

Five Best Practices for Plaintiffs in Patent Litigation

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1. Make Sure The Plaintiff Owns The Patent Or Otherwise Has Standing To File The Complaint.

This issue arises with alarming frequency and is easily avoided. A plaintiff patentee must have standing at the time the Complaint was filed: it is “a threshold jurisdictional issue.” *Abraxiz Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1363 (Fed. Cir. 2010). This is not an issue that can be resolved by the plaintiff after the Complaint is filed. If the plaintiff did not have standing to enforce the patent at the time the Complaint was filed, the jurisdictional defect cannot be cured and the Complaint must be dismissed. *Schreiber Foods, Inc. v. Beatrice Cheese, Inc.*, 402 F.3d 1198, 1203 (Fed. Cir. 2005). If a plaintiff has failed to conduct due diligence as to standing, a Court will not only dismiss the case, but may dismiss with prejudice and/or award attorney’s fees to the defendant under 35 U.S.C. § 285.

In *Max Sound Corporation et al. v. Google Inc. et al.*, 5-14-cv-04412 (CAND 10-11-17), the Court dismissed the Complaint for lack of standing after finding that the convoluted history of company names and contracts did not support a clear chain of title reaching from the inventors to the plaintiff. The Court then granted defendants’ motion for attorney fees under 35 U.S.C. § 285 because it found that the plaintiff brought the lawsuit without performing sufficient due diligence as to whether it had standing. The Court held that defendant attorney billing rates as high as \$905 per hour were reasonable and awarded Defendants \$820,321.41 in attorney’s fees.

In *Keith Manufacturing Co. v. Cargo Floor B.V.*, 5-15-cv-9-CMC (E.D. Tex. 11-27-17), the Court granted defendant’s motion to dismiss the Complaint for lack of standing after finding that a license agreement failed to transfer all substantial rights in the disputed patents and thus failed to confer standing. The Court ordered further discovery to determine whether the dismissal should be with prejudice. The Court also indicated that it will consider whether sanctions against the plaintiff should be awarded to the defendant in view of alleged false representations made by the plaintiff related to patent ownership.

As counsel for a plaintiff patentee, I ensure that the plaintiff has complete ownership of all patent rights or at least sufficient rights to confer standing.

2. Determine Whether The Patent Can Survive At Least The Most Basic and Initial Attacks.

35 U.S.C. § 101, which requires that a patent claim patentable subject matter, has recently become a strong weapon for defendants. The number of such motions filed in 2016 were more than double the rulings issued in 2015. The rise in the number of patent cases in which patents are asserted generically across products and industries gave rise to a renewed focus on Section 101’s standard for determining what constitutes patentable subject matter.

These issues often arise with respect to patents covering computer enabled systems or methods. In *Alice Corp. Pty., Ltd. v. CLS Bank International et al.*, 134 S. Ct. 2347 (2014), the Supreme Court provided clarity on whether the use of a computer impacts patent-ineligibility arguments under Section 101. In *Alice*, the Supreme Court held that merely requiring the use of a generic computer is insufficient to transform an abstract idea into a patent-eligible invention. 134 S. Ct. at 2352. In *Enfish LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), the Federal Circuit clarified that they do not read the Supreme Court’s decision in *Alice* to hold that all improvements in computer-related technology are inherently abstract. “Some improvements in computer-related technology when appropriately claimed are undoubtedly not abstract....Software can make non-abstract improvements to computer technology....” *Id.* at 1336.

As counsel for a plaintiff patentee, I assess the strength of the patent portfolio in view of the current case law on Section 101 prior to investing substantial resources.

3. Investigate And Preserve Key Evidence And Analyze Available Information Before Filing The Complaint And Selecting Venue.

In our pre-filing investigations, we seek out and preserve any information or documents that are available to prove the conception and reduction to practice of the claimed invention. If the inventors are available, we contact them and collect and preserve their information and documents. It is better to have everything before the Complaint is filed. Preservation also avoids the potential loss or destruction of this evidence. Preservation will avoid allegations of spoliation. It is also better to know what those files contain. If there are issues concerning prior art or whether there appears to be an issue of inequitable conduct, it is better to know that up front, preferably prior to acquiring the patents.

As to the accused products, we investigate the facts relevant to the infringement analysis and damages, to the extent publicly available. We consider a number of issues. What is the market share of the accused products? When were they launched? What features are highlighted in marketing materials? What are the main customers? What is the competitive landscape? Are there viable non-infringing alternatives? We prepare detailed claim charts to ensure that there is a reasonable basis to assert infringement so that the Complaint will comply with Fed. R. Civ. P. 11.

An early infringement analysis is especially important in venues requiring the early disclosure of detailed infringement contentions. For those venues, it is oftentimes difficult to amend those contentions after the deadline. The failure to identify additional infringing products could result in their exclusion from the case and the need to file a separate case to address those products.

What venue for the case is proper? On May 22, 2017, the Supreme Court decided *TC Heartland LLC v. Kraft Foods Group Brands, LLC*, which overturned liberal venue standards for patent cases that had been in effect since the 1990 Federal Circuit decision in *VE Holdings*. To be overly brief, where a Complaint can be properly filed is now a major issue. Failure to select a proper venue under the current legal standards could result in costly motion practice that is preferably avoided. On the other hand, it might be worth fighting for a specific venue if there is a significant preference for a that venue and current legal standards are arguably satisfied.

As counsel for a plaintiff patentee, I conduct a thorough search for existing evidence about the invention and the accused products and conduct a thorough analysis of available venues.

4. Have A Long-Term Strategy.

An enforcement strategy takes into account the long timeline and the potential need to have various different cases proceeding simultaneously. Patent litigation can last for several years. Even successful jury verdicts and judgments may be appealed, reduced or vacated. A single case, that can take so long to finally resolve, should not hold in abeyance an overall strategy. Valuable portfolios usually impact numerous potential defendants.

Challenges to the portfolio now often occur through *inter partes* review proceedings (“IPRs”) before the Patent and Trademark Office. IPRs add an additional challenge to validity and additional expense. They can also support a stay of ongoing litigation. These challenges are currently under review by the Supreme Court as potentially unconstitutional for extinguishing private property rights without a jury. See *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 16-712 (Arguments were presented on November 27, 2017; the Court’s Opinion is expected to be rendered during the first half of 2018).

As counsel for a plaintiff patentee, I take a long-term strategy that anticipates the length of time required for resolution, the need for parallel proceedings and the potential for IPRs.

5. Realistically Evaluate The Potential Recovery, Risks And Costs Of Litigation.

A full analysis of potential recovery at trial should be prepared to identify the best and worst case scenarios. This analysis should be based upon available information and revisited during the fact discovery period, through expert discovery and pre-trial. Settlements through licensing usually involve a separate valuation.

The risks of patent litigation are well known. The patents could be held invalid, unenforceable or not infringed. The damages award could also be disappointing. These are present for any patent case; yet a careful analysis can inform the decision-makers to accept the risk and proceed to enforce valuable patent rights.

The costs of patent litigation for plaintiffs has increased over the years as a result of various developments in patent law. Moreover, the need for technical and damages experts is a significant expense. Although as attorneys, we may take cases on contingency fee arrangements, experts do not. Various financial arrangements are becoming more popular to assist plaintiffs in financing litigation.

As counsel for a plaintiff patentee, I realistically evaluate the potential damages recovery and continually revisit that analysis so as to ensure that the risks and costs of litigation are favorably offset with the current valuation and strategy.

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Charles Phipps is dedicated to advising his clients on all of their intellectual property matters, including representing his clients in litigation matters in United States District Courts and adversarial proceedings before the United States Patent and Trademark Office. Charles has over 22 years of experience representing clients in patent litigation, both as plaintiff's counsel and as defense counsel.



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