documents subject to a federal court protective order may not be used in PTAB proceedings, unless the federal judge allows it.

Unlike the production of electronically stored information in a federal court proceeding, which can require the retention of e-discovery experts and armies of document reviewers, the PTAB adopted a Model Order Regarding E-Discovery that provides for limited production. *See* Appendix C to the Office Patent Trial Practice Guide. For example, a party may seek PTAB authorization to propound a very limited number of specific email production requests on specified issues only, rather than general discovery, identifying the custodian, search terms and time frames.

The same restrictions on discovery applicable in federal court litigation, discussed above, are available in IPR and PGR proceedings.

4. MOTION PRACTICE UNDER THE AIA

The PTAB panel convenes a conference call within one month after the institution of the proceeding (IPR or PGR) to discuss the proposed scheduling order and anticipated motions.

² 37 C.F.R. § 42.51(a). The Trial Practice Guide identifies two alternative initial disclosure formats available to the parties by agreement or motion. The options differ in the amount of detailed information that is sought.

Most motions must be approved during the conference call as a condition to filing them. If a party discovers after discovery is underway that it needs to file one or more additional motions, it may convene a conference call with the PTAB administrative judges to get their permission to do so. The prospective movant must essentially argue its motion in order to obtain permission to file it.

Motions include those to amend the patent, for additional discovery, and for joinder of additional parties.

Note that, although the patentee may amend or cancel claims, he cannot expand claims or add new matter. He is also limited to a “reasonable” number of substitute claims. The requirements for amending claims are detailed. There are requirements in the regulations on the contents, page limits, and due dates of motions, oppositions and reply briefs. 37 C.F.R. §§42.20-42.25.

5. TRIAL UNDER THE AIA

The oral hearing before the Board (three administrative patent judges) takes place approximately 7 to 9 months from the date of the petition so that the Board may issue its decision within the one year deadline.

The PTAB will consider the Petition, the Patent Owners Response and the Petitioner’s Reply and all associated exhibits, declarations and segments of transcript testimony in rendering its decision. Attorneys are not allowed to introduce new evidence at the oral hearing. There are usually no complex evidentiary issues in IPRs because the evidence is limited to patents and printed publications.

Although there generally is no live testimony, the PTAB will require live testimony where it considers the demeanor of a witness critical to assessing credibility. Cross examination may be ordered to take place in the presence of an administrative patent judge, which may occur at the deposition or at oral argument. The regulations limit the hours for direct examination, cross examination and redirect examination. Testimony may be taken at any reasonable location in the U.S.

Unlike the courts, the PTAB discourages elaborate demonstrative exhibits, preferring exhibit binders. Demonstrative exhibits must be served five business days before the hearing.

The AIA allows any person to introduce statements and accompanying information made or filed by the patent owner in a federal court proceeding on the scope of the subject patent. The PTAB will consider the statement in determining the proper meaning of a claim or claims. The information may also be used to support one or more proposed rejections of the claims.

The Board must issue its written decision within one year of the filing of the petition, with the opportunity for one six-month extension. A successful petitioner would get a written decision declaring the subject content invalid. Unlike in federal court, there is no authority for the recovery of costs or fees in any circumstance.

A disappointed party may file an appeal to the Court of Appeals for the Federal Circuit.

Should the parties reach a settlement, they should confer with the PTAB before filing a motion to terminate in view of the fact that the board has discretion over whether or not to terminate the proceeding.

6. THIRD PARTY PRE-ISSUANCE SUBMISSIONS

The AIA also grants any member of the public (a third party) the option of presenting the Patent Office with information that may be relevant in determining the patentability of a specific application. A preissuance submission may be made in any non-provisional utility, design, and plant application, as well as in any continuing application.

This sort of disclosure, known as a “third-party preissuance submission,” is an important new tool in the examination process. It allows non-applicants the ability to contribute to the quality of issued patents by submitting for consideration patents, published patent applications, or other printed published material, along with a clear description of how each submitted document is potentially relevant to the examination of the application.

Submissions may be made regardless of when the underlying application was originally filed. Thus, a third-party preissuance submission can be made in any application filed on, before or after September 16, 2012. With regard to timing, new section 122(e) introduced in the AIA extends the time period for third party preissuance submissions to the earlier of: (a) the date that a notice of allowance is given or mailed; or (b) the later of 6 months after publication of the application or the date of the first rejection. For most cases, the AIA will extend the window for preissuance submissions from within two months of publication to any time before the date of first rejection.

7. REQUEST FOR EX PARTE REEXAMINATION

Third party requests for reexamination have been available since 1981 and continue to be available under the AIA. Through ex parte reexamination, the patent owner or a third party may submit one or more patents and/or printed publications that such person “believes to have a bearing on the patentability of any claim of a particular patent.” 35 U.S.C. §301. The request may be filed at any time during the enforceability of a patent, and the requester must establish that the submitted prior art establishes a substantial and new question of patentability, at which point the Director will grant the reexamination request and order reexamination of the patent in question. The decision will be announced in the *Official Gazette* of the Patent Office.

The Patent Owner may, but is not required to, respond in the form of a “statement”, including any amendment to the patent and new claim or claims the owner wishes to propose. The third party requester may then file a reply to the statement. If the Patent Owner chooses not to

respond with a statement, the third party requester has no further opportunity to participate in the reexamination.

The AIA made a number of changes to ex parte reexamination. Among them, statements of the patent owner, whether in court or at the Patent Office, taking a position on the scope of any claim, may be submitted to determine the proper meaning of a patent claim. The Director may stay, transfer, consolidate or terminate an ex parte reexamination in the event of an IPR or PGR on the same patent.

SECTION IV: ITC PROCEEDINGS UNDER SECTION 337

Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337, is an important means for combating unfair practices in the import trade and especially for enforcing U.S. intellectual property rights, including patent rights, at the border. If imports are found to violate Section 337, the U.S. International Trade Commission (ITC) will issue an exclusion order to U.S. Customs and Border Protection (of the Department of Homeland Security) excluding those products from the United States. So-called Section 337 proceedings, like proceedings under the AIA, are administrative proceedings outside of the federal court system and do not involve the assessment of money damages; the only relief available is an exclusion order. There is also the possibility of interim (injunctive) relief on a proper showing.

An aggrieved patent owner may initiate a Section 337 proceeding by filing a complaint with the ITC requesting a Section 337 investigation. The ITC is an independent federal agency consisting of six Commissioners appointed by the President and confirmed by the Senate. Once a complaint is filed, the ITC has 30 days to determine whether an investigation should be instituted on the basis of the complaint. The ITC is required by statute to complete Section 337 investigations at the earliest practicable time. To this end, at the outset of each Section 337 investigation, the Administrative Law Judge sets a target date for completion of the investigation. The initial target date is usually set for anywhere from 12 to 18 months.

To prove a violation of Section 337, a complainant must establish (1) unfair competition or an unfair act, *e.g.*, patent or trademark infringement, (2) importation, sale for importation, or sale after importation into the United States of the accused products, and (3) the existence of a domestic industry relating to the product in question. In investigations that are not based upon alleged infringement of federal statutory intellectual property rights, a complainant also must prove (4) that the alleged unfair act has caused or threatens to cause injury.

**SECTION V:
ALTERNATIVE DISPUTE RESOLUTION PROCEEDINGS**

In addition to federal court litigation and administrative proceedings, a party can engage in numerous alternative dispute resolution proceedings in an effort to resolve disputes involving intellectual property.

1. MEDIATION

In mediation, an impartial third party, or “neutral,” is selected by the parties to assist in settling their dispute. This process is generally entirely private and voluntary; the neutral renders no decision and has no authority to compel any agreement or terms. The neutral may act as a diplomat, meeting with both parties, and then separately with each of them to convey countering proposals and generally assist them in reaching mutually agreeable business results in a non-adversarial environment.

2. MINI-TRIAL PROCEEDING

A mini trial is somewhat more formal than mediation, and involves a presentation by both sides of the merits of their respective cases to a neutral who advises and aids them in negotiating a settlement. A high-level executive from both sides is typically required to be present for the purpose of direct negotiation and also to evaluate the dispute independent of the respective lawyers’ opinions. The neutral advisor may be asked to give substantive views of the merits of each side’s case and of the likely trial outcome. If no agreement is reached, the parties are then free to proceed to formal litigation, and the entire process will be treated as inadmissible and entirely confidential in any later proceedings.

3. SUMMARY JURY TRIAL

This is primarily designed for more complex cases and involves a technique for the presentation of counsel’s summary arguments and review of prospective trial evidence to a panel of “jurors” who have been selected in much the same manner as for actual trial. After deliberation, the “jury” renders a non-binding verdict or verdicts, as the parties request, which provides an independent substantive evaluation of the case. Key representatives of the principals are expected to be present for purposes of subsequent settlement negotiations and possibly additional questioning of the jurors regarding the merits of the evidence or the persuasiveness of the attorney’s arguments.

4. NEUTRAL EXPERT FACT-FINDER

In patent cases, the issues may turn on specific technical fact questions. In this procedure, the parties agree to an independent neutral expert who, after hearing evidentiary presentations by both sides, renders either binding or non-binding fact findings. This may lead the parties to a reevaluation of the relative strengths of their cases and lead to a settlement without lengthy litigation and trial.

5. EARLY NEUTRAL EVALUATION

This procedure involves appointment of a neutral, experienced trial attorney or magistrate judge who will hear brief presentations of the merits by both sides and analyze the case from many aspects of expense, discovery, relative merits, etc. in order to facilitate settlement. The neutral usually gives an initial candid evaluation of the probable end result of the case. Assistance may also be given to simplifying discovery.

6. ARBITRATION

Arbitration ordinarily results from pre-dispute agreements, and can also be entered into at any time by mutual agreement of the parties. One to three arbitrators (“the panel”) are typically selected to hear evidence in a more formal proceeding than the foregoing procedures but still less formal than trial. The panel will render a binding decision (with or without an opinion), which lacks the option of appeal and may be enforced by entry of a judgment. There are various arbitration techniques using established or modified rules for limited discovery and for the receipt of evidence. The process is intended to be shorter, simpler, and less expensive than that of federal court litigation.

ABOUT THE FIRM

Founded in 1996 as Rader, Fishman & Grauer PLLC, Fishman Stewart Yamaguchi has ranked as one of the top IP litigation firms in the United States with offices in Bloomfield Hills, Michigan and Washington, D.C. The firm has been named one of the country's foremost law firms for IP litigation by *The American Lawyer* and has been annually listed as a Go-To Law Firm® by *Corporate Counsel* magazine and recognized among the nation's Best Law Firms® by *Best Lawyers/U.S. News & World Report*. The firm has represented clients in hundreds of federal court cases in US district courts throughout the country, in the Federal Circuit Court of Appeals and other federal courts of appeals, before the International Trade Commission, in the US Patent & Trademark Office and in arbitration and mediation proceedings. Fishman Stewart Yamaguchi trial lawyers have litigated cases involving virtually every aspect of patent, copyright, trademark, trade secret misappropriation, unfair competition, breach of contract and antitrust law as they relate to intellectual property.

Since its formation, Fishman Stewart Yamaguchi has been a leader in developing new litigation support and client service technologies. In addition to operating a state-of-the-art high tech courtroom, it filed the first CD brief with animation at the Federal Circuit Court of Appeals. Animations are created by the firm's own in-house graphic artist. The firm's advanced web-enabled network allows clients to access their IP dockets from anywhere in the world.

Fishman Stewart Yamaguchi is a full service IP firm providing strategies for optimizing and leveraging its clients' use of capital for effectively managing their intellectual property assets. The firm's attorneys and legal specialists include leading experts in all areas of domestic and foreign IP practice and intellectual property management who perform patent and trademark prosecution and counseling. The firm closely monitors potential infringement and identifies ways to optimize the value of intellectual property through licensing and other revenue-generating opportunities. Fishman Stewart Yamaguchi's team approach ensures that each of its clients is represented by the collective expertise of the firm. For more information, please visit our website at www.fishstewip.com.

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