

The U.S. Patent Litigation Process

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Canadian companies of all sizes can find themselves embroiled in patent infringement lawsuits south of the border, as a patent infringement plaintiff or defendant. Unfortunately, U.S. patent infringement lawsuits are typically expensive, complex, intrusive, lengthy, and time-consuming. And they can also be extremely important—often threatening a company’s survival or catapulting a company to great success. Here, we provide some basic information about the U.S. patent litigation process.

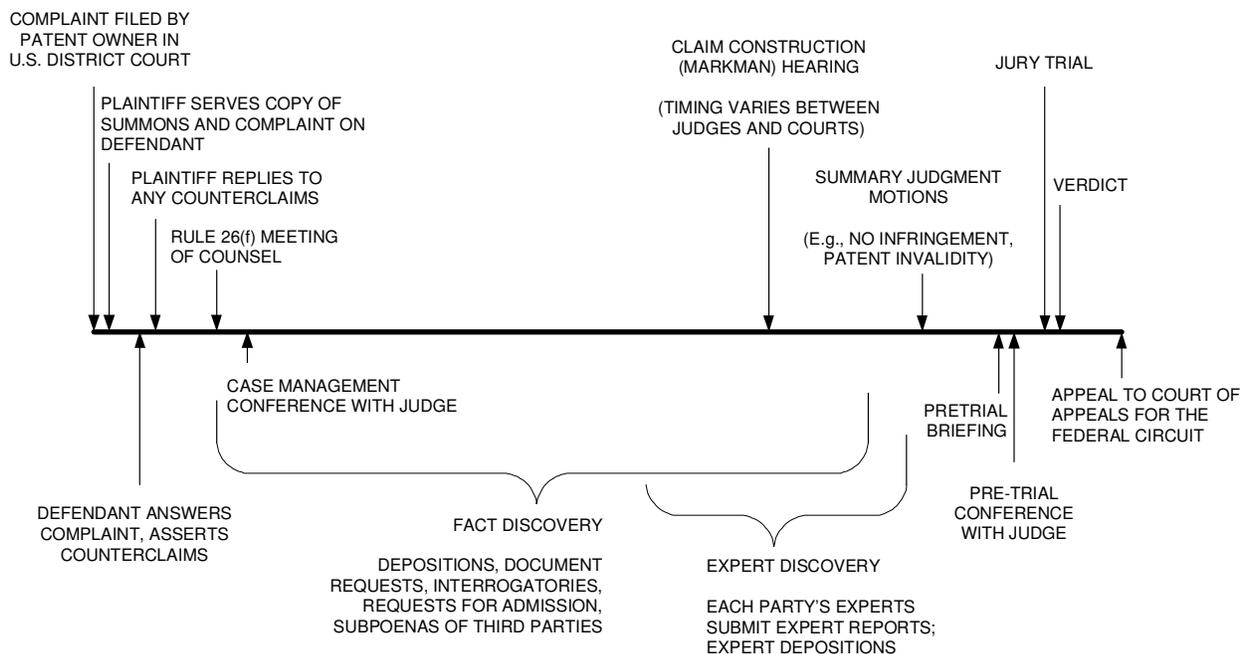
U.S. Patent Litigation Costs

U.S. patent litigation is expensive. The American Intellectual Property Law Association reported in 2009 that the median cost of a patent infringement suit was: \$650,000 if less than \$1 million was at risk; \$2.5 million if \$1 million to \$25 million was at risk; and \$5.5 million if more than \$25 million was at risk. The high costs of patent litigation create an incentive for the parties to

explore settlement at an early stage. Indeed, more than 95% of patent cases are resolved before trial—mostly through settlement.

U.S. Patent Litigation Timeline

U.S. patent cases generally follow the same steps as any other case. First, the plaintiff files a complaint alleging patent infringement of one or more U.S. patents. The plaintiff then serves the complaint on the defendant, who almost always answers by alleging non-infringement and asserting defenses such as patent invalidity. Defendants also commonly assert counterclaims. Fact and expert discovery follow. The parties engage in motion practice (such as filing a summary judgment motion of no infringement), pretrial briefing, and then trial. The chart below illustrates a typical U.S. patent litigation process, and the discussion that follows provides additional details.



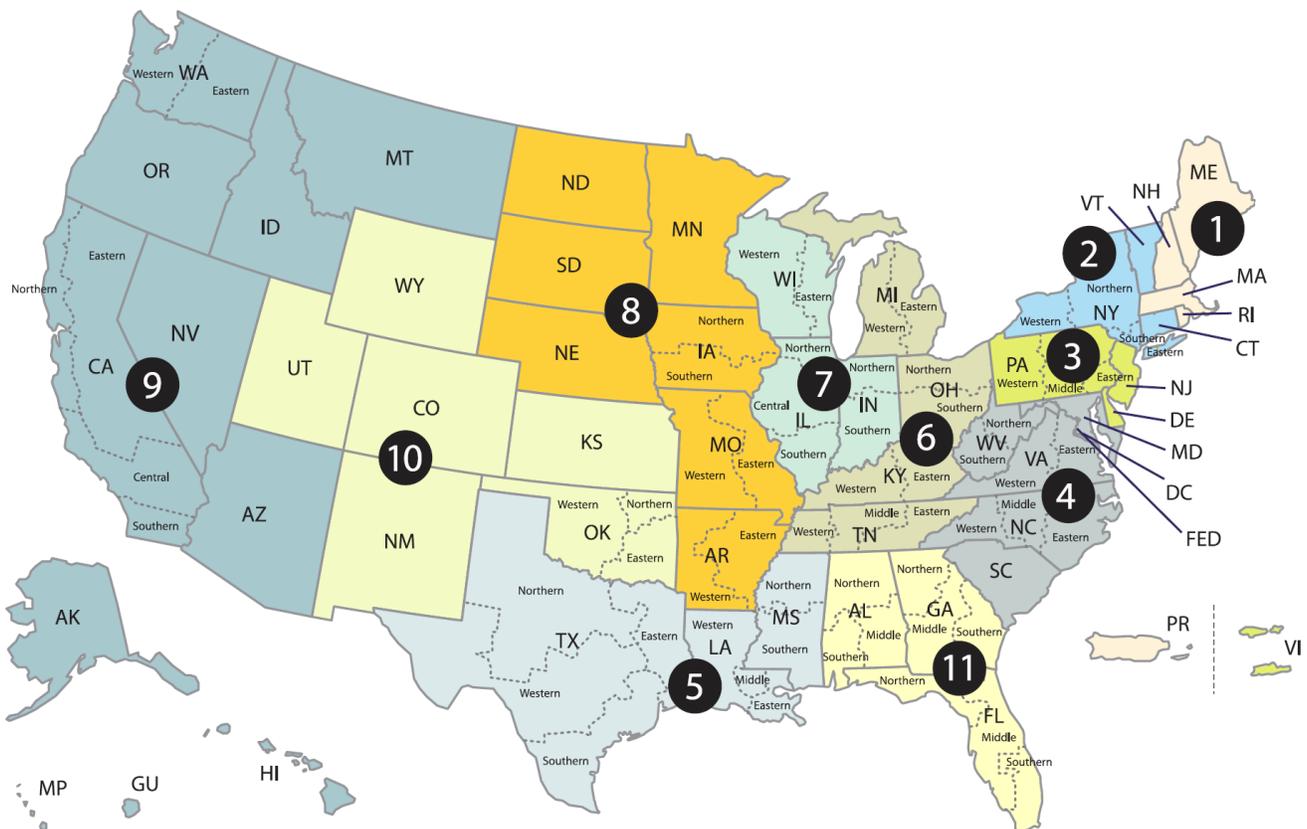
Plaintiff's Complaint

A typical patent infringement lawsuit begins with a complaint filed by the patent owner in a U.S. district court. The complaint identifies alleged infringers and the U.S. patent or patents alleged to be infringed. The complaint typically includes a brief statement of the alleged infringing acts. However, it usually does not identify the specific products or processes that are accused of infringement, often leaving the defendants guessing at the early stage as to what exactly is accused of infringement.

Willful Infringement. The complaint may also assert that the infringement has been willful, which, if proven, can increase the awarded damages to as much as three times the actual damages. In the recent *i4i v. Microsoft* case¹, for example, the jury found Microsoft liable for willful infringement. The court subsequently awarded i4i \$40 million in additional damages (and could have awarded up to \$600 million—three times the jury's original \$200 million damages award).

Choice of U.S. District Court. The plaintiff can often choose to file the complaint in any U.S. judicial district where the defendant knowingly profited from the sale of the allegedly infringing products. Canadian companies, therefore, could find themselves sued in a judicial district where they have no physical presence, simply because they placed allegedly infringing products into the stream of commerce with the expectation that they would be purchased by consumers in the U.S. state that encompasses the district.

In 2009, most new patent cases were filed in the Central District of California, followed by the Eastern District of Texas and the District of Delaware. The geographic boundaries of the U.S. judicial districts typically correspond to the geographic boundaries of the states, but where a state has multiple U.S. district courts, those territories are shown below with dashed lines. The map below also puts these districts into the larger context of the numbered territories for the United States circuit courts of appeal.



Source: www.uscourts.gov/images/CircuitMap.pdf

The plaintiff's choice of district often involves many considerations: the speed at which cases in that district typically reach trial; the experience level of the district's judges; procedural rules adopted by judges in the district; and the sophistication of the jury pool.

Nationwide, the average time from filing a case to judgment, based upon a jury trial, is 33 months.² Plaintiffs, however, often favor districts that have a reputation as a "rocket docket," where cases reach trial quickly. Civil actions in the Eastern District of Virginia, for example, are tried less than 11 months after they have been filed, compared with 19 months in the Central District of California.³ The chart below sets forth the average time for cases to reach trial in some of the most active districts:

District Court	From Filing to First Day of Trial (2009) (Months)	From Filing to First Day of Trial (2008) (Months)
E.D. Texas	25	18.5
N.D. California	24.5	30
C.D. California	19	22
D. Delaware	34	25
D. New Jersey	37.7	38.5
N.D. Illinois	27.8	27.5
S.D. New York	31.4	28.0
E.D. Virginia	10.2	9.8
W.D. Wisconsin	15	12.3

Source: Federal Court Management Statistics 2009 (www.uscourts.gov/cgi-bin/cmsd2009.pl)

Service of Complaint. After the complaint has been filed, the plaintiff must then serve a copy of the summons and complaint on the defendant. When a plaintiff sues a Canadian company in the U.S., the plaintiff often requests that the Canadian company waive its right to formal service of the related papers, attempting to avoid the expense and uncertainty of proper service of process in Canada.

Motion to Transfer Venue

Upon being served a copy of the summons and complaint, a defendant may file a motion to transfer venue to a more convenient forum. Defendants often seek to change venue to their home forum, where documents and witnesses are located, and to avoid jurisdictions that are perceived to be pro-plaintiff. The nationwide average win rate on transfer motions in patent cases is 47%.⁴

Defendant's Answer

After the complaint has been filed and served on the defendant, the defendant will file and serve an answer to the complaint. The answer contains the defendant's response to each allegation in the complaint by either admitting or denying the allegations.

Affirmative Defenses. The answer will typically include affirmative defenses such as non-infringement and patent invalidity, and various equitable defenses. A common equitable defense is laches, which prevents recovery of damages if the plaintiff delayed filing suit for an unreasonable and inexcusable length of time, thereby causing prejudice to the defendant.

Inequitable conduct is another often-raised equitable defense; this defense argues that a patentee has breached the duty of candor and good faith to the U.S. Patent and Trademark Office during the patent application process. A finding of inequitable conduct renders the patent "unenforceable," meaning the patent owner cannot prevent others from using the invention covered by the patent and cannot collect damages from those who use the invention. Inequitable conduct may be found if the patent applicant, with intent to mislead or deceive the patent examiner, fails to disclose material information (such as an already existing patent that discloses the same invention the applicant is attempting to patent) to the patent examiner.

Timing. In general, the defendant must serve an answer to the complaint within 21 days after being served with the summons and complaint. It is very common for the defendant to request and receive from the plaintiff additional time to respond to the complaint, e.g., an additional 30 days. If the plaintiff requests that the defendant waive service, and the defendant agrees to do so, the defendant also benefits by being permitted more time to respond to the complaint. Having waived service, a defendant outside the U.S. is allowed to respond within 90 days of the date the request to waive service was sent to defendants outside of the United States. This 90-day period contrasts with the 21-day period allotted to a defendant who declines to waive service.

Counterclaims. The defendant typically asserts counterclaims, for example, a counterclaim seeking a declaratory judgment that the asserted patent is invalid and not infringed. The defendant may also retaliate against the plaintiff's initial infringement suit by asserting its own patents against the plaintiff, if the defendant believes that the plaintiff is infringing them.

Plaintiff's Reply to Counterclaims

If the defendant has asserted counterclaims (e.g., asserting that the plaintiff's patent is invalid), the plaintiff must serve a reply, which is the plaintiff's answer to the counterclaims. The plaintiff is required to respond to counterclaims in the same manner as the defendant is required to respond to the plaintiff's claims—that is, by either denying or admitting the allegations. Replies are due within 21 days after being served with the counterclaims.

Case Management Conference

The Court will conduct a case management conference where the judge will set the case schedule. Prior to the conference, the attorneys for each of the parties are required to meet (known as a Rule 26(f) meeting of counsel) and discuss certain topics, including each party's proposed schedule for the case. The parties are then required to submit a joint report to the court in advance of the case management conference setting forth each party's positions on the required topics of discussion, including the case schedule.

Local Patent Rules. Some districts, e.g., the Northern District of California and the Eastern District of Texas, have adopted special local rules for patent cases. In districts that have not adopted such rules, individual judges often adopt the rules of another district. Judge Selna in the Central District of California, for example, has a standing order stating his intent to follow the process outlined in the Northern District of California's Local Patent Rules.

Local patent rules set forth requirements for the parties to make specific disclosures at specific times, which generally help advance the case. For example, the plaintiff is required, at the outset of the

case, to provide its "infringement contentions." The infringement contentions identify the specific patent claims being asserted, identify the accused products, and include a chart identifying specifically where each limitation of each asserted claim is found in each accused product. The defendant is then required to provide its "invalidity contentions." The invalidity contentions identify any prior art that allegedly invalidates any of the asserted patent claims and must also include a chart showing specifically how each alleged item of prior art invalidates an asserted claim. Local patent rules also commonly set forth rules for claim construction proceedings—the process by which the Court determines the meaning and scope of the patent claims asserted to be infringed.

Discovery

The discovery process is notorious for being one of the most time-consuming and expensive aspects of U.S. patent litigation.

Scope of Discovery. The scope of discoverable information is very broad. In U.S. civil actions, the parties may obtain discovery regarding any nonprivileged matter that is relevant to a claim or defense, including material inadmissible at trial but reasonably likely to lead to admissible evidence.⁵

Document Requests. There is generally no limit to the number of document requests each party can propound on the other, and these can often exceed 100 per side. As a result, it is very common for the parties to exchange tens of thousands or hundreds of thousands of pages. When patent litigation involves large corporations, such as RIM, document production surpassing 1 million pages is not uncommon.

Interrogatories. There is a default limit of 25 interrogatories per side. The parties often request additional interrogatories from the court.

Requests for Admissions. There is generally no limit to the number of requests for admission each party can propound on the other.

Sample Document Requests

Plaintiff	Defendant
<ul style="list-style-type: none"> • All documents that refer to the patent-in-suit. • All documents and things that support or rebut Your affirmative defense and counterclaim that You have not infringed the patent-in-suit. • All documents and things that support or rebut Your affirmative defense and counterclaim that the patent-in-suit is invalid. • All prior art to the patent-in-suit. • All sales and marketing documents relating to the accused products. 	<ul style="list-style-type: none"> • All documents concerning the filing, preparation, and prosecution of the patent-in-suit. • All license agreements related to the patent-in-suit. • All documents concerning when and how You first became aware of the Defendant’s alleged infringement of the patent-in-suit. • All prior art to the patent-in-suit. • All documents referring or relating to the accused products.

Sample Interrogatories

Plaintiff	Defendant
<ul style="list-style-type: none"> • Describe in detail, on an element-by-element basis in the form of a claim chart, all factual and legal bases for Your affirmative defense and counterclaim that You have not infringed the patents-in-suit. • Describe in detail, on an element-by-element basis in the form of a claim chart, all factual and legal bases for Your affirmative defense and counterclaim that the patents-in-suit are invalid. • Set forth the date that You first became aware of each of the patents-in-suit, including the detailed factual circumstances of how You became aware of each of the patents-in-suit, and the identity of all person with knowledge of such awareness. • State Your sales volume of the accused products, in both units and dollars, on a monthly basis. 	<ul style="list-style-type: none"> • Describe in detail, on an element-by-element basis in the form of a claim chart, all factual and legal bases for Your contention that the Defendant has infringed the patent-in-suit. • Describe in detail all bases that allegedly support Your contention that the Defendant’s infringement has been willful. • Identify each claim of the patent in suit that You contend to be infringed. • Identify each and every product manufactured, used, sold, offered for sale or imported by the Defendant that You contend infringes any claim(s) of the patent-in-suit.

Sample Request for Admissions

Plaintiff	Defendant
<ul style="list-style-type: none"> • Admit that You were aware of the patent-in-suit before the Complaint was filed. • Admit that the accused product includes [a specific claim limitation]. • Admit that [a particular document] is an authentic document. • Admit that [a particular reference] is not prior art. 	<ul style="list-style-type: none"> • Admit that [a particular piece of prior art] was not disclosed to the Patent Office during prosecution of the patent-in-suit. • Admit that You did not communicate with the Defendant regarding the patent-in-suit before the date of the Complaint. • Admit that [a particular] reference is prior art.

Depositions. Only 10 depositions may be taken by a party without leave of court. Depositions are typically limited to 7 hours on a single day. A party may also take what is known as a Rule 30(b)(6) deposition of a company. A Rule 30(b)(6) deposition notice describes with reasonable

particularity the matters for examination. The noticed party must then designate a person to testify on behalf of the company about information known by the company regarding the matters listed in the Rule 30(b)(6) notice.

Protective Orders—Handling of Confidential Information. Given the intrusiveness of discovery in U.S. patent litigation into a party’s highly sensitive confidential information, courts will enter “protective orders” to govern the handling of each party’s confidential information. For example, protective orders often allow a party to designate highly sensitive material requested by the other party as “highly confidential” or “attorneys’ eyes only,” which restricts access of the information to outside counsel of record and approved experts.

Third-Party Discovery. The parties may issue subpoenas for purposes of taking a deposition of a third party and for obtaining documents from a third party.

Expert Discovery. U.S. patent litigation routinely involves the use of experts to provide expert opinions/reports on infringement, patent invalidity, and damages. The experts will be deposed regarding their opinions (after they provide an expert report, but prior to trial) by the opposing party’s counsel.

Claim Construction

The purpose of claim construction is to determine the meaning and scope of the patent claims; this is perhaps the most important role of the court in patent litigation. In the U.S., the process of construing claims is often referred to as the *Markman* process, named after the seminal U.S. Supreme Court case, *Markman v. Westview Instruments*⁶. In the *Markman* process, the parties file briefs in support of their proposed claim constructions (often supported by expert testimony), the court may hold a *Markman* hearing, and then the court renders a *Markman* ruling construing the claims. The court’s claim construction will be part of the jury instructions if the case reaches trial.

In determining the meaning and scope of the patent claims, U.S. courts look primarily to the intrinsic evidence, which includes the claim language, patent specification, and prosecution history (the written record of communications between the patent applicant and the patent office). Claim terms, which are interpreted as they would be understood by a person of ordinary skill in the art who has read the intrinsic record, are generally

construed in accordance with their ordinary and customary meanings.⁷

Summary Judgment Motions

Summary judgment motions—asking the court to rule in favor of the moving party without need for trial on questions of infringement and validity, for example—are typically brought after the court has completed the claim construction process. Under Rule 56(c) of the U.S. Federal Rules of Civil Procedure, summary judgment is appropriate when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law.

In 2009, 43% of the decisions by U.S. courts on summary judgment motions in patent cases were granted.⁸ The Eastern District of Texas, however, granted summary judgment motions only 28% of the time, whereas the Central District of California granted summary judgment motions 55% of the time.⁹

Pretrial Motions

Motions *In Limine*. Motions *in limine* (motions to exclude evidence at trial) are often heard by the court at the pretrial conference. They are usually brought by a party in an attempt to exclude certain evidence from trial, on the grounds that, for example, the evidence is irrelevant, prejudicial, or will cause jury confusion. Common motions *in limine* include:

- Motions to preclude undisclosed or belatedly disclosed prior art.
- Motions to preclude expert from offering opinions not disclosed in expert reports.
- Motions to preclude evidence that the accused infringer has its own patents.

Bifurcation Motions. Bifurcation refers to dividing different issues of a patent case into separate trials. It is the exception and not the rule. Bifurcation is appropriate only if it promotes judicial economy, is not prejudicial to the parties, and is not inconvenient to the parties.¹⁰ The following alternative judicial processes are among those commonly requested in motions for bifurcation:

- Separate bench trial (trial in front of the judge without a jury) for inequitable conduct claims (or other equitable issues such as laches, which are exclusively matters for the judge to decide).
- Separate trial on damages to take place only if there is a verdict finding infringement.
- Separate trial on non-patent issues for related causes of action that may be in the case, such as antitrust claims.

Trial

If a patent infringement lawsuit makes it to trial—and less than 5% do—it will likely be a trial by jury. The parties may waive the right to a jury trial and have the court try the case, but such waivers are rare.

Jury Trial. The jury must have at least 6 and no more than 12 jurors.¹¹ A typical patent jury trial begins with the jury selection process, and then continues with opening statements, the patentee’s case-in-chief (presenting all the evidence on the matters on which it bears the burden of proof, such as infringement), the alleged infringer’s case (rebutting the patentee’s case and presenting all the evidence on the matters on which the alleged infringer bears the burden of proof, such as invalidity), the patentee’s rebuttal to the alleged infringer’s case, closing statements, jury deliberations, and the jury verdict. After the jury reaches its verdict (and after any post-trial motions), the judgment must be entered, which formally records the result of the lawsuit.

Time Limits. Courts have the inherent power to set time limits for a trial.¹² Many courts will impose a time limit by allocating a specific number of hours per side, e.g., 20 hours, which would result in a trial lasting about two weeks. Most patent cases can be tried within two weeks.

Appeals

After the judgment has been entered, the losing party may choose to appeal. Appeals are made to the U.S. Federal Court of Appeals for the Federal Circuit located in Washington, D.C. (generally referred to as the Federal Circuit, or CAFC). Nearly a third of all the cases reviewed by the Federal Circuit are intellectual property cases, and nearly all of those cases are patent cases.¹³ Federal Circuit opinions can be found at the court’s website: www.cafc.uscourts.gov/dailylog.html.

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¹ www.cafc.uscourts.gov/opinions/09-1504.pdf

² LegalMetric, www.legalmetric.com/presentations/nationwide_patent_litigation_statistics.pdf (visited January 18, 2010)

³ See Federal Court Management Statistics 2009, www.uscourts.gov/cgi-bin/cmsd2009.pl

⁴ LegalMetric, www.legalmetric.com/presentations/nationwide_patent_litigation_statistics.pdf (visited January 18, 2010)

⁵ Fed. R. Civ. P. 26(b)(1)

⁶ 517 U.S. 379 (1996).

⁷ *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en banc)

⁸ LegalMetric, February 12, 2010

⁹ *Id.*

¹⁰ See *F&G Scrolling Mouse L.L.C. v. IBM Corp.*, 190 F.R.D. 385 (M.D.N.C. 1999)

¹¹ Fed. R. Civ. P. 48.

¹² See *Motorola v. Interdigital Tech. Corp.*, 930 F. Supp. 952, 983 (D. Del. 1990)

¹³ United States Court of Appeals for the Federal Circuit, www.cafc.uscourts.gov/about.html (March 31, 2010)