

# Patent Case Management Judicial Guide

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Peter S. Menell

*Robert L. Bridges Professor of Law  
Berkeley Center for Law & Technology  
University of California, Berkeley School of Law*

Lynn H. Pasahow

*Fenwick & West LLP*

James Pooley

*Deputy Director General, Innovation and Technology Sector  
World Intellectual Property Organization*

Matthew D. Powers

*Tensegrity Law Group LLP*

Steven C. Carlson

*Fish & Richardson*

Jeffrey G. Homrig

*Kasowitz, Benson, Torres & Friedman LLP*

*in collaboration with*

David S. Bloch

*Winston & Strawn LLP*

Carolyn Chang

*Fenwick & West LLP*

Marc David Peters

Colette R. Verkuil

Anita Choi

Kimberly N. Van Voorhis

Michael R. Ward

*Morrison & Foerster LLP*

Jeremy Bock

*Berkeley Center for Law & Technology*

Rebecca Charnas Grant

Leeron G. Kalay

*Fish & Richardson*

Patricia Young

*Kasowitz, Benson, Torres*

*& Friedman LLP*

Federal Judicial Center

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email: [pmenell@law.berkeley.edu](mailto:pmenell@law.berkeley.edu)

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## **Foreword to First Edition**

This judicial guide on patent case management is a collaborative effort between the Federal Judicial Center and the Berkeley Center for Law & Technology of the University of California–Berkeley School of Law. This collaboration began in 1998 when the Berkeley Center and the Judicial Center conducted their first intellectual property seminar for judges. That seminar was structured to provide district judges with a background and understanding of the many areas of intellectual property law. From that initial program has evolved an annual intellectual property seminar for judges at the Berkeley Center as well as a range of innovative intellectual property programs at the Federal Judicial Center’s national and local workshops.

Then and now, the driving force behind these judicial education efforts in intellectual property has been Professor Peter Menell, Director of the Berkeley Center. Building on the enormous success of these programs, Professor Menell approached the Judicial Center several years ago with the idea of collecting materials on patent case management that had been compiled for the intellectual property seminars. With coauthors Lynn Pasahow, James Pooley, and Matthew Powers along with the assistance of a distinguished group of collaborators and advisors, Professor Menell prepared this comprehensive guide. I believe this guide will be a valuable aid to judges handling the complex arena of patent cases

**Barbara J. Rothstein**

U.S. District Judge

Director, Federal Judicial Center (2003-11)

## **Preface to the Second Edition**

As indicated in the preface to the First Edition of the Patent Case Management Judicial Guide (“PCMJG”), we committed to revise this volume on a biennial basis. And indeed, the patent system experienced substantial change during the ensuing two years. The Supreme Court and the Federal Circuit had issued a raft of important patent law decisions. In addition, many district courts had adopted and revised Patent Local Rules and begun implementation of the Patent Pilot Program.

Just as we were about to release the Second Edition of the PCMJG last fall, Congress passed the America Invents Act (“AIA”). By the time that we had written up the ramifications of that multi-faceted law for patent case management, the Supreme Court had rendered its decision in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 U.S 1289 (2012). Other important decisions from the courts have continued apace.

These developments amply demonstrate that the patent system operates in an active seismic zone. This should not be surprising in view of the rapid advances in information and biomedical technologies and the desire of the various patent institutions to adapt patent law in response to the shifting tectonic plates.

As a result, this volume substantially updates and expands the coverage and analysis of patent case management practices. We remain committed to updating the volume on a biennial basis, although we and the courts need to be mindful of the unpredictability of living in an earthquake-prone environment.

## **Preface to the First Edition**

As the number, size, and complexity of patent cases have grown throughout the United States over the past several decades—paralleling expansion in the role of high technology enterprises in the U.S. economy—the need for a comprehensive, user-friendly, and practical judicial guide for managing patent cases has become increasingly apparent. Although similar in many respects to other forms of complex civil litigation, patent cases pose distinctive case-management challenges. Patent cases feature complex and dynamic technological facts to a degree rarely encountered in most other areas of litigation. Furthermore, they employ unique procedures (such as claim construction hearings) that affect and interact with other aspects of the case (such as summary judgment motions and expert reports) in ways that create unusual scheduling and substantive complexity. In addition, patent cases often entail distinctive and difficult discovery issues, extensive use of experts, and particularly complex dispositive and pretrial motion practice.

Because of the decentralized, general jurisdiction structure of federal courts in the United States, much of the experience relating to managing patent cases is siloed in particular judicial chambers. As one jurist aptly noted, best practices for patent case management have been transmitted largely through word of mouth. Given the crowded, diverse dockets of federal courts, the accessibility and reliability of such knowledge is far from ideal. Judges in some districts have partially codified recommended practices in the form of Patent Local Rules, standing orders, and patent jury instructions, but these documents do not address the full range of distinctive challenges posed by patent litigation. Furthermore, such judicial wisdom continues to evolve.

Recognizing these patterns, the authors undertook in 2006 to survey the range of approaches and perspectives on patent case management, foster discussion and analysis of patent case management techniques, and develop an authoritative guide for judges, law clerks, practitioners, and patent and civil procedure professors and scholars. This project grew out of an annual series of intellectual property education programs that Professor Peter Menell has organized since 1998 for the Federal Judicial Center. It began by collecting available materials relating to patent case management and constructing a comprehensive outline. Over the next year, the team drafted, revised, and edited the principal chapters of the guide. They first vetted a draft at the FJC intellectual property conference in June 2007. They then undertook a substantial revision of the manuscript. Between December 2007 and August 2008, the authors met with district judges and magistrate judges in the most active patent jurisdictions around the nation—the Northern District of California, the Central District of California, the District of Delaware, the Northern District of Illinois, the District of New Jersey, the Southern District of New York, the Eastern District of Texas, and the Eastern District of Virginia—as well as the Federal Circuit to discuss the overall project and refine the specific case-management recommendations. Such sessions explored the range of practices and honed the best practices set forth in this Guide. The authors also assembled an advisory board of leading patent litigators and academics to provide input on the project.

Given the dynamism of the patent system and patent litigation, the authors plan

to revise the guide on a biennial basis.

## **Acknowledgments**

This project could not have reached fruition without the support and encouragement of the Federal Judicial Center and the Berkeley Center for Law & Technology. We are especially grateful to the many federal judges, practitioners, and professors who have provided insights and guidance on patent case management.

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# **Chapter 1**

## **Overview of the Patent System and General Principles for Effective Patent Case Management**

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### **1.1 Overview of the Patent System**

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### **1.2 A Preliminary Note About Settlement of Patent Cases**

District court judges have extensive experience managing a wide range of complex litigation. Furthermore, multi-volume treatises and law review articles comprehensively examine the substance of patent law. This guide does not attempt to replace either body of wisdom. Rather, it provides systematic explication and analysis of judicial management of patent litigation.

Patent cases present distinctive management challenges and thus can benefit from a comprehensive framework of principles and methods tailored to contemporary practices. In addition to featuring complex and dynamic technological facts to a degree rarely encountered in most other areas of litigation, patent cases employ unique procedures (such as claim construction hearings) that affect and interact with other aspects of the case (such as summary judgment motions and expert reports) in a way that creates unusual scheduling and substantive complexity. In addition, difficult discovery issues that commonly arise in patent cases, including patent-specific privilege and waiver questions, require great care in resolution and are more likely to affect the outcome of the litigation than more typical discovery disputes. The number of potentially dispositive issues (both legal and equitable) makes patent case management particularly challenging. Furthermore, the landscape of patent litigation evolves rapidly due to advances in technology, shifts in the law, and changes in business strategy.

This guide provides a resource for district court judges for surmounting the distinctive challenges of managing patent litigation. It combines the collective experience of leading patent attorneys and jurists from hundreds of patent cases and dozens of trials and reflects a balanced perspective of both patent holders and

accused infringers. It avoids a formulaic approach – the rich variety of cases and the benefits of the exercise of informed judgment and discretion of district court judges require flexibility. Therefore, this guide provides district court judges with a range of options for the most common issues and guidance as to which factors may make particular options preferable in certain situations. It also includes draft orders and exemplar case-management documents to illustrate case-management tools and strategies. It emphasizes and places in perspective those issues of greatest importance to trial courts. Jurists should, of course, consult statutory materials, case law, patent law scholarship, and patent law treatises on particular issues of statutory construction and jurisprudence.

## **1.1 Overview of the Patent System**

Before turning to the details of patent case management, it is worth-while examining the history, purposes, institutions, and economic factors undergirding the patent system and patent litigation.

### **1.1.1 Origins and Purposes**

The U.S. patent system grows out of the early English Statute of Monopolies (1623), which prohibited the Crown from arbitrarily issuing letters patent “to court favorites in goods or businesses” while authorizing grants of exclusive rights to the “working or making of any manner of new Manufacture.” 21 Jam. 1, c. 3, §§ 1, 6 (1623); *see also Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 5 (1966). In so doing, the Statute of Monopolies promoted free market competition while addressing the appropriability problem plaguing technology markets: the potential difficulty for recover the costs of research and development (R&D).

In a competitive marketplace without protection for technological advances, inventors and entrepreneurs encounter great difficulty profiting from R&D investments. To the extent that they succeed in building a better mousetrap, competitors will often be able to quickly imitate the innovation without bearing the upfront R&D costs. These competitors can then undercut the innovator's price, pushing the market clearing price toward the marginal cost of production (without consideration of R&D costs). Thus, unless the inventor/entrepreneur is able to develop some other way of recovering their R&D costs – for example, through trade secrecy – the motivation to engage in R&D will be below the social optimum. Trade secrecy, however, will only succeed for the relatively narrow set of technological advances – such as some process inventions – that do not reveal their inventive insights in the product that is sold in the marketplace. The Statute of Monopolies sought to counteract this general appropriability problem

associated with promoting technological progress by affording exclusive rights to “working or making of any manner of new Manufacture.”

Drawing on this framework, the Founders authorized Congress to enact laws “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors, the exclusive Right to their respective Writings and Discoveries.” Art. I, § 8, cl.8. In the nation’s first State of the Union address, President Washington urged the Congress to exercise this power:

The advancement of agriculture, commerce and manufactures, by all proper means, will not, I trust, need recommendation. But I cannot forbear intimating to you the expediency of giving effectual encouragement as well to the introduction of new and useful inventions from abroad, as to the exertions of skill and genius in producing them at home . . .

George Washington, State of the Union Address, Journal of the Senate, 1st Cong., 2d Sess. 5 to 8 (Jan. 8, 1790). Congress enacted the first patent law soon after the nation was formed, declaring that anyone who had “invented or discovered any useful art, manufacture, engine, machine, or device, or any improvement therein not before known or used” shall have “the sole and exclusive right and liberty of making, constructing, using and vending to others to be used” for a term not to exceed fourteen years. Patent Act of 1790, Ch. 7, 1 Stat. 109-112. Although revised by Congress on several occasions over the next two centuries, this rather terse formulation has remained the core of the patent system. Court decisions stretching back to the early nineteenth century form an important source for patent law even today, as reflected in the Supreme Court’s decision in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289, 1293 (2012) (drawing upon (*Le Roy v. Tatham*, 55 U.S. (14 How.) 156 (1853); *O’Reilly v. Morse*, 56 U.S. 62 (1853)) in addressing the scope of patentable subject matter).

Therefore, it is useful to understand the principles and policies undergirding the patent system. The most basic of these is the constitutional purpose: “To Promote Progress of . . . useful Arts.” Patent law represents an important exception to the free market system on which the United States of America was built. The Founders were skeptical of government-bestowed privileges and monopolies. But they recognized that without protection against unauthorized imitation, many inventors would lack adequate incentives to invest their resources and labors in inventive activities because second-comers could easily imitate successful discoveries without incurring the risk and cost of innovation. Patent law was enacted to ensure that those who make significant inventive contributions receive a reward that is commensurate with the costs and risks of inventive activity. As President Abraham Lincoln, the recipient of U.S. Patent No. 6,469 (“A Device for Buoying Vessels Over Shoals”), would later remark: “the patent system added the fuel of interest to the fire of genius.” See Abraham Lincoln, Lecture on Discoveries and Inventions, Jacksonville, Illinois (Feb. 11, 1859), in

Lincoln: Speeches and Writings 1859-1865, at 3, 10-11 (Don E. Fehrenbacher ed., 1989).

The Founders also believed the ultimate beneficiary of such efforts should be the public, and thus imposed upon Congress the restraint that patents be available for only “limited Times” – roughly calibrated to the amount of lead time necessary to recoup the inventor’s investment adjusted for risk. In effect, the original term of fourteen years, borrowed from the English patent system, was double the seven-year term of trade guild apprenticeships dating back to the Middle Ages. Various other doctrines – such as the nonobviousness standard, infringement tests, statutory and judge-made defenses, the patent misuse doctrine, and remedy provisions – seek to ensure that the reward to the patentee is not disproportionate to the public benefit.

A related principle of patent law is the notion that the patent represents a bargain between the inventor and the public. The public affords the patentee exclusive rights to prevent others from making, using, or selling the invention in exchange for fully and forthrightly disclosing the invention. In this way, the public can practice the invention following the patent’s expiration and learn from the knowledge disclosed even during the term of the patent. Thus, U.S. patent law requires a sufficient disclosure to ensure that the inventor “possessed” the claimed invention and to enable others to build or use it. This *quid pro quo* serves to promote progress by spurring cumulative innovation – enabling subsequent inventors to stand on the shoulders of their predecessors.

A related aspect of the patent system is that patents should provide the public (including potential competitors and inventors) adequate notice of the boundaries of patent claims so that they can pursue competing projects without undue fear of encroaching upon the patentee’s exclusive rights. In some areas of technology, this principle is especially difficult to apply due to the inherent ambiguity of language. Unlike the metes and bounds of real property deeds – which can be objectively assessed by trained land surveyors – patent claims rarely offer the desired precision in tracing of intangible right boundaries. Advances in technology further complicate the delineation of patent boundaries. Courts have long sought to balance the incentive and notice purposes of the patent law. Requirements of clear and definite claiming further the notice goal, but this general concern also comes into play in several areas of patent law – such as determining the standards for non-literal infringement where the “doctrine of equivalents” serves as a fulcrum for effectuating the incentives/notice balance.

Applying these principles in a complex patent dispute can be a challenging task. This guide seeks to rationalize and systematize the process of managing patent cases. Although many aspects of the patent statute are quite technical, patent adjudication involves many doctrines that demand the exercise of discretion. These larger purposes of the patent system provide the touchstone for interpreting the Patent Act and applying many patent doctrines.

### 1.1.2 Evolution of the Patent System

The nation's first patent act, enacted during the first congressional session, set forth concise general standards for protection, duration, rights, and remedies, but few details. This original institutional structure of the U.S. patent system was, however, short-lived for several reasons. It called upon the Secretary of State (Thomas Jefferson), the Secretary for the Department of War, and the Attorney General to personally examine patents, which, in light of their other responsibilities, proved untenable. Second, inventors were displeased with the high and vague threshold for protection: that inventions be deemed “sufficiently useful and important.”

As a result, in 1793 Congress struck the requirement that inventions be “sufficiently useful and important” and replaced the examination process with a registration system, leaving the evaluation of patentability entirely to the courts. The Patent Act of 1793 retained a terse standard for patentability: an inventor could patent “any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement on any art, machine, manufacture or composition of matter, not known or used before the application.” Patent Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318. The inventor was still required to provide a written description of the invention and the manner of use “in such full, clear and exact terms, as to distinguish the same from all other things before known, and to enable any person skilled in the art or science, of which it is a branch, or with which it is most nearly connected, to make, compound, and use the same.” *See id.*, § 3.

The courts gave content to and filled the gaps in this lean statute, drawing heavily upon English case law in the early years. *See generally* Peter S. Menell, *The Mixed Heritage of Federal Intellectual Property Law and Ramifications for Statutory Interpretation, Intellectual Property and the Common Law* (Shyam Balganes, ed., forthcoming 2012). In 1818, Justice Story, who would write 40 patent law opinions between 1813 and 1845, issued a paper stating that “[t]he patent acts of the United States are, in a great degree, founded on the principles and usages which have grown out of the English statute on the same subject.” *See On the Patent Laws*, 16 U.S. (3 Wheat.) App. 13-29 (1818) (quoted in Edward C. Walterscheid, *To Promote the Progress of Useful Arts: American Patent Law and Administration, 1787-836* (Part 1), 79 J. Pat. & Trademark Off. Soc’y 61 (1997)); *see also* Frank D. Prager, *The Influence of Mr. Justice Story on American Patent Law*, 5 Am. J. of Leg. History 254 n1 (1961). In his first patent law opinion, Justice Story, sitting as a Circuit Justice, distinguished between unpatentable elements of motion and “the *modus operandi*, the peculiar device or manner of producing any given effect” and recognized an experimental use defense based on the inference that “it could never have been the intention of the legislature to punish a man, who constructed such a machine merely for philosophical experiments, or for the purpose of ascertaining the sufficiency of the machine to

produce its described effects.” See *Whittemore v. Cutter*, 29 F.Cas. 1120, 1121-24 (C.C.Mass. 1813). In 1817, he fleshed out the meaning of “useful invention” and novelty. See *Bedford v. Hunt*, 3 F. Cas. 37, 37-39 No. 1217 (C.C.D. Mass. 1817). In 1829, Justice Story interpreted the novelty requirement of “not known or used before the application” to pertain only to knowledge or use “by the public.” See *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829).

The courts also established standards for disclosure, requiring that the patent document identify the patented invention with specificity and distinguish it from the prior art. See *Lowell v. Lewis*, 15 F. Cas. 1018, No. 8568 (C.C.D. Mass. 1817); *Evans v. Eaton*, 20 U.S. 356, 434-35 (1822). In the absence of an *ex ante* examination system, the patent bar developed the patent claim as a means of reducing the risk of an invalidity ruling and to more easily establish infringement. See Joshua D. Sarnoff, *The Historic and Modern Doctrines of Equivalents and Claiming the Future, Part I (1790-1870)*, 87 J. Pat. & Trademark Off. Soc’y 371, 384 (2005).

Nonetheless, the lack of an examination system eroded faith in the patent system due to the proliferation of “unrestrained and promiscuous grants of patent privileges.” See John Ruggles, *Select Committee Report on the State and Condition of the Patent Office*, S. Doc. No. 24-338, at 4 (1836). The Senate Report Accompanying the Patent Act of 1836 lamented that “[a] considerable portion of all the patents granted are worthless and void, as conflicting with, and infringing upon one another,” the country had become “flooded with patent monopolies, embarrassing to bona fide patentees, whose rights are thus invaded on all sides,” and that the “interference and collision of patents and privileges” had produced ruinous vexatious litigation. See Senate Report Accompanying Senate Bill No. 239, 24th Cong., 1st Sess. (April 28, 1836).<sup>1</sup> In response, the Patent Act of 1836 instituted examination in a newly constituted Patent Office, codified claiming conventions that grew out of jurisprudence, and introduced other procedural and institutional reforms, but perpetuated the standards of the 1793 Act as interpreted by the courts. See Patent Act of July 4, 1836, ch. 357, 5 Stat. 117.

In the century following the 1836 Act, the Supreme Court and lower federal courts established and fleshed out many of the key patent law doctrines: non-obviousness (*Hotchkiss v. Greenwood*, 52 U.S. 248 (1850)), limitations on patentable subject matter (*Le Roy v. Tatham*, 55 U.S. (14 How.) 156 (1853); *O’Reilly v. Morse*, 56 U.S. 62 (1853)), written description (*O’Reilly v. Morse*, 56 U.S. 62 (1853)), the doctrine of equivalents (*Winans v. Denmead*, 56 U.S. 330 (1854)), the doctrine of abandonment, suppression, or concealment as a limitation on prior art (*Kendall v. Winsor*, 62 U.S. 322, 328 (1858)), the best mode requirement (*Magic Ruffle Co. v. Douglas*, 16 F. Cas. 394, 396-97, No. 8948 (C.C.S.D. N.Y. 1863)), contributory infringement (*Wallace v. Holmes*, 29 F.Cas. 74 (No. 17,100) (C.C.Conn. 1871); *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712 (6th Cir. 1897)), experimental use exception to the statutory bar

(*Elizabeth v. Pavement Company*, 97 U.S. 126 (1877)), and accidental anticipation doctrine (*Tilghman v. Proctor*, 102 U.S. 707 (1880)).

As the patent system's effects on competition developed, and concerns about economic concentration grew (and manifest in the form of antitrust law, *see* Sherman Act, July 2, 1890, ch. 647, 26 Stat. 209), the courts became more skeptical of patent protection. Toward the end of the 19th century, the courts seemed "to become keenly aware that a patent could be used to stifle competition [and] they became stingy with preliminary injunctions against infringement." *See* Lawrence M. Friedman, *A History of American Law* 380 (1973). In 1883, Justice Bradley observed that although inventors of substantial discoveries "are worthy of all favor,"

[i]t was never the object of those laws to grant a monopoly for every trifling device, every shadow of a shade of an idea, which would naturally and spontaneously occur to any skilled mechanic or operator in the ordinary progress of manufactures. Such an indiscriminate creation of exclusive privileges tends rather to obstruct than to stimulate invention. It creates a class of speculative schemers who make it their business to watch the advancing wave of improvement, and gather its foam in the form of patented monopolies, which enable them to lay a heavy tax upon the industry of the country, without contributing anything to the real advancement of the art. It embarrasses the honest pursuit of business with fears and apprehensions of concealed liens and unknown liabilities to lawsuits and vexatious accountings for profits made in good faith.

*Atlantic Works v. Brady*, 107 U.S. (17 Otto) 192, 200 (1883). These concerns contributed to judicial development of the exhaustion doctrine (*Adams v. Burke*, 84 U.S. 453 (1873)), the enablement doctrine (*The Incandescent Lamp Patent*, 159 U.S. 465 (1895)), the patent misuse doctrine (*Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917)), the reverse doctrine of equivalents (*Westinghouse v. Boyden Power Brake Co.*, 170 U.S. 537 (1898)), laches (*Woodbridge v. United States*, 263 U.S. 50 (1923); *Webster Electric Co. v. Splitdorf Electrical Co.*, 264 U.S. 463 (1924)), and the inequitable conduct defense (*Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944); *Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945)).

### 1.1.2.1 Patent Act of 1952

The modern patent law dates to 1952, *see* Patent Act of 1952, Pub. L. No. 82-593, ch. 950, 82nd Cong., 2nd Sess., 66 Stat. 792, when Congress codified patent law in Title 35 of the U.S. Code and responded to pressure to correct court decisions from the prior two decades substantially raising the inventiveness bar. *See* P.J. Federico, *Origins of Section 103*, 5 APLA Q.J. 87 (1977). The House Report characterized codification as the “principal purpose” of the bill. *See* H.R. Rep. No. 82-1923, at 5 (1952). One leading treatise observes that “[v]ery ancient statutory language was thus carried over, in a conscious effort to preserve existing statutory interpretations.” Carl Moy, *Moy’s Walker on Patents* § 1:23 (4th ed. 2010).

Much of the 1952 Act restated provisions from prior law while integrating, codifying, and in a few instances altering judicial doctrines. The 1952 Act retained the 1793 Act’s text governing patentable subject matter virtually verbatim. The only pertinent difference between the 1793 and 1952 provisions is the substitution of the word “process” for “art.” This alteration was not intended to effect any substantive change or to supplant more than a century of jurisprudence interpreting “art.” *See* Peter S. Menell, *Forty Years of Wondering in the Wilderness and No Closer to the Promised Land: Bilski’s Superficial Textualism and the Missed Opportunity to Return Patent Law to its Technology Mooring*, 63 Stan. L. Rev. 1289, 1296-97 (2011). Rather, it was to avoid confusion with other uses of the word “art.”

The House Report noted two “major” substantive changes to the substantive patent law: “incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271.” *See* H.R. Rep. No. 82-1923, at 5 (1952). During the 1930s and 1940s, the Supreme Court substantially tightened the judicially developed non-obviousness standard to require a “flash of genius.” *See Cuno Eng’g Corp. v. Automatic Devices Corp.*, 314 U.S. 84, 91 (1941); *see also Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp.*, 340 U.S. 147, 152 (1950). In response, Congress formally codified the non-obviousness requirement while lowering the bar to what had previously been recognized by the courts prior to the 1930s as the appropriate level. *See* § 103; H.R. Rep. No. 82-1923, at 7, 18 (1952).

Congress also codified judicially-developed indirect liability doctrines, although with some adjustment to partially blunt recent expansion in the judicially-developed patent misuse doctrine. The legislative history notes that “[t]he doctrine of contributory infringement has been part of our law for about 80 years,” but that “[c]onsiderable doubt and confusion as to [its] scope” has resulted from recent patent misuse cases. *See* H.R. Rep. No. 82-1923, at 9 (1952) (referring principally to *Mercoind Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944)). In response, Congress expressly recognized the contributory infringement cause of action while codifying an express exclusion for the sale of

staple articles of commerce suitable for non-infringing use. *See id.*; § 271(c). The 1952 Act also expressly authorized the use of means plus function claims, although with a limitations on their scope. *See* § 112, ¶ 3, 66 Stat. at 798 (now codified at § 112, ¶ 6) (overturning *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 12 (1946), which barred functional claiming).

Although the Patent Act of 1952 simplified and fleshed out the patent law, it left many important doctrines free floating in jurisprudence. Even after this codification, the formal patent law still contained no mention of limitations on patentable subject matter, the experimental use exception to the statutory bar, the accidental anticipation doctrine, the doctrine of equivalents, the reverse doctrine of equivalents, the experimental use defense, the exhaustion doctrine, the patent misuse doctrine, the inequitable conduct doctrine, laches, or equitable estoppel.

### 1.1.2.2 America Invents Act of 2011

The vast expansion of patenting in the 1990s generated significant concerns about patent quality, anti-competitive patent thickets, and so-called patent “trolls” – non-practicing entities principally in the information technology field that pursued patent assertion strategies against start-up and established technology companies. Comprehensive studies by the Federal Trade Commission and the National Academies of Sciences recommended comprehensive reforms – from tightening the non-obviousness standard to raising the bar for obtaining injunctive relief, clarifying (and tightening) the willfulness standard, and rationalizing the determination of patent damages. *See A Patent System for the 21st Century* (Stephen A. Merrill, Richard C. Levin & Mark B. Myers eds., 2004); Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (2003).

Beginning in 2005, Congress took up these and other recommendations (such as expanding post-grant review, moving to a first-to-file system) but struggled to find common ground amidst the cacophony of competing interest groups. Meanwhile, the Supreme Court and the Federal Circuit have addressed much of the reform agenda through statutory interpretation and crafting of judicially-created doctrines. The Supreme Court tightened the non-obviousness requirement, *see KSR Intern. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), and the standard for obtaining injunctive relief, *see eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). The Federal Circuit has raised the bars for proving willful infringement, *see In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*), and reasonable royalty, *see Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d (Fed. Cir. 2011); *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

Only after the courts had resolved the most controversial issues dividing interest groups was there sufficient consensus for Congress pass the America

Invents Act (AIA) in September 2011, *see* Pub. L. No. 112-29, 125 Stat. 284, a far less ambitious set of patent reforms than those originally recommended and reflected in earlier patent reform packages. Although touted as the most significant change in patent legislation since the 1952 Act, the AIA did not ultimately address the principal concerns voiced in the FTC and NAS reports. The AIA principally addressed administrative changes to the patent system: shifting to a modified first-to-file system (retaining a grace period for inventor disclosure) and implementing a post-grant review process. The former change was intended to harmonize U.S. novelty provisions with those in place in most other patent systems around the world. The latter change seeks to enhance the PTO's role in reviewing patent validity, although it remains to be seen whether many technology companies will use the new procedural path for challenging patent validity. The AIA expands the prior user right for "method[s] of doing or conducting business"<sup>2</sup> to all inventive fields, although the standards for establishing the right are high. *See* § 273 (the defendant must show by "clear and convincing evidence" that it commercially used the technology at least one year prior to earlier of the effective filing date of the claimed invention or the date on which the claimed invention was disclosed to the public in a manner that qualified for the § 102(b) grace period).

### **1.1.2.3 Deciphering and Interpreting Patent Law**

Throughout the 19th century and into the 20th century, courts fleshed out the skeletal, inchoate early patent statute by filling in statutory gaps, integrating constitutional, antitrust, and pragmatic limitations, and drawing upon tort and equity principles to effectuate the enforcement of rights. Reflecting the jurisprudential style of those eras and the influence of their common law roots, character, and responsibilities, the most influential intellectual property jurists – including Justice Joseph Story, Justice Benjamin Robbins Curtis, and later Judge Learned Hand – operated in a less formal, common law-oriented mode. *See* William C. Robinson, *The Law of Patents for Useful Inventions* 15, n.3 (1890) ("Our patent acts have always depended upon common-law principles for their construction and until recently have been uniformly treated as a part of that great body of theoretical and practical jurisprudence. Patent law is as truly though not so extensively a matter of historical development as the law of real property, and can no more be beneficially administered as a mere statutory system inoperative except where verbally declared, than any other of those ancient branches of the law which we have inherited from our Anglo Saxon ancestors."). They perceived their responsibility to bring logic, consistency, and balance to the patent and copyright systems. As a consequence, they did not typically tie their interpretation tightly to statutory text. Through a pragmatic process drawing upon

statutory, constitutional, and experiential sources as well as common sense, they evolved patent law into a workable, dynamic system.

These patterns persist in the contemporary patent system as courts continue to play a critical role in evolving the patent system. The most significant changes to U.S. patent law in response to the calls for patent reform during the past decade took place in the courts – through tightening of the non-obviousness standard, raising the threshold for equitable relief, and reining in reasonable royalty determinations. More generally, the courts have subtly introduced various adjustments to better accommodate differences among the broad range of technologies governed by a unitary patent system. *See generally* Dan L. Burk & Mark A. Lemley, *The Patent Crisis and How the Courts Can Solve It* (2009).

There is little question that the courts will continue to play a substantial role in development of patent law. Many of the key features of patent law emerged in terse formulations during the early republic and have evolved through symbiotic processes of judicial common law-type development, legislative codification and correction, and legislative additions. The rapidity and unpredictability of technological change have buffeted courts with new challenges and they have employed common law tools and functional reasoning to evolve the intellectual property system. This institutional mechanism in the face of Congress's limited ability to act expeditiously and lack of sustained focus has enhanced the courts' substantive imprint on patent law. The courts are currently struggling with the scope of patentable subject matter, *see Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012); *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), a critical issue for the patent system and patent case management on which Congress has notably been silent.

The mixed heritage of patent law has important ramifications for statutory interpretation. Courts should trace the origin of statutory text or doctrine in order to determine the proper judicial lens – whether to use a common law approach or to focus narrowly on statutory text. *See* Peter S. Menell, *The Mixed Heritage of Federal Intellectual Property Law and Ramifications for Statutory Interpretation, Intellectual Property and the Common Law* (Shyam Balganesh, ed., forthcoming 2012). In assessing the provenance of statutory provisions, courts should be open to examining legislative history – especially with regard to codification statutes and other amendments intended to explain the nature and purpose of judicially developed doctrines. Rather, such context elucidates the source of patent law doctrines.

### **1.1.3 Patent Institutions**

The district courts play a vital role in both enforcing patents and reviewing the validity of patent grants. This role should be understood within the larger patent system, which comprises the U.S. Patent and Trademark Office (PTO), the Court

of Appeals for the Federal Circuit, and the International Trade Commission. In addition to these government institutions, there is a growing private marketplace for patent assets which increasingly affects patent litigation.

### **1.1.3.1 The Patent Office**

The Patent Office traces its roots back to the Patent Act of 1836 which re-instituted patent examination and established a formal agency. The Patent Office developed procedures for patent examination. Funding came principally from examination fees. Congress added trademark registration to the agency's responsibilities in 1881.

The PTO today is an agency of the U.S. Department of Commerce headquartered in Alexandria, Virginia. The PTO is in the process of establishing four satellite offices in: Dallas, Texas; Denver, Colorado; Detroit, Michigan; and San Jose, California.

The Patent Office's primary function remains patent examination. It employs approximately 10,000 employees, including over 6,500 patent examiners. Examiners have technical backgrounds and are assigned to "art units" within "technology centers" based on their educational background and experience. They do not typically have law degrees, but receive training in the requirements for patentability and patent prosecution.

Inventors filed approximately 500,000 utility patent applications in 2011, up from 164,558 utility patent applications in 1990. The Patent Office granted nearly 225,000 in 2011, up from approximately 90,000 in 1990. The Patent Office also received 30,467 design patent applications and 1,139 plant patent applications in 2011, up from 11,288 and 418 respectively in 1990.

Section 13.2 provides general background about patent prosecution. The average pendency time for a utility patent application is approximately three years from the time of filing, although there is significant variation across technology fields. The Patent Office is working to reduce a backlog of nearly 750,000 patent applications.

Upon final rejection of a patent application, the applicant can seek continuing examination or appeal by the Patent Trial and Appeal Board (PTAB). *See* § 13.2.1.3. In addition, the PTAB will conduct several new administrative proceedings introduced under the AIA: post-grant review (initiated by third parties within 9 months of issuance), *inter partes* review (initiated by third parties), supplemental examination (initiated by the patentee), and derivation proceedings.

Under § 282 of the Patent Act, issued patents have a presumption of validity. This means that the alleged infringer in a patent enforcement action (or a declaratory relief plaintiff) bears the burden of proving invalidity by clear and

convincing evidence. *See Microsoft Corp. v. i4i Ltd. P'ship*, 131 S.Ct. 2238 (2011).

### 1.1.3.2 The Court of Appeals for the Federal Circuit

The Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals of patent rejections from the PTO as well as all appeals of patent decisions by the U.S. district courts and the U.S. International Trade Commission. In the former capacity, the Federal Circuit inherited the responsibilities of the U.S. Court of Customs and Patent Appeals. The Federal Circuit sits in Washington, D.C.

Congress established the Federal Circuit in 1982 to provide greater doctrinal consistency and stability by creating a unified, specialized appellate court. *See* Rochelle Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. Rev. 1 (1989). Prior to its creation, there was substantial variation among the circuits in their attitudes toward patentability and enforcement. This new institution has significantly increased the rate at which patents have been upheld, *see* William M. Landes & Richard A. Posner, *An Empirical Analysis of the Patent Court*, 71 U. Chi. L. Rev. 111, 112 (2004), as well as expanded the scope of patentable subject matter. *See State Street Bank and Trust Company v. Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998); *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc). Perhaps more importantly, it has greatly increased the velocity of patent jurisprudence, speeding the responsiveness of the patent system to perceived problems.<sup>3</sup>

### 1.1.3.3 The International Trade Commission

In 1974, Congress expanded the authority of the U.S. International Trade Commission (ITC) to exclude unfair imports from the United States. *See* 19 U.S.C. § 1337; § 13.6.2.1. During the past decade, the ITC has emerged as one of the most salient patent enforcement venues in the United States. Its fast-track procedures – typically producing determinations within 16 months of initiation of an investigation – and potent exclusion remedy have attracted an increasing number of patentees. *See Spansion, Inc. v. International Trade Comm'n*, 629 F.3d 1331, 1358-59 (Fed. Cir. 2010) (interpreting the legislative framework governing the ITC as making injunctive relief “the normal remedy for a Section 337 violation” without a showing of irreparable harm).

The ITC now conducts more full patent adjudications on an annual basis than any individual district court in the nation. Its Section 337 administrative law judges (ALJs) focus almost exclusively upon patent investigations, making the ITC the only specialized trial level patent adjudication forum in the nation.

### **1.1.3.4 The Marketplace for Patents and Patent Litigation**

The past two decades have witnessed the emergence of robust markets for patents and patent dispute resolution. Following the bursting of the dot com information technology bubble in the late 1990s, a raft of information technology patents came onto the open market through bankruptcy and other transactions. This fueled what has come to be known as the patent troll problem – the assertion of amorphous and questionable patents by non-practicing entities. Start-up companies can be particularly vulnerable because they do not have the time to litigate or seek re-examination of dubious patents. As the litigation over smart phones has heated up, major technology companies have spent billions of dollars to build defensive and offensive patent portfolios. This potentially fuels patent acquisition strategies, straining the resources of the PTO and ultimately fueling patent litigation.

These factors have produced a complex strategic matrix for technology companies and patent litigators. Patent strategy has become integrated with business and litigation strategy in many technology markets. In the lead-up to initial public offerings, start-ups must navigate a bewildering array of patent claims. District courts increasingly find themselves at the center of multi-front battles involving the hottest technologies.

It is important for district judges to recognize that the litigation in their courtrooms can be part of a much more complex competitive landscape. The parties are typically weighing a host of strategic options: re-examination at the PTO; an ITC investigation; declaratory relief; alternative dispute resolution; and relief from foreign tribunals. Understanding this larger playing field is critical to managing the litigation in their courtroom, as the next section previews.

## **1.2 A Preliminary Note About Settlement of Patent Cases**

Patent litigation is expensive. According to survey statistics, each side can expect to spend several million dollars in fees through trial in the simplest, single-patent case. The high cost reflects in part the high stakes involved. For most businesses, this potential risk, coupled with the unpredictability of juries deciding complex technical questions, means that exploring settlement should be an imperative. Indeed, like other litigation, the vast majority of patent cases (more than 95%) ultimately resolve before trial—most through settlement and just under 10% through summary judgment rulings. But the timing of settlement varies widely. Approximately 30% of patent cases resolve before any court actions; approximately half resolve early in case management; and approximately 15% during or after pretrial proceedings. *See* FTI Consulting, Intellectual Property Statistics (May 2008) (based on data gathered by the Administrative Office of the U.S. Courts). Table 1.1 shows the median cost of resolving patent cases through the end of discovery and trial.

**Table 1.1**  
**Median Patent Litigation Costs: 2011**

Amount at Risk	Through End of Discovery	Through End of Trial
Less than \$1 million	\$350,000	\$600,000
\$1 million to \$25 million	\$1,500,000	\$2,500,000
Over \$25 million	\$3,000,000	\$5,000,000

*Source:* American Intellectual Property Law Association, Report of Economic Survey 35 (2011).

Thus, early resolution offers substantial savings to the parties and the court in terms of resources and time. What are the impediments to earlier resolution, and what part can the district judge play to encourage it? Although we address this issue in detail in § 2.6, it is worthwhile highlighting key considerations for the outset of patent litigation.

The first barrier to settlement may be the relationship of the parties. For example, if the patent holder is not an operating entity but only holds its patents for assertion against potential infringers, it puts at risk only the patents-in-suit and the cost of the litigation and faces no possibility of field-leveling counterclaims. For the defendant company accustomed to resolving disputes with competitors through compromise, this asymmetrical situation can lead to standoff. Just as challenging for different reasons is the case involving head-to-head competitors for whom litigation may be just another marketplace strategy.

The most effective approaches to settlement, therefore, require judicial intervention, early and often. This typically begins at the first case-management conference, where the court can relieve counsel (or one of them) of their natural reluctance to address the issue, making it clear that cooperation and frequent reports on settlement are considered just as important as other aspects of case management. The type of process (e.g., early neutral evaluation, outside mediation, magistrate judge conference) and date for completion of the first phase should be set at this stage. The court should express willingness to order in-person attendance by appropriate executives. To the objection that discovery will have to come first, the court should make clear that any information reasonably necessary to assess each side's position should be exchanged promptly. To the objection that settlement cannot usefully proceed until the court has construed the asserted claims, the court should point out that uncertainty often drives settlement and early discussions will likely hasten the settlement process.

The best time for settlement is often at the outset of litigation, before vast amounts of time and resources are expended and positions harden. Apart from that, mediation can be most effective (a) after some initial discovery (when each

side has presumably learned more about the merits), (b) just after a pivotal event, such as a claim construction order, or a ruling on a preliminary injunction request or on summary judgment motions, or (c) just before such a high-risk pretrial event, or just before trial itself (keeping in mind Samuel Johnson’s oft-quoted observation that “when a man knows he is to be hanged in a fortnight, it concentrates his mind wonderfully”).

Table 2.7 provides a practical guide for understanding the underlying dynamics and pertinent settlement issues with regard to the most common types of patent disputes:

- competitor versus competitor (regarding core technology)
- competitor versus competitor (non-core technology)
- large enterprise versus start-up/new entrant
- licensing company versus large enterprise
- licensing company versus start-up enterprise
- pharmaceutical versus pharmaceutical
- patent owner versus first alleged infringer (serial litigant)
- pharmaceutical versus generic
- medical device industry
- preliminary injunction motion

Here is a summary of general ways a district court can effectively encourage settlement of patent litigation:

1. Make clear to counsel that settlement is a process, not an event, and that it is extremely important to the court.
2. Get the settlement process moving early, dealing with objections that might cause delay. Appoint a mediator with experience in resolving patent disputes (this does not necessarily mean a patent lawyer).
3. Require frequent reports on the status of settlement efforts, requiring multiple mediation sessions if necessary.

1. Analogous complaints have been made during the past two decades in reaction to the proliferation of business method and software patents. *See* Dan L. Burk & Mark A. Lemley, *The Patent Crisis and How the Courts Can Solve It* (2009); James Bessen & Michael J. Meurer, *Patent Failure: How Judges, Bureaucrats and Lawyers Put Innovation at Risk* (2008); Adam B. Jaffe & Josh Lerner, *Innovation and Its Discontents* (2004).

2. Congress added this defense in to the Federal Circuit’s 1998 decision laying to rest the business method exception to statutory subject matter. *See State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir. 1998); First Inventor Defense Act of 1999, Pub. L. No. 106-113, 113 Stat. 1536 (1999).

3. The Supreme Court substantially increased its review of patent cases. From 1990 to 2001, it heard seven patent cases. The Supreme Court doubled that number between 2001 and 2012 (even as its total number of certiorari grants declined).

## **Chapter 2**

### **Early Case Management**

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## Appendix 2.4(b) Mediation Evaluation Form for Mediators, Northern District of Illinois

### Appendix 2.4(c) Mediation Evaluation Form for Parties, Northern District of Illinois

Without close management, patent cases can consume a vastly disproportionate amount of court and staff time. High stakes often result in extensive, contentious motion practice. Keys to success lie in early establishment of a case schedule and procedures for streamlining resolution of common issues, as well as creative approaches to settlement. Discovery requires special attention; it will be treated separately in Chapter 4. However, discovery challenges (anticipating and avoiding them) are connected with many of the pretrial issues confronted by district courts.

This chapter examines pretrial case management. We begin with a review of typical timelines and specialized local rules from jurisdictions that have found them useful in handling a large number of patent cases. For courts outside these districts, these approaches will still be helpful in understanding the management choices available.

We then describe the specific issues typically faced in connection with the pleadings, including jurisdiction and venue, standing, declaratory judgment, special patent defenses (such as inequitable conduct and assignor estoppel), and common associated claims such as antitrust violations. The initial case management conference will be addressed, with particular attention to scheduling choices and their consequences. We consider the multi-patent “mega case,” processes for identifying (and narrowing) infringement and invalidity contentions, and whether and how to schedule a *Markman* hearing to determine what the patent claims mean. We revisit the latter issues in detail in Chapter 5.

We cover some of the more common early motions, such as a motion for stay pending reexamination of the patent by the PTO, and motions directed at managing the issue of willful infringement, which is frequently asserted and is a predicate for an award of enhanced damages and attorneys’ fees. We also consider in some detail the critical process of encouraging agreed resolution through mediation.

## 2.1 Patent Litigation Timelines and Specialized Local Rules

A patent case is, in many senses, like any other case. The plaintiff files a complaint alleging infringement. The defendant answers, alleging non-infringement and asserting various defenses, and potentially makes counterclaims of its own. The parties proceed to fact and expert discovery, motion practice, pretrial briefing, and trial. As in any litigation, the time necessary for each pretrial phase varies with the complexity of and potential impact from the issues presented.

However, there are certain unique aspects of patent litigation, the management of which will significantly affect the pretrial timeline. Key among these are the complexity of the legal issues, the complexity and difficulty of the technology at issue, and the large volume of highly-sensitive technical documents, source code,

and other information exchanged during discovery. Courts have implemented various mechanisms to help manage these and other issues efficiently and effectively, including the specialized case assignment rules in Patent Pilot Program districts, nearly universal use of protective orders, and Patent Local Rules designed to facilitate discovery and frame claim construction.

### **2.1.1 Case Assignment -- Patent Pilot Program**

Concern over the challenges in handling patent cases led Congress to pass legislation in 2011 establishing the Patent Pilot Program. *See* Pub. L. 111-349 (2011). The legislation establishes a 10-year project designed to enhance specialization and expertise in adjudicating patent cases and reduce the cost of patent litigation. Under the legislation, the Administrative Office of the United States Courts (“AOUSC”) designated 14 district courts to participate. To be eligible, a district had to be among the 15 district courts in which the largest number of patent and plant variety protections cases were filed in 2010, or be district courts that adopted or certified to the Director of the AOUSC the intention to adopt local rules for patent and plant variety protection cases. From among the eligible courts who volunteered for the pilot, the Director was required by statute to select three district courts having at least 10 authorized district judgeships in which at least three judges have made a request to hear patent cases, and three district courts having fewer than 10 authorized district judgeships in which at least two judges have made a request to hear patent cases.

Under the legislation, patent cases filed in Patent Pilot Program districts are initially randomly assigned to all district judges, regardless of whether they have been designated to hear such cases. A judge who is randomly assigned a patent case and is not among the designated judges may decline to accept the case. That case is then randomly assigned to one of the district judges designated to hear patent cases. The Judicial Conference Committee on Court Administration and Case Management will help implement the pilot. The Committee is encouraging the pilot courts in the project to use their case assignment system to ensure fairness in the distribution of the court's workload and provide for the assignments of additional civil cases to those judges who decline patent cases. Appendix 2.2 lists the districts participating in the Patent Pilot Program and the judges opting into the specialized pool. The Patent Pilot Program districts have promulgated rules for assigning cases within their districts. As noted above, patent cases filed in participating district courts are initially randomly assigned to all district judges within the participating district court. A judge who is randomly assigned a patent case and is not among the designated patent judges may either keep or decline the case. In most districts, non-designated judges have 30 days to decide whether to reassign the case. The Western District of Pennsylvania and the Northern District of Texas give judges only seven days to decide whether to keep the case. *See*

W.D. Penn. Misc. Order No. 11-283, ¶ 3; N.D. Tex. Special Order No. 3-287. The Southern District of California gives judges 28 days to decide whether to keep the case. *See* General Order No. 598, ¶ 3. In the Northern District of California, judges must make a declination *before* the patent case would have been assigned. If the non-designated judge declines the case, it is then randomly assigned to one of the designated patent judges.

The Northern District of California has adopted a general order further augmenting the assignment procedure for patent cases. In the Northern District, non-patent judges are allowed to decline no more than three patent cases in any given year. *See* General Order No. 67, ¶ 3. The Northern District has also taken the “position that the patent pilot statute does not supersede statutes that allow Magistrate Judges to handle any case pursuant to consent by the parties.” “Patent Pilot Program Becomes Active January 1, 2012,” available at <http://www.cand.uscourts.gov/news/63>. Accordingly, the Northern District has designated magistrate judges who have an interest in patent cases. The Eastern District of New York has taken a similar position and also designated magistrate judges for the program.

The enabling legislation requires the FJC to study the extent to which the pilot program develops judicial expertise and efficiency in handling patent cases, the speed with patents cases are resolved, reversal rates, and forum shopping. The pilot program also provides judges in non-pilot-program districts with readily identifiable resources (in the form of local rules, standing orders, and pilot-program judges themselves) with substantial expertise upon which to draw for guidance in managing patent cases.

### 2.1.2 Protective Orders

Patent litigation frequently pits direct competitors against each other in a process where some of their most important trade secret information is alleged to be relevant to the resolution of the case. This is true of both technical data, such as source code and records of product development, and business information, such as financial statements and underlying records of sales and profit calculation.

As a result, the start of meaningful discovery in a patent case almost always requires entry of a protective order – or at a minimum temporary provisions ensuring the confidentiality of discovery materials until a final protective order can be entered. Therefore, courts should require parties to address the propriety of an umbrella protective order at the initial Case Management Conference if the parties have not already taken up the issue on their own initiative (or pursuant to local rule). The complexity and sensitivity of information produced in discovery may result in a request for a multi-tiered protective order governing discovery, in which some information is available to the opposing party but restricted to use in the specific litigation (“confidential”), and other more sensitive information is

given only to counsel of record and approved experts (“highly confidential” or “attorneys only”). Such orders are fairly common, and although they can be said to interfere with counsel’s ability to advise their clients effectively, this objection can be addressed in a more specific context when a party seeks permission to share particular information that had been designated attorneys-only. *See, e.g., Solaia Tech. LLC v. Jefferson Smurfit Corp.*, 2002 U.S. Dist. LEXIS 15666, at \*4-5 (N.D. Ill. Aug. 20, 2002).

The advantages of an umbrella protective order are that it reduces the number of times that the court is asked to resolve confidentiality issues and it allows the information to be provided to opposing counsel in the first instance. Thus, when one side expresses a wish to change the designation of a particular document or set of data (for example, in order to prepare certain client representatives in advance of a settlement conference), the dispute can be informed by reference to actual documents, rather than abstractions.

### **2.1.2.1 Default Protective Orders**

Many district courts implement default protective orders so as to avoid delay in patent litigation. Others provide default orders that give the parties advance guidance about the norms regarding protective order provisions for that district or judge, and provide judges with a neutral set of provisions that can be implemented in cases where the parties are unable to agree on a joint protective order. Appendix 2.3 provides a catalog of default protective orders as well as a selection of default provisions. These approaches vary in terms of their timing and substance.

#### **2.1.2.1.1 Timing**

As noted, some districts have default protective orders that take effect automatically at the outset of the case. The Northern District of Illinois is one example. This approach recognizes that confidentiality issues abound in patent litigation and prevents disputes or inaction regarding the protective order from delaying discovery, in particular the exchange of patent-related contentions required by the local rules. After the default order is entered, the parties may, either at the outset of the case or later, seek a revised protective order that is more tailored to their case. But because the Rules provide for automatic entry of the default protective order, the desire to negotiate a more tailored version is not a basis to delay the disclosure and discovery schedule that the Rules contemplate. The Northern District of California takes a similar approach, requiring that “Discovery cannot be withheld on the basis of confidentiality absent Court order. The Protective Order authorized by the Northern District of California shall govern discovery unless the Court enters a different protective order.” N. D. Cal. Patent Local Rule 2-2.

Another approach is to require that, in the absence of a protective order, materials produced in discovery be treated as “outside attorneys’ eyes only” materials until such time as a protective order is entered. *See, e.g.*, Del. Local Rule 26.2 (“If any documents are deemed confidential by the producing party and the parties have not stipulated to a confidentiality agreement, until such an agreement is in effect, disclosure shall be limited to members and employees of the firm of trial counsel who have entered an appearance and, where appropriate, have been admitted *pro hac vice*. Such persons are under an obligation to keep such documents confidential and to use them only for purposes of litigating the case.”).

Some districts have prepared default protective orders, but stop short of entering them automatically when a case is filed. One such example is the District of Delaware, which has adopted a set of guidelines for the exchange of electronic discovery and separate set of guidelines for the inspection of source code, which implicate many issues commonly addressed in umbrella protective orders. *See* D. Del. Electronic Discovery Default Standard and Default Standard for Access to Source Code. Parties are thus free to craft their own case-specific orders, but can do so with a clear understanding of what is likely to be implemented if they cannot agree on joint provisions. The District of Minnesota has taken a similar but more comprehensive approach by providing a sample protective order for the parties to work from in crafting an order tailored to the needs of their case. *See* D. Minn. Form 5. Appendix 2.3 contains default protective orders from the Northern District of California, the Northern District of Illinois, and the District of Minnesota, as well as the source code guidelines from the District of Delaware, which collectively provide a flavor of the nuances in how different courts handle confidentiality issues.

#### **2.1.2.1.2 Substance – Tier Structure**

The complexity and sensitivity of information produced in discovery may result in a request for a multi-tiered protective order governing discovery, in which some information is available to the opposing party but restricted to use in the specific litigation (“confidential”), and other more sensitive information is given only to counsel of record and approved experts (“highly confidential” or “attorneys only”). Such orders are fairly common, and although they can be said to interfere with counsel’s ability to advise their clients effectively, this objection can be addressed in a more specific context when a party seeks permission to share particular information that had been designated attorneys-only. *See, e.g., Solaia Tech. LLC v. Jefferson Smurfit Corp.*, 2002 U.S. Dist. LEXIS 15666, at \*4-5 (N.D. Ill. Aug. 20, 2002).

This multi-tiered approach has been followed, for example, in the Northern District of California, which adopted a default protective order containing three

tiers: 1) “Confidential” information (information that qualifies for protection under F.R.C.P. 26(c)); 2) “Highly-Confidential – Attorneys’ Eyes Only” information (information that is “extremely sensitive,” disclosure of which “would create a substantial risk of serious harm that could not be avoided by less restrictive means”); and “Highly Confidential – Source Code” information (“extremely sensitive” information “representing source code and associated comments and revision histories, formulas, engineering specifications, or schematics that define or otherwise describe in detail the algorithms or structure of software or hardware designs”). N.D. Cal. Patent L.R. 2-2 Interim Model Protective Order. While “Confidential” information may be disclosed to parties and their representatives who sign an acknowledgment of the protective order, so long as it is used only for the purposes of litigation, “Highly-Confidential Attorneys’ Eyes Only” information may be disclosed only to in-house attorneys who are not involved in competitive decision-making and whose identities are disclosed in advance. *Id.* “Highly-Confidential – Source Code” information is made available for inspection pursuant to a strict set of guidelines, rather than produced, and is restricted to the same two in-house attorneys, as well as outside counsel and approved experts. *Id.*

Other courts have adopted a two-tier approach that does not call out source code explicitly. For example, the Northern District of Illinois adopted a default order that includes “Confidential” information (“information concerning a person’s business operations, processes, and technical and development information within the scope of Rule 26(c)(1)(G), the disclosure of which is likely to harm that person’s competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court.”) and “Highly Confidential” information (“information within the scope of Rule 26(c)(1)(G) that is current or future business or technical trade secrets and plans more sensitive or strategic than Confidential Information, the disclosure of which is likely to significantly harm that person’s competitive position, or the disclosure of which would contravene an obligation of confidentiality to a third person or to a Court.”). N.D. Ill. LPR Appendix B. While “Confidential” information may be disclosed to in-house counsel, “Highly Confidential” information may not, absent a court order. *Id.* The District of Minnesota has adopted a similar approach. *See* D. Minn. Form 5.

These and other default protective orders provide guidance about how courts commonly address the exchange of highly-sensitive business and technical information in patent cases. But confidentiality concerns will vary from case to case and, to avoid unnecessary disputes during discovery, the court should in each case actively engage the parties in a discussion about the types of information each party expects to produce, and the confidentiality concerns that flow from that production, so that the protective order in each case can be tailored to address those specific issues.

### 2.1.3 Managing Claim Construction

In almost every patent case, the court must construe the claims of the patent so that the court, the parties, and ultimately the jury understand the characteristics and scope of the claimed invention. For the court, claim scope can be a predicate to a number of pretrial issues, including summary judgment; and for the jury, it is essential to determining validity and infringement. The claim construction process arises out of the requirement in the seminal *Markman* decision that the district court must resolve the meaning of disputed patent claim terms as a matter of law. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979 (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996). Substantive issues relating to claim construction, and issues related to the conduct of the hearing, are addressed in Chapter 5. This section addresses claim construction as a part of overall case management.

As of this writing, more than twenty districts have adopted patent local rules setting forth a framework of claim construction disclosures and submissions prior to submission of briefing. Appendix D provides a list of, and links to, these local rules. While the specific timing, sequence and content of disclosures and submissions varies between districts, the various sets of rules share a common thread – they seek to present the court with a limited set of actual and meaningful disputes. Critical to this process is that the parties have a full understanding of why the patentee contends that the accused infringer infringes and why the accused infringer contends that the patent is invalid. These contentions, and the positions the opposing party takes in rebuttal, are fundamental to claim construction because they determine which claim terms are disputed and why. Patent local rules address this issue by requiring parties to disclose their infringement and invalidity contentions early in the case. In addition to advancing the claim construction process, these disclosures have the benefit of setting natural boundaries for discovery and encouraging settlement by providing parties with a reliable look at the specific accusations being leveled and the evidence supporting them. In this vein, too, there is some variation between districts regarding the timing and content of contention disclosures. Some of these variations are discussed below.

Local Rule Contention Exchanges. In districts that have adopted patent local rules, a requirement that the patent holder disclose its infringement contentions (including a claim-by-claim disclosure showing where in each instrumentality each limitation is allegedly met and citing supporting evidence, and to identify whether the allegation is literal infringement or infringement under the doctrine of equivalents) relatively early in the discovery period is nearly ubiquitous. Patent holders are also typically required to produce documents concerning the conception and reduction to practice of the alleged inventions claimed in the asserted patents. The timing of the patent holder's disclosure varies somewhat – common approaches are to require the disclosure shortly after the answer to the

complaint is filed (e.g., Northern District of Ohio), shortly after the case management conference (Northern District of California), or a set time period after the complaint is filed (e.g., Southern District of Indiana, 150 days after complaint is filed). But some courts have commented that additional time may be necessary when information upon which the contentions depend is confidential and within the sole possession of the accused infringer. *See, e.g., S.D. Indiana, Notes to Patent Local Rules.*

Following the patent holder's disclosure, the accused infringer is required to disclose its invalidity contentions, including a claim-by-claim disclosure supporting prior art anticipation and obviousness defenses that shows where in each asserted prior art reference each element of each claim is allegedly found. Defenses based on Section 112 (indefiniteness, enablement, written description) are also typically required to be disclosed. Some districts, for example the Northern District of California, the District of New Jersey, and the Northern District of Ohio, also require disclosure of Section 101 defenses. Some districts also require disclosure of unenforceability contentions (e.g., based on inequitable conduct, unclean hands, and the like). The accused infringer is also typically required to produce documents sufficient to describe the features, structure, and/or functionality of the accused instrumentalities identified in the patent holder's contentions. The timing of the accused infringer's disclosures varies, but is typically some set time period (e.g., 45 days in N.D. California, 14 days in N.D. Illinois) after service of the patent holder's contentions.

Almost all districts require only burden-of-proof contentions. The Northern District of Illinois and the Northern District of Ohio, however, require the accused infringer to serve contentions rebutting infringement and identifying which claim limitations are allegedly missing from the accused instrumentality, and require the patent holder to serve contentions rebutting invalidity and identifying which claim limitations are allegedly missing from the prior art.

Claim Construction Disclosures and Exchanges. Patent local rules typically require the parties to engage in a series of claim-construction-related exchanges before submitting briefing. The process typically commences after the parties have exchanged their contentions. The parties are usually first required to identify to each other a proposed set of terms for construction and then later to exchange proposed constructions and supporting evidence – usually simultaneously (e.g., Northern District of California), but in some districts the party identifying the term for construction must go first (e.g., Northern District of Ohio). The parties have the opportunity before the next deadline to meet and confer about their positions, and in many jurisdictions (e.g., Northern District of California) are required to do so. In either event, the parties are typically next required to submit a joint list of proposed terms, each party's construction of each term, and each party's supporting evidence for each term, to the court.

While courts have taken different approaches to managing the claim construction process, a common practice is to limit the number of terms that the

court will construe prior to trial. *See, e.g., Hearing Components, Inc. v. Shure, Inc.*, 2008 WL 2485426, at \*1 (E.D. Tex. Jun. 13, 2008) (limiting number of terms to be construed to ten). The Northern District of California and the Northern District of Illinois have codified this approach in their patent local rules. *See, e.g.,* N.D. Cal. Patent L.R. 4-3(c) (ten terms may be submitted for construction); N.D. Ill. Patent L.R. 4.1(b) (limiting number of terms to ten “absent prior leave of court upon a showing of good cause”). The criteria the parties use for selecting terms for construction can vary depending on the court. Some courts require the parties to focus on those claim terms that will be potentially dispositive of the merits of the case. *See, e.g.,* N.D. Cal. Patent L.R. 4-3(c) (“The parties shall also jointly identify the 10 terms likely to be most significant to resolving the parties’ dispute, including those terms for which construction may be case or claim dispositive.”). Similarly, some judges require the litigants to file a motion requesting the court to construe specific claim terms with a showing that the construction of those terms is related to a significant dispute regarding infringement or validity. *See, e.g., Sandisk Corp. v. Zotek Electronic Co., Ltd.*, 2010 WL 2671579, \*1 (W.D. Wis. 2010); *Cheese Systems, Inc. v. Tetra Pak Cheese*, 2011 WL 3739475, \*2 (W.D. Wis. 2011) (“If a party shows at summary judgment or at trial that construction is needed to resolve a material dispute, the court will provide it.”). Even though the court is ultimately required to construe all disputed terms before the case is submitted to a jury, and thus may be required to perform additional claim construction, requiring the parties to submit a limited set of terms for initial construction focuses them – and thus the court – on the most important terms and the terms most likely to lead to an early resolution by settlement or through summary judgment. As a result, in our collective experience this approach typically promotes judicial economy.

Other districts, including some with substantial patent experience (most notably Delaware), have historically eschewed a rules-based approach to contention and claim construction discovery and favored addressing these issues through standard written discovery. Generally, this approach is feasible only where the court conducts claim construction after the close of fact discovery, because both contentions and supporting evidence provided in interrogatory responses are often updated through the end of (and, at times, after) the fact discovery period. Where a court intends to conduct claim construction earlier in the case (and, as discussed in § 2.1.3 and in Chapter 5, *infra*, there are good reasons to do so), a court in a district that does not have patent local rules should nonetheless require the parties to exchange their burden-of-proof contentions, their claim construction positions, and their supporting evidence well in advance of the claim construction briefing.

As the discussion above reveals, the details of a stand-alone claim construction process may be managed by the court in a variety of ways. Chart 2.1 summarizes the practical advantages and disadvantages of the most common approaches to claim construction.

**Chart 2.1**  
**Advantages and Disadvantages of the Most Common**  
**Approaches to Claim Construction**

	Strategy	Advantages	Disadvantages
Identification of disputed claim terms.	Parties identify to each other claim terms to be construed.	May help narrow disputed terms.	Requirement to confer may extend time required for claim construction.
Identification of proposed constructions and evidence.	Parties identify to each other their proposed constructions along with the intrinsic and extrinsic evidence on which they intend to rely, then confer.	May help narrow disputed terms.	Requirement to confer may extend time required for claim construction.
Claim term selection criteria.	Limiting the number of claim terms.	May help focus the parties on the terms most likely to be critical to decisions on the merits.	May result in some important disputes remaining unresolved, thereby decreasing the parties' ability to evaluate their probability of success (and thus hindering settlement) until late in the case. <i>See O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.</i> , 521 F.3d 1351, 1360-61 (Fed. Cir. 2008) (holding that all material claim construction disputes must be resolved by the Court prior to submission of the case to the jury).
Submission			Extra submission may

of joint statement of proposed constructions.	Parties submit a joint claim construction statement providing (a) a list of stipulated constructions; (b) the proposed constructions of each side for the disputed terms and (c) the intrinsic and extrinsic evidence on which they intend to rely.	Forces the parties to identify the key disputed issues and evaluate the strength of the evidence in advance of burdening the Court with briefing. Reduces the number of times parties change claim construction positions during the briefing process. Provides the Court with a useful road map of the upcoming briefing.	extend time required for claim construction and, depending on the schedule and the bleed over from fact discovery, may force the parties to take positions before they have fully considered the issues.
Briefing	(a) Page limits, (b) simultaneous opening and opposing briefing without replies.	(a) May help focus issues and force the parties to avoid extraneous material; (b) can reduce the time needed for claim construction and gives both parties an equal chance to have the last word in a situation where neither side is really properly considered the movant.	(a) May prevent the parties from providing sufficient context into how the dispute over the proper construction is expected to influence the ultimate disputed issues of infringement and validity; (b) can result in opening briefs that do not squarely address each other (generally the result of inadequate meeting and conferring in an earlier stage).
Technical Tutorial	Court receives an in person or submitted (on	Provides the court with context to help make better	Increases the burden on the court. The parties will likely present

	paper or through multimedia) presentation regarding the technology.	decisions about the meaning of highly technical and possibly unfamiliar terms.	information in a way that favors their view about the proper framework for approaching the technical issues.
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### 2.1.3.1 Claim Construction Briefing and Oral Argument

Some courts routinely utilize a *Markman* briefing coupled with a hearing, which typically consists of argument of counsel and may include witness testimony, although this is rare. Other courts do not hold a *Markman* hearing unless they determine from briefing that it would be helpful, such as when the experts sharply diverge on the perspective of a person of ordinary skill in the art. Many courts find it useful to have the parties first present a technology tutorial, setting context for the arguments to follow. Some courts will let the relevant claim terms emerge in briefing, while others do more to encourage the parties to reach agreement in advance on a set of disputed terms, for example by requiring submission of joint claim construction statements. *See* N.D. Cal. Patent L.R. 4-3. A district judge has broad discretion in the management of the claim construction process, and that discretion is reflected in the variety of mechanisms that different courts have used. A court’s decisions about claim timing and process should, however, consider the interrelation of claim construction with other aspects of pretrial process, particularly discovery, summary judgment, and settlement.

### 2.1.3.2 Claim Construction and Discovery

#### 2.1.3.2.1 Discovery Prior to Claim Construction

As discussed further in Chapter 5, claim construction is based on the patent claims, specification, and prosecution history and on extrinsic evidence to show what patent claim terms would have meant to a person skilled in the art. In theory, therefore, discovery relating to the structure and function of accused devices or a patent holder’s own products might seem unnecessary. *See SRI Int’l v. Matsushita Elec. Corp. of Am.*, 775 F.2d 1107, 1118 (Fed. Cir. 1985) (*en banc*). However, it is only by knowing the details of the accused product and the relevant prior art that the parties are able to determine which claim terms need construction; otherwise, the court might be asked to provide definitions for words and phrases that are not likely to materially affect the outcome of the litigation. Likewise, an inventor’s testimony as to what a patent means is typically seen as extrinsic evidence, which is less relevant to the claim construction process, particularly

when it is offered in a self-serving way; it can, however, be helpful to the Court in understanding the context and background of an invention as well as what the inventor understood to be the point of novelty. *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 983 (Fed. Cir. 1995) (*en banc*), *aff'd*, 517 U.S. 370 (1996); *but see Voice Techs. Group, Inc. v. VMC Sys., Inc.*, 164 F.3d 605, 615-16 (Fed. Cir. 1999) (“Although *Markman* and other precedent caution the court against creative reconstruction of an invention by interested persons, courts are not novices in receiving and weighing expertise on both sides of an issue.”). In some cases, an inventor’s deposition can also be helpful in illuminating what happened during prosecution of the patent application, which in turn can be relevant to the meaning of some terms.

In practice, permitting fact discovery in advance of claim construction is very helpful, serving to focus the claims and defenses in a case. For example, once a plaintiff has discovery on the structure and function of accused products or processes, it may eliminate certain claims that it had initially intended to assert and may be able to better prioritize the claim terms that will be most helpful in closing the gap between the parties’ views regarding the value of the litigation. Accordingly, discovery in advance of claim construction is common. Indeed, the specialized local patent rules of most districts that have adopted them expressly provide for discovery prior to claim construction, including through the use of mandated early disclosures of infringement and invalidity contentions.

#### **2.1.3.2.2 Fact Discovery After Claim Construction**

Often, as a result of a court’s claim construction order, issues arise justifying additional fact discovery. For example, the court’s definition may implicate previously uninvestigated features of an accused device. Most courts therefore set fact discovery to proceed for some period after the expected ruling on claim construction. Courts managing cases in which a deposition of an inventor was taken for *Markman* purposes sometimes limit that initial deposition to claim construction-related topics, and allow a more general deposition after the *Markman* process is complete.

#### **2.1.3.2.3 Expert Discovery After Claim Construction**

Expert reports on infringement, invalidity, and damages are central to almost every patent case. Technical experts opine on infringement and invalidity based on the meaning of the claim terms as determined by (or anticipated from) the court’s claim construction order. For this reason, claim construction should precede expert reports and depositions. Damage analyses may also be affected by a claim construction. For example, as a result of the court’s ruling it may become apparent that certain accused devices or features are not infringing, or that a

hypothetical design-around might have been easier or more difficult. Many courts therefore set expert discovery and deposition schedules to begin after claim construction. In other jurisdictions, courts set expert discovery before claim construction, but require experts to write their reports in the alternative relative to each side's proposed constructions.

#### **2.1.3.2.4 Legal Contentions After Claim Construction**

In many cases, the legal theories on infringement or invalidity adopted by the parties may not work as well as a litigant expected after claim construction. In some jurisdictions – especially those in which claim construction happens at the end of the case and/or in connection with summary judgment (such as the District of Delaware) – the courts provide only limited opportunities to change infringement and invalidity theories after claim construction. This has the advantage of forcing the parties, early in the case, to think hard about their case and to settle on a particular theory. For that reason, it also prevents each side from sandbagging. On the other hand, limiting the parties' ability to modify their legal theories after claim construction can result in a trap for the unwary and/or harshly deprive a party of an otherwise valid claim or defense. This is especially true when, as is often the case, the Court adopts proposed constructions that are different from the ones proposed by *both* sides. Especially in these situations, the Court's constructions may be unanticipated by the parties and may therefore "break" both side's theories. For this reason, many courts allow parties to modify their infringement and invalidity contentions after claim construction only upon a "timely showing of good cause." *See, e.g.*, N.D. Cal. Patent L.R. 3-6; *see also O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1366 (Fed. Cir. 2006) (affirming lower court's requirement that a party show diligence in order to establish "good cause" under local patent rules.); *Finisar Corp. v. The DirecTV Group*, 424 F. Supp. 2d 896, 901-02 (E.D. Tex. 2006) ("[i]nvalidity is an affirmative defense, and the party which does not properly investigate applicable prior art early enough to timely meet disclosure requirements risks exclusion of that evidence.")

#### **2.1.3.3 Claim Construction Generally Should Precede, But May Be Combined With, Summary Judgment**

Claim construction is a critical predicate to the most common summary judgment motions. Indeed, the structure and operation of an accused device is often undisputed, so that determination of infringement will collapse into a question of claim construction. *Athletic Alternatives, Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1578 (Fed. Cir. 1996). The same can be true for invalidity. Claim construction is the foundation for analysis of both infringement (has the patentee

claimed the technology practiced by the defendant?) and invalidity (does the patentee’s claim “read on”<sup>1</sup> preexisting technology?). Most courts complete claim construction first, before allowing dispositive motions, on the theory that the parties need a definitive statement of claim scope before preparing summary judgment papers. Other courts emphasize the risk that separate claim construction done in isolation, and without a sufficient understanding of why and how the dispute about the meaning of a term *matters*, results in an abstract exercise that is more likely to be wrong. As a result, these courts combine the claim construction and summary judgment proceedings. There also are a few courts that, while not scheduling dispositive motions for the same time as claim construction, do require the parties to explain the significance of the competing claim constructions and limit the parties’ ability to later offer alternative theories of infringement or non-infringement that were not previously disclosed. Although there are substantial reasons to prefer an early claim construction (such as the ability to provide clarity and information on settlement value to litigants earlier in the case), it is also worth noting the Federal Circuit’s position that claim constructions are not ripe for appellate review until the full factual record has been developed. For that reason, early claim construction does not normally allow pretrial review of this interlocutory decision, even on a writ.

As is discussed more fully in Chapter 6, some experienced patent jurists have found it useful to distinguish between two kinds of summary judgment motions: (1) those that turn primarily or exclusively upon claim construction—such as non-infringement (e.g., whether the accused device reads on the claimed invention); and (2) those that turn principally upon issues other than claim construction. These jurists have found that it is most effective and efficient to combine the first set of summary judgment motions with claim construction. *See* § 6.1.2; *cf. MyMail, Ltd. v. Am. Online, Inc.*, 476 F.3d 1372, 1378 (Fed. Cir. 2007) (“Because there is no dispute regarding the operation of the accused systems, that issue reduces to a question of claim interpretation and is amenable to summary judgment.”); *Gen. Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 983 (Fed. Cir. 1997) (“Where the parties do not dispute any relevant facts regarding the accused product . . . but disagree over possible claim interpretations, the question of literal infringement collapses into claim construction and is amenable to summary judgment.”). These jurists address these motions either simultaneously with claim construction or immediately thereafter, and consider the second category of summary judgment motions at another time, depending upon other scheduling concerns, such as discovery.

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<sup>1</sup> The phrase “read on” is a term of art in patent law. An accused device, manufacture, composition, or process “reads on” (and hence infringes) a patent claim if it embodies each of the claim limitations. Similarly, a patent claim “reads on” a prior art reference (and hence is invalid) if the prior art reference contains each of the claim limitations.

#### **2.1.3.4 Claim Construction May Encourage Settlement**

One argument in favor of early, separate claim construction is that it may facilitate settlement. In some cases, it may be appropriate to conduct an early claim construction for a subset of the disputed claim terms that are deemed case-dispositive.<sup>2</sup> A court's rulings on claim scope can materially assist the parties in recalibrating their assessment of exposure and allow each side to take a fresh look at its case. As a result, it may be fruitful to schedule a settlement conference to follow shortly after issuance of a claim construction order. *See* § 2.4. This can be especially effective where one side (generally the defendant) believes that the strength of its case turns on the outcome of a single issue. If the defendant raises this issue during the initial CMC, and the court schedules an early claim construction followed by summary judgment on that single issue, it may substantially reduce the overall cost of the litigation. This procedure, however, should only be used where the defendant can convincingly explain *why* the case largely turns on a single disputed issue. Otherwise, there is potential for abuse in a request for limited claim construction and an early dispositive motion because defendants have an incentive to use the procedure to get the Court to separately decide multiple attacks on the patents. On the other hand, it is also true that plaintiffs have an incentive to resist scheduling such a motion early in the case, not because the motion will not be dispositive, but because the plaintiff may hope to use the nuisance cost and disruption of the litigation to extract a larger settlement from the defendant. Thus, while this procedure can be very effective in the right cases, it should be deployed only after closely examining the pros and cons in the particular case.

#### **2.1.3.5 Preliminary Injunction Motions Usually Require Preliminary Claim Construction**

Preliminary injunction motions in patent cases typically require a court to construe claim terms on an accelerated schedule. Briefing usually includes the parties' positions on key claim terms (albeit less informed than they might have been through discovery, as explained above), and a court's decision to grant or

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<sup>2</sup> The Eastern District of Texas recently invited the defendant to submit a letter brief requesting the court to construe no more than three case-dispositive terms. The court would then hold "an early Markman hearing on the identified case dispositive terms. . . . If the case is not resolved following the Court's claim construction summary judgment rulings, a Markman hearing, as set forth in the Docket Control Order or at the patent status conference, will occur as scheduled." *Global Sessions LP v. Travelocity.com, LP et al.*, No. 6:10cv671-LED-JDL (E.D. Tex. Aug. 18, 2011); *see also Parallel Networks v. AEO, Inc.*, No. 6:20cv275-LED-JDL (E.D. Tex. Mar. 15, 2011) (ordering a Markman hearing on a small number of claim terms; reasoning that the hearing would "resolve several important issues at a beneficial time for each party to better evaluate its case." ).

deny the motion will often hinge on claim construction issues. However, these preliminary constructions are not binding. *Sofamor Danek Group, Inc. v. DePuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 1996). Subsequent, more detailed briefing and analysis may lead a court to reconsider and revise constructions applied in the context of a preliminary injunction motion. *See CVI/Beta Ventures, Inc. v. Tura LP*, 112 F.3d 1146, 1160 n.7 (Fed. Cir. 1997); *see also* § 5.3.2.4.1. We explore the preliminary injunction stage of patent litigation in Chapter 3.

#### **2.1.4 Managing the Parties' Claims, Defenses and Counterclaims: Patent Local Rules**

As discussed earlier in the chapter with respect to claim construction, in an effort to provide fair and efficient management of patent cases, many districts have adopted Patent Local Rules (PLRs) (e.g., Northern District of California, Eastern District of Texas) or have adopted standard practices under the Federal Rules and Civil Local Rules that have markedly affected the conduct of patent cases (e.g., Eastern District of Virginia). *See* Appendix D.

The impetus for PLRs arose out of a clash between the liberal notice pleading policy underlying the Federal Rules of Civil Procedure and the need for patent litigants to have more specific notice of the issues they were litigating. *O2 Micro Int'l Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1365-66 (Fed. Cir. 2006). Under the Federal Rules of Civil Procedure, a patent plaintiff need only plead that a defendant is infringing its patent. *See* Fed. R. Civ. P. 8 & Form 18; *see also* *McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1360 (Fed. Cir. 2007); *Phonometrics, Inc. v. Hospitality Franchise Sys., Inc.*, 203 F.3d 790, 794 (Fed. Cir. 2000); *Gammino v. Cellco P'ship*, 2005 U.S. Dist. LEXIS 21557, \*\*5-8 (E.D. Pa. 2005); *but cf. Ashcroft v. Iqbal*, 129 S. Ct. 1937 (2009) (raising the quantum of factual matter that must be pled to survive a motion to dismiss). The plaintiff has not traditionally been required to specify which claims are infringed. Nor has the plaintiff needed to plead its theory of the meaning of the claim terms and the features of the defendant's products (or even the products themselves) that are alleged to infringe. Because a plaintiff may assert multiple claims in multiple patents, a defendant reading a notice pleading complaint is typically left to guess as to the boundaries of a plaintiff's case and the available defenses.

A patent plaintiff reading a notice pleading answer and counterclaim is equally in the dark about the substance of the defendant's case. The defendant, for example, need not identify the prior art on which its invalidity defense relies. Nor does the defendant have to plead its theories of claim construction or which combinations of prior art references might invalidate each of the claims. Only the defense of unenforceability due to inequitable conduct in procurement of the patent has to be pled with particularity, because it is viewed as a species of fraud.

*See Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1329 (Fed. Cir. 2009).

Initial disclosures required under Fed. R. Civ. P. 26 do not alleviate this problem. Routine discovery procedures such as service of contention interrogatories or expert discovery could ultimately provide the necessary information. However, contention interrogatories are often not required to be meaningfully answered until the late stages of discovery. And expert discovery is most efficiently conducted after fact discovery makes it possible to narrow the issues.

As a result, absent forced, early substantive disclosure, patent litigants have been known to engage in a “shifting sands” approach to litigation based on “vexatious shuffling of positions.” *See LG Elecs., Inc. v. Q-Lity Computer, Inc.*, 211 F.R.D. 360, 367 (N.D. Cal. 2002). That is, litigants may offer initial, substantially hedged, theories of infringement or invalidity, only to change those theories later by asserting different patent claims, different prior art, or different claim constructions if their initial positions founder. Resulting extensions of fact and expert discovery can unduly prolong the litigation, unnecessarily sapping the court’s and the parties’ resources.

PLRs were developed to facilitate efficient discovery by requiring patent litigants to promptly disclose the bases underlying their claims. By requiring parties to disclose contentions in an orderly, sequenced manner, PLRs prevent the “shifting sands” tendencies. Neither litigant can engage in a strategic game of saying it will not disclose its contentions until the other side reveals its arguments. In discussing the Northern District of California’s PLRs, the Federal Circuit explained that they are designed to require

both the plaintiff and the defendant in patent cases to provide early notice of their infringement and invalidity contentions, and to proceed with diligence in amending those contentions when new information comes to light in the course of discovery. The rules thus seek to balance the right to develop new information in discovery with the need for certainty as to the legal theories.

*O2 Micro Int’l, Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1365-1366 (Fed. Cir. 2006); *see also Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1123 (N.D. Cal. 2006) (“The [patent local] rules are designed to require parties to crystallize their theories of the case early in the litigation and to adhere to those theories once they have been disclosed.”).

PLRs adopted by a district, or by an individual judge as a standing order or a case-specific order, supplement the Federal Rules of Civil Procedure. Courts may modify the procedures dictated by PLRs as necessary to suit the issues presented in a particular case. *See, e.g.*, N.D. Cal. Patent L.R. 1.2. All modifications, as well as the rules or standing orders, must of course be consistent with Federal Circuit case law to the extent an issue “pertains to or is unique to patent law.” *See O2 Micro*, 467 F.3d at 1364 (citing *Sulzer Textil A.G. v. Picanol N.V.*, 358 F.3d 1356,

1363 (Fed. Cir. 2004)). For example, Federal Circuit law was applied in cases addressing whether claim charts exchanged by parties pursuant to PLRs could be amended to add new statutory bases for invalidity and infringement. *See, e.g., Genentech, Inc. v. Amgen, Inc.*, 289 F.3d 761, 774 (Fed. Cir. 2002); *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1303 (Fed. Cir. 2001). In these situations, the Federal Circuit held that the sufficiency of notice regarding defenses or theories of liability under specific statutory provisions of patent law “clearly implicat[ed] the jurisprudential responsibilities of this court within its exclusive jurisdiction.” *Advanced Cardiovascular*, 265 F.3d at 1303; *see also In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803-04 (Fed. Cir. 2000) (applying Federal Circuit law to a question of attorney-client privilege between patentee and patent attorney).

In an effort to manage patent cases, many judges have adopted the practice of requiring a patentee to limit the number of asserted patent claims. *See, e.g., Hearing Components, Inc. v. Shure, Inc.*, 2008 WL 2485426, \*1 (E.D. Tex. Jun. 13 2008) (limiting plaintiff to three claims per asserted patent); *Fenster Family Patent Holdings, Inc. v. Siemens Med. Solutions USA, Inc.*, 2005 WL 2304190, \*3 (D. Del. Sept. 20, 2005) (limiting plaintiff to ten patent claims and five asserted products). The Federal Circuit has condoned this practice provided that the district court’s method for requiring the patentee to select claims provides the patentee the opportunity to add claims that present unique issues as to liability or damages. *See In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303, 1310 (Fed. Cir. 2011); *Stamps.com Inc. v. Endicia, Inc.*, 437 Fed. Appx. 897, 902-03 (Fed. Cir. 2011) (district court did not abuse its discretion by limiting a patentee to fifteen claims, because the limit was not “immutable.”). Some courts require some limitation of the number of asserted patent claims prior to claim construction, with a further limitation required after claim construction, and yet a further limitation before trial. This step-wise approach allows the plaintiff to refine its theories as the case progress through discovery, claim construction, and dispositive motions.

Chart 2.2 depicts a typical timeline for a patent case utilizing patent-specific initial disclosures, a structured claim construction briefing process including a joint claim construction statement, and a *Markman* hearing. The process depicted here is consistent with the requirements of local patent rules in districts such as the Northern District of California and the Eastern District of Texas.<sup>3</sup>

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<sup>3</sup> In March 2008, the PLRs for the Northern District of California were amended in two important respects, which are reflected in the text and table in this section. First, the concept of “preliminary” contentions has been eliminated, in favor of reliance on the traditional practice of allowing amendments for good cause. Second, in designating claim terms for construction, the parties are limited to ten terms, absent leave of court.

**Chart 2.2**  
**Patent Local Rules Timetable,**  
**Northern District of California**

(1) Case Management Conference	Set by Court	Patent Local Rule
(2) Disclosure of Asserted Claims and Infringement Contentions	Within 10 days of (1)	3-1 & 3-2
(3) Invalidity Contentions	Within 45 days of (2)	3-3 & 3-4
(4) Identify Claim Terms to be Construed	Within 10 days of (3)	4-1
(5) Preliminary Claim Constructions	Within 20 days of (4)	4-2
(6) Joint Claim Construction Statement	Within 60 days of (3)	4-3
(7) Close of Claim Construction Discovery	Within 30 days of (6)	4-4
(8) Opening Claim Construction Brief	Within 45 days of (6)	4-5(a)
(9) Responsive Claim Construction Brief	Within 14 days of (8)	4-5(b)
(10) Reply Claim Construction Brief	Within 7 days of (9)	4-5(c)
(11) <i>Markman</i> Hearing	Within 14 days of (10)	4-6
(12) Claim Construction Order	TBD by Court	
(13) Produce Advice of Counsel, if any	Within 50 days of (12)	3-7

An accelerated timeline may be appropriate for less complex cases, for example where the technology is quite simple or there is little dispute as to the structure, function, or operation of accused devices. Under a particularly streamlined plan, the parties would not make patent-specific initial disclosures or file joint claim construction statements. The court might also forgo a *Markman* hearing and address claim construction as part of summary judgment. Chart 2.3 provides an example of such a timeline. The decision to adopt an accelerated timeline can best be made after discussion with the parties of the substantive issues that will drive the case (discussed further in § 2.5).

**Chart 2.3**  
**Accelerated Patent Case Management Timeline**

(1) Case Management Conference	Set by court
(2) Produce Opinion of Counsel, if any	Within 2 months after CMC
(3) Close of Fact Discovery	5 months after CMC
(4) Close of Expert Discovery	2 months after (3)
(5) Opening Briefs on Claim Construction and Summary Judgment	Within 30 days of (4)
(6) Responsive Briefs on Claim Construction and Summary Judgment	Within 14 days of (5)
(7) Reply Briefs on Claim Construction and Summary Judgment	Within 7 days of (6)
(8) Claim Construction and Summary Judgment Hearing	Within 14 days of (7)
(9) Claim Construction and Summary Judgment Order	TBD by court

## 2.2 Complaint and Answer

Complaints and answers in patent cases are typically deceptively simple. Generally, the asserted patents are identified and defendants are accused of infringing them. Details of the defendants' allegedly infringing activities are rarely offered, and facts relating to the parties' inter-relationships, although often critical to the practical resolution of the case, are not usually included, absent allegations of inequitable conduct (which must be pled with particularity).

Nevertheless, a patent complaint may spawn a wide variety of early motion practice, including motions to dismiss relating to lack of standing, lack of actual case or controversy, necessary parties and interactions with related legal actions. Motions to dismiss for failure to claim patentable subject matter are possible as well. *See In re Bilski*, 545 F.3d 943, 951 (Fed. Cir. 2008), *aff'd*, 130 S. Ct. 3218 (2010); §§ 6.2.1.1.1, 11.3.1.3. To understand the underpinnings of the disputes that will be raised in these and subsequent motions, it is often helpful for the court to understand the parties' prior dealings and connections, if any. For example, it is quite common that patent litigants have had a business relationship. Some courts find it helpful to explore these issues, as well as other business and market considerations, in an early case management or settlement conference. And, as the content of the patent infringement complaint is so sparse, it might also be helpful

to explore case-specific substantive issues, such as the nature and complexity of the technology, and whether adoption of some variation on the patent local rules will be helpful in managing the case. See § 2.5 below for an expanded checklist of potential topics that might usefully be explored at an early conference with the parties.

## **2.2.1 Plaintiff Standing Requirements**

The plaintiff may be the patent rights holder suing for infringement, or an accused infringer who challenges liability under the Declaratory Judgment Act, claiming the patent is invalid, unenforceable, and/or not infringed.

### **2.2.1.1 Infringement Plaintiff**

#### **2.2.1.1.1 Infringement Plaintiff Must Hold All Substantial Patent Rights**

A party suing for infringement must hold exclusive rights to the patent being asserted. A patent issues in the name of the inventor(s) or their assignee (usually an employer), who is then the “patentee.” Only a patentee can bring an action for patent infringement. 35 U.S.C. § 281. The term “patentee” is defined as including “not only the patentee to whom the patent was issued but also the successors in title to the patentee.” § 100(d). Courts also permit exclusive licensees to bring suit in their own name if the exclusive licensee holds “all substantial rights” in the patent, becoming, in effect, an assignee (and therefore a “patentee” within the meaning of Section 281). *See Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1484 (Fed. Cir. 1998). “All substantial rights” usually include the right to sue for infringement (without leave of the patent owner) and the right to grant licenses; courts look to the intention of the parties and examine the substance of what was retained by the owner and what was granted to the licensee in order to determine whether the licensee has obtained all substantial rights. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 874-75 (Fed. Cir. 1991). Because patent assignments must be in writing, § 261, an oral agreement cannot grant “all substantial rights” in a patent sufficient to confer standing. *See Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1377 (Fed. Cir. 2000).

An exclusive licensee without all substantial rights can nevertheless be injured by another’s infringement, and therefore will have standing to sue, but only as a co-plaintiff with the patentee. *See Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 240 F.3d 1016, 1017, 1019 (Fed. Cir. 2001); *cf. Propat Int’l Corp. v. Rpost, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007). A license that is not exclusive or that confers less

than all the rights held under the patent cannot confer standing. *See Prima Tek II*, 222 F.3d at 1377-78.

#### **2.2.1.1.2 Plaintiff Must Join All Joint Patent Owners**

Where ownership of a patent is disputed, early motion practice may include an accused infringer's motion to dismiss for failure to join a purported third party co-owner of the patent. This may happen, for example, when the patent resulted from a joint development project, *see Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1462 (Fed. Cir. 1990), or where there is a dispute as to whether the asserted patent claims were included within an assignment agreement, *Isr. Bio-Eng'g Project v. Amgen Inc.*, 475 F.3d 1256, 1265 (Fed. Cir. 2007).

In such cases, the court must first determine ownership of the patent. "Ownership depends upon 'the substance of what was granted' through assignment." *Isr. Bio-Eng'g*, 475 F.3d at 1265 (quoting *Vaupel Textile*, 944 F.2d at 874). "In construing the substance of the assignment, a court must carefully consider the intention of the parties and the language of the grant." *Id.* The agreement must be interpreted according to applicable state law. *See id.* (interpreting contract under Israeli law). If it is determined that an owner of the patent is not included as a plaintiff, the complaint must be dismissed. *Id.* (affirming summary judgment that plaintiff lacked standing where plaintiff lacked complete ownership interest and co-owner was not joined). As directed below (§ 2.2.1.1.6), such a dismissal should be without prejudice to re-file an action with the jurisdictional defect corrected.

#### **2.2.1.1.3 An Exclusive Licensee Must Sometimes Join Its Licensor**

Where an asserted exclusive licensee who has less than all substantial rights sues for infringement in its own name, a defendant will frequently move to dismiss for failure to join the licensor as a necessary party. *See, e.g., Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1189-93 (Fed. Cir. 2007); *Fieldturf, Inc. v. Sw. Recreational Indus. Inc.*, 357 F.3d 1266, 1268-70 (Fed. Cir. 2004); *see also Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1339-40 (Fed. Cir. 2001). An exclusive licensee receives more rights in a patent than a nonexclusive licensee, but may receive fewer rights than an assignee of all substantial patent rights. For example, an exclusive licensee could receive the exclusive right to practice an invention within a given limited territory. *Id.* An exclusive licensee has standing to sue, but must join the patent owner as a necessary party. *Id.* at 1348; *Propat*, 473 F.3d at 1193; *Mentor H/S, Inc.*, 240 F.3d at 1019.

If an exclusive licensee with less than all substantial rights has failed to join the patent owner, the action may be dismissed without prejudice, in anticipation of its being re-filed with the patent owner named as a co-plaintiff. Indeed, the Supreme Court has explained that

The owner of a patent, who grants to another the exclusive right to make, use, or vend the invention, which does not constitute a statutory assignment, holds title to the patent in trust for such licensee, to the extent that he *must allow the use of his name as plaintiff in any action brought at the instance of the licensee* in law or in equity to obtain damages for the injury to his exclusive right by an infringer, or to enjoin infringement of it.

*Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469 (1926) (emphasis added). Consequently, rather than dismissing the action, a court may grant a motion or cross-motion by the exclusive licensee for leave to amend to join the patent owner, either voluntarily or involuntarily. *See Intellectual Prop. Dev.*, 248 F.3d at 1347-48 (affirming district court’s granting plaintiff-exclusive licensee’s motion for leave to amend to add patent owner as a party); *see also Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128, 1130-34 (Fed. Cir. 1995).

#### **2.2.1.1.4 A Nonexclusive Licensee Has No Standing to Sue**

“[A] nonexclusive license or ‘bare’ license—a covenant by the patent owner not to sue the licensee for making, using, or selling the patented invention and under which the patent owner reserves the right to grant similar licenses to other entities—confers no constitutional standing on the licensee under the Patent Act to bring suit or even to join a suit with the patentee because a nonexclusive (or ‘bare’) licensee suffers no legal injury from infringement.” *Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc.*, 248 F.3d 1333, 1345 (Fed. Cir. 2001).

#### **2.2.1.1.5 Patentee Can Only Convey Right to Sue by Transferring Substantially All Patent Rights**

Assignment of a patent, or an exclusive license of a patent that conveys substantially all patent rights, conveys to the assignee or licensee the right to sue for present and future infringement of the patent. *See Propat Int’l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1189 (Fed. Cir. 2007). A patent holder cannot, however, confer through assignment a right to sue for infringement—whether past, present, or future—separate from the conveyance of a proprietary interest in the patent. *Id.* at 1194 (citing *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 34-36 (1923)). As discussed above, in order to have standing to sue, a party must be an exclusive licensee or assignee of all substantial rights in a patent.

Further, because infringement harms only the owner of the patent at the time of the infringing acts, conveyance of the patent does not normally include the right to recover for injury occurring to the prior owner of the patent. *Minco Inc. v. Combustion Eng'g*, 95 F.3d 1109, 1117 (Fed. Cir. 1996). Thus, as a general rule, “the right to sue for *prior* infringement is not transferred unless the assignment agreement manifests an intent to transfer this right.” *Id.* (emphasis added). In determining whether the right to sue for prior infringement is part of a patent assignment, the court should look to an analysis of the assignment according to state contract law. *Id.* “Neither statute nor common law precedent, however, requires a particular formula or set prescription of words to express that conveyance.” *Id.*

#### **2.2.1.1.6 Standing Motions Result in Dismissal Without Prejudice**

If a case must be dismissed for lack of standing, it should be dismissed without prejudice. *See Propat Int’l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1194 (Fed. Cir. 2007) (affirming district court’s dismissal without prejudice even where non-exclusive licensee could not cure standing defect by joining patent holder). If a plaintiff lacks standing, the court’s jurisdiction cannot be invoked, and the plaintiff should not be penalized if it subsequently corrects the standing defect, e.g., by joining all co-owners of the patent rights.

#### **2.2.1.2 Declaratory Judgment Plaintiff**

A district court has subject-matter jurisdiction over a patent declaratory judgment action when an “actual controversy” exists between the plaintiff and defendant. *See* 28 U.S.C. § 2201(a) (“In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought.”). Where the patentee files for infringement, the defendant’s answer will almost always plead a counterclaim for a declaration of non-infringement, invalidity, and sometimes unenforceability. The reason for this apparently superfluous pleading is to preserve the defendant’s right to secure adjudication of claims that a plaintiff may later want to abandon for tactical reasons. For example, a plaintiff may decide to abandon claims in one asserted patent because the defendant appears to be raising strong invalidity defenses as to that patent. A defendant’s declaratory judgment counterclaim maintains its ability to adjudicate the patent’s validity and avoid being threatened by that patent again. Although a plaintiff may not avoid declaratory judgment counterclaims by dismissing its affirmative claims on the patent(s), a patentee may be able to divest the district court of subject matter

jurisdiction of declaratory judgment counterclaims by offering the declaratory judgment plaintiff a covenant not to sue on the patent(s). *See Dow Jones & Co., Inc. v. Ablaise Ltd.*, 606 F.3d 1388 (Fed. Cir. 2010). Timing is key. If a covenant not to sue is given prior to consideration or resolution of the underlying infringement claim, for example at the outset of the litigation, it may be effective. *See Benitec Australia, Ltd. v. Nucleonics, Inc.*, 495 F.3d 1340, 1347 (Fed. Cir. 2007). A covenant not to sue will not result in dismissal if given after the resolution of the infringement claims. *Fort James Corp. v. Solo Cup Co.*, 412 F.3d 1340, 1348 (Fed. Cir. 2005).

Declaratory judgment actions may also arise where the accused infringer (as the plaintiff) disputes the patentee's extrajudicial assertion of infringement and seeks judicial resolution of the issue. These cases typically arise when the patent holder has sent a letter or otherwise given notice suggesting that the potential infringer may want to license the patent. Although patent holders attempt to craft letters with ambiguous language in order to avoid provoking declaratory judgment jurisdiction, there is no "safe harbor" form of notice. *See, e.g., Hewlett-Packard Co. v. Acceleron LLC*, 587 F.3d 1358, 1362 (Fed. Cir. 2009) ("The purpose of a declaratory judgment action cannot be defeated simply by the stratagem of a correspondence that avoids the magic words such as 'litigation' or 'infringement.'"). Frequently, the patent holder will respond to a declaratory judgment action by immediately filing an infringement complaint in another jurisdiction. These disputes will usually be controlled by the "first filed" rule and its exceptions designed to prevent forum shopping. At least one district court has found an infringement lawsuit filed on a U.S. Patent in a foreign country (Dubai) sufficient to create subject matter jurisdiction for a declaratory judgment action in the United States. *See Juniper Networks Inc. v. Bahattab*, 2009 U.S. Dist. LEXIS 129765, No. 07cv1771 (PLF) (AK) (D.D.C. Aug. 14, 2009) (noting that the patent owner's action in Dubai appeared to be a novel forum shopping attempt).

The Supreme Court has acknowledged that its precedent "do[es] not draw the brightest of lines between those declaratory-judgment actions that satisfy the case-or-controversy requirement and those that do not." *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007). The Court explained: "Basically, the question in each case is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." *Id.* (quoting *Md. Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)). The Supreme Court rejected the "reasonable apprehension of suit" test, holding merely that "the dispute be 'definite and concrete, touching the legal relations having adverse legal interests'; and that it be 'real and substantial' and 'admi[t] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.'" *Id.* at 132 n.11 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240 (1937)) (alteration in original).

Interpreting *MedImmune*, the Federal Circuit held that declaratory judgment jurisdiction exists whenever “a patentee asserts rights under a patent based on certain identified ongoing or planned activity of another party, and where that party contends that it has the right to engage in the accused activity without license.” *SanDisk Corp. v. STMicroelectronics, Inc.*, 480 F.3d 1372, 1381 (Fed. Cir. 2007); *see also Micron Tech., Inc. v. Mosaid Techs., Inc.*, 518 F.3d 897, 903 (Fed. Cir. 2008) (applying *Medimmune* and discussing the first filed rule).

#### **2.2.1.2.1 Defendant’s Declaratory Judgment Counterclaims Are Not Mooted by Dismissal of Plaintiff’s Infringement Claims**

Accused infringers often file counterclaims for a declaratory judgment of invalidity as well as non-infringement. The Supreme Court has held that appellate affirmance of a judgment of non-infringement does not moot a declaratory judgment counterclaim of patent invalidity. *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 98 (1993). In so holding, the Court again emphasized the importance to the public at large of resolving questions of patent validity, citing its opinion in *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971), and warned against “the danger that the opportunity to relitigate might, as a practical matter, grant monopoly privileges to the holders of invalid patents.” *Cardinal Chem.*, 508 U.S. at 101. However, a district court in the exercise of its discretion may decline to resolve a declaratory claim of invalidity following its adjudication of non-infringement. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136 (2007) (noting that the Declaratory Judgment Act, which provides that a court “may declare the rights and other legal relations of any interested party,” 28 U.S.C. § 2201(a), “has long been understood ‘to confer on federal courts unique and substantial discretion in deciding whether to declare the rights of litigants’” (quoting *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995))).

#### **2.2.1.2.2 Assignor Is Estopped From Seeking Declaratory Judgment of Invalidity**

An inventor who assigns his patent rights to an employer and then leaves to join a competing company may find himself sued for infringement. Under the equitable doctrine of assignor estoppel, the former employee is estopped from raising invalidity as a defense or as the basis of a declaratory judgment claim. *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 424 F.3d 1161, 1166-67 (Fed. Cir. 2005); *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988). The underlying policy is that “an assignor should not be permitted to sell

something and later assert that what was sold is worthless, all to the detriment of the assignee.” *Pandrol*, 424 F.3d at 1167 (quoting *Diamond*, 848 F.2d at 1224).

#### **2.2.1.2.2.1 Parties in Privity with Assignor Are also Estopped**

Because assignor estoppel is an equitable doctrine “mainly concerned with the balance of the equities between the parties[,] [t]hose in privity with the assignor partake of that balance, hence, extension of the estoppel to those in privity is justified.” *Intel Corp. v U.S. Int’l Trade Comm’n*, 946 F.2d 821, 837 (Fed. Cir. 1991) (quoting *Shamrock Techs., Inc. v. Med. Sterilization, Inc.*, 903 F.2d 789, 793 (Fed. Cir. 1990)). Thus, the assignor’s subsequent employer may also be estopped from asserting that the assigned patent is invalid. *Id.*; *Mentor Graphics Corp. v. Quickturn Design Sys.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998) (“Assignor estoppel also prevents parties in privity with an estopped assignor from challenging the validity of the patent.”).

In determining whether there is privity, the court should consider all contacts between the assignor and the alleged infringer, both direct and indirect, including the relationship between those contacts and the alleged infringement. *Intel Corp.*, 946 F.2d at 839.

Privity, like the doctrine of assignor estoppel itself, is determined upon a balance of the equities. If an inventor assigns his invention to his employer company A and leaves to join company B, whether B is in privity and thus bound by the doctrine will depend on the equities dictated by the relationship between the inventor and company B in light of the act of infringement. The closer that relationship, the more the equities will favor applying the doctrine to company B.

*Id.* at 839-40 (quoting *Shamrock Technologies*, 903 F.2d at 793); *see also Checkpoint Sys. v. All-Tag Sec. S.A.*, 412 F.3d 1331, 1337 (Fed. Cir. 2005) (“Privity may be established where there is a close relationship among the relevant parties, such as where the ultimate infringer availed itself of the inventor’s knowledge and assistance to conduct infringement.”). Factors considered by other courts in assessing privity include: (1) the extent and nature of the parties’ business relationships (e.g., whether a party challenging validity formed a joint venture with the assignor to manufacture the infringing product or whether a party challenging validity is a subsidiary of the assignor), (2) the financial dealings between the parties, including whether there is an indemnification agreement between the alleged infringer and the assignor, and (3) whether the ultimate infringer availed itself of the inventor’s “knowledge and assistance” to conduct infringement. *Id.* (citing cases); *Checkpoint*, 412 F.3d at 1337; *Mentor Graphics*, 150 F.3d at 1379; *Dane Indus. v. Ameritek Indus., LLC*, 154 Fed. App’x 894 (Fed. Cir. 2005) (unpublished opinion).

### **2.2.1.2.3 Actual Case or Controversy Can Exist for Licensee in Good Standing Even in Absence of Material Breach**

Patent licensees who are performing under their license agreement (e.g., paying royalties) may nevertheless present a controversy with their licensor sufficient to support a declaratory judgment action. Historically, patent licensees in good standing were unable to sue for a declaratory judgment that the licensed patent is invalid under the reasoning that (1) the licensee was not threatened with imminent injury and therefore had no standing and (2) no actual case or controversy existed so long as the license agreement was not breached. *See, e.g., Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376, 1381 (Fed. Cir. 2004). A patent licensee was thus barred from suing for declaratory judgment until the license agreement was materially breached. *Id.* The Supreme Court recently reversed this line of cases, holding that a patent licensee is not required to break or terminate its license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136-37 (2007).

## **2.2.2 Defendant Standing Requirements**

### **2.2.2.1 Infringement Defendants**

A patent holder is not obligated to sue all accused infringers, but can select from alleged infringers—both direct and indirect. *See Giese v. Pierce Chem. Co.*, 29 F. Supp. 2d 33, 40 (D. Mass. 1998) (“Courts have generally held that a patentee need not sue more than one infringer at a given time.”) (quoting *Watkins v. Nw. Ohio Tractor Pullers Assn., Inc.*, 630 F.2d 1155, 1162 (6th Cir. 1980)).

While direct infringement must be proved as a predicate to proving induced or contributory infringement, *Joy Techs., Inc. v. Flakt, Inc.*, 6 F.3d 770, 774 (Fed. Cir. 1993) (collecting cases), direct infringers do not have to be joined in a suit against a contributory infringer. *Refac Int’l, Ltd. v. IBM*, 790 F.2d 79, 81 (Fed. Cir. 1986) (“direct infringers need not be parties”); *see also Upjohn Co. v. Syntro Corp.*, 14 U.S.P.Q.2d 1469, 1473 (D. Del. 1990).

#### **2.2.2.1.1 Joinder Issues**

Prior to the enactment of the America Invents Act on September 16, 2011, Rule 20(a)(2) governed the joinder of unrelated defendants in the same patent action. In some of these cases, the accused products from one defendant to another differed drastically, leading to many distinct theories of infringement.

These cases commonly proceeded without severance or were consolidated on the theory that judicial resources would be conserved because the asserted patent was common to all the defendants. *See, e.g., MyMail Ltd. v. AOL, Inc.*, 223 F.R.D. 455, 456 (E.D. Tex. 2004) (reasoning that the “same transaction or occurrence” requires only “some connection or logical relationship between the various transactions or occurrences”). Although some issues, such as those relating to patent validity, would be the same for all of the defendants, the complexities in case management and discovery, however, prompted some courts to reconsider this approach. *See, e.g. Bender v. Exar Corporation*, CV 09-01140 (N.D. Cal. Aug. 3, 2009) (Alsup, J.) (refusing to relate 24 patent cases asserting the same patent); *Man Machine Interface Technologies, LLC v. Funai Corp., et al.*, CV 10-8629 (C.D. Cal. April 7, 2011) (Walter, J.) (dismissing a defendant as improperly joined); *Interval Licensing LLC v. AOL, Inc.*, Case No. C10-1385 at 4 (W.D. Wash. Apr. 29, 2011) (holding that joinder was improper because “Plaintiff has not alleged that the Defendants have engaged in the same transaction or occurrence”). In *In re EMC Corp.*, Misc. Dkt. No. 100 (Fed. Cir., May 4, 2012), the Federal Circuit clarified the law of joinder, holding that joinder is not appropriate simply because defendants make identical products or face identical infringement claims and that there must be “shared, overlapping facts that give rise to each cause of action, and not just distinct, albeit coincidentally identical, facts.” Slip. Op. at 15.

Responding to concerns about joinder practices in patent cases, Congress enacted a special rule narrowing the joinder standards for patent cases in the America Invents Act. Section 299 (a)(1) states that accused infringers may be joined only if “any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or processes; and (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.” Notably, the AIA specifically states that common infringement of the same patent, without more, is not enough to justify joinder in the same action. *See* 35 U.S.C. §299(b). The legislative history of the provision indicates that Congress intended to abrogate the interpretation of Fed. R. Civ. P 20(a) adopted in *MyMail v. AOL* by more narrowly defining the parties who are properly joined in the same action for patent infringement. *See* H.R. Rep. 112-98. Note that §299(c) provides that accused infringers may consent to joinder. Furthermore, the AIA’s joinder rule does not stand in the way of consolidation of pretrial proceedings pursuant to 28 U.S.C. §1407. *See* §2.3.4.

### 2.2.2.2 Declaratory Judgment Defendants

A declaratory judgment action seeking to invalidate or render unenforceable a patent must name as defendants all parties holding an interest in the patent. However, non-exclusive licensees are generally not thought to be necessary parties. *See In-Tech Mktg. Inc. v. Hasbro, Inc.*, 685 F. Supp. 436, 438-41 (D.N.J. 1988) (holding that a purported exclusive licensee was not a necessary party); *Meese v. Eaton Mfg. Co.*, 35 F.R.D. 162, 166-67 (N.D. Ohio 1964) (stating that, notwithstanding *Independent Wireless*, “[c]ourts have generally agreed that a mere licensee is not indispensable to an infringement suit by the patentholder”); *cf. Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 466 (1926) (describing a licensor and an exclusive licensee as “generally necessary parties in the action in equity”); *Arey v. Goodyear Tire & Rubber Co.*, 11 F.R.D. 209, 209 (N.D. Ohio 1951) (stating that an exclusive licensee was both necessary and indispensable).

## 2.2.3 Pleading

### 2.2.3.1 Infringement

Infringement complaints are usually sparse and conclusory. Typically, a patent holder will merely allege that a defendant is directly or indirectly infringing a patent. The asserted patents must be identified, and are often attached to the complaint. Some local rules require that they be attached. The complaint should also provide a statement of ownership of the asserted patent, identify the accused infringer(s), provide a brief statement of alleged infringing acts, and (if applicable) a statement regarding the patent owner’s marking of product with the patent number under § 287.

Historically, under the notice pleading requirement of Rule 8(a), the patent holder has not been required to do more. Therefore, a defendant would not know which claims of the patents are being asserted against it and sometimes would not even know which of its products or processes are accused of infringing.

Past practices in pleading infringement, exemplified by Form 18, arguably conflict with recent Supreme Court precedent requiring greater specificity in complaints. In *Bell Atlantic Corp. v. Twombly*, an antitrust case, the Court held that “a plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to relief’ requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do.” 550 U.S. 544, 555 (2007) (internal citations omitted). Even after *Twombly*, however, the Federal Circuit held that “a patentee need only plead facts sufficient to place the alleged infringer on notice as to what he must defend. . . . [A patentee] is not required to specifically include each element of the claims of the asserted patent.” *McZeal v. Sprint Nextel Corp.*,

501 F.3d 1354, 1357 (Fed. Cir. 2007) (vacating dismissal of *pro se* plaintiff's complaint that conformed to Form 18 (then form 16)). In 2009, the Supreme Court again addressed Rule 8(a), clarifying that the holding of *Bell Atlantic* was not limited to antitrust cases. The Court held that "[t]o survive a motion to dismiss, a complaint must contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678, 129 S. Ct. 1937, 1949 (2009) (quoting *Twombly*, 550 U.S. at 555). "Where a complaint pleads facts that are 'merely consistent with' a defendant's liability, it 'stops short of the line between possibility and plausibility of 'entitlement to relief.'" *Id.* (quoting *Twombly*, 550 U.S. at 557). The Court also clarified that its holding in *Twombly* is not limited to antitrust suits. *Id.* at 1953.

District courts struggle to reconcile Form 18 and Rule 84 with *Iqbal* and *Twombly*. Some courts have concluded that Form 18 applies only to claims of direct infringement, but that for claims of indirect infringement, more detailed allegations are required, such as the identity of the underlying direct infringer and the facts supporting the knowledge element of indirect infringement. *See, e.g., Elan Microelectronics Corp. v. Apple, Inc.*, No. C 09-01531 RS, 2009 WL 2972374 (N.D. Cal. Sept. 14, 2009) (recognizing that Form 18 provides an example of how direct, but not indirect, patent infringement may be alleged); *Eolas Techs. Inc. v. Adobe Sys. Inc.*, 2010 WL 2026627, at \*3 (E.D. Tex. May 6, 2010) ("Form 18 does not expressly address indirect infringement claims, and courts are split on the pleading requirements of indirect infringement.").

Some courts require that pleadings identify which of a defendant's specific products or practices allegedly infringe. *See, e.g., Interval Licensing LLC v. AOL, Inc.*, No. C10-1385 MJP, 2010 WL 5058620 (W.D. Wash. Dec. 10, 2010); *Bender v. LG Electronics, U.S.A., Inc.*, No. C 09-02114 JF (PVT), 2010 WL 889541 (N.D. Cal. Mar. 11, 2010). In some cases, however, identifying how a defendant's product works to determine whether it infringes may be difficult without discovery. Rule 11(b)(3) allows allegations that "will likely have evidentiary support after a reasonable opportunity for . . . discovery," but at least one district court has held that Rule 11(b)(3) does not affect the pleading standard under Rule 8(a). *Elan*, 2009 WL at \*3.

Aside from heightened pleading requirements, some local rules require disclosure of additional information early in the case. *See, e.g.,* N.D. Cal. Patent Local Rule 3-1 (requiring early disclosure of asserted claims and accused products). After that early disclosure, the asserted claims and accused products may not be amended without leave of court for good cause. *See* N.D. Cal. Patent Local Rule 3-6. Good cause may be demonstrated by a plaintiff's showing of diligence in investigating accused products. *See O2 Micro Int'l, Ltd. v. Monolithic Power Sys.*, 467 F.3d 1355, 1366 (Fed. Cir. 2006); *Abbott Diabetes Care Inc. v. Roche Diagnostics Corp.*, No. C05-03117 MJJ, 2007 U.S. Dist. LEXIS 59161, at \*\*5-6 (N.D. Cal. July 30, 2007).

Courts also consider procedural matters in assessing good cause, including the impact of amendment on other case deadlines, whether the opponent already had sufficient notice of the added contentions, and whether there is prejudice or whether any prejudice may be mitigated through an award of costs. *Avago Techs. Gen. IP PTE Ltd. v. Elan Microelectronics Corp.*, No. C04-05385 JW (HRL), 2007 U.S. Dist. LEXIS 39543, at \*4 (N.D. Cal. May 15, 2007) (citing cases); *3COM Corp v. D-Link Sys., Inc.*, No C 03-2177 VRW, 2007 U.S. Dist. LEXIS 26542, at \*\*21-22 (N.D. Cal. March 27, 2007) (finding good cause where amendment would occur before a *Markman* hearing and before the close of discovery; “[i]t is to be expected that a patent holder may find other product designations that infringe as discovery progresses”). Indeed, a decision on good cause may hinge upon the timing of the amendments sought. *Compare Gen. Atomics v. Axis-Shield ASA*, No. C 05-04074 SI, 2006 U.S. Dist. LEXIS 58939, at \*\*5-6 (N.D. Cal. Aug. 7, 2006) (finding good cause where party “did not conceive of the infringement theory it seeks to add until the parties exchanged preliminary claim construction statements” and noting that the amendments were sought before claim construction) *with Atmel Corp. v. Info. Storage Devices Inc.*, No. C 95-1987 FMS, 1998 U.S. Dist. LEXIS 17564, at \*\*5-9 (N.D. Cal. Nov. 5, 1998) (denying leave to amend based on “newly discovered facts” where claim construction was completed and summary judgment briefing had begun).

### **2.2.3.2 Willful Infringement**

Like general infringement, willful infringement need not be pleaded with particularity. Nonetheless, some courts require greater specificity with regard to the advice of counsel defense that is often interposed in response to an allegation of willful infringement.

#### **2.2.3.2.1 Opinions of Counsel**

Defendants often rely on opinions of counsel as part of a defense to an allegation of willful infringement—that is, a patent attorney’s opinion as to whether the asserted patent is valid and/or infringed by the defendant’s products or processes. A defendant need not plead in its answer that it will be relying on an opinion of counsel. However, in the interests of fair and efficient discovery, some courts require election of the advice-of-counsel defense by a specified date along with production of the attorney-client documents for which protection has been waived. *See, e.g.*, N.D. Patent L.R. 3-7.

### 2.2.3.2.2 Privilege Issues Relating to Opinions of Counsel

Where a party relies on an opinion of counsel, it waives privilege as to the opinion. *In re EchoStar Commc'ns. Corp.*, 448 F.3d 1294, 1299 (Fed. Cir. 2006); *Informatica Corp. v. Bus. Objects Data Integration*, 2006 U.S. Dist. LEXIS 58976, \*5 (N.D. Cal. 2006).

The scope of that waiver is a knotty problem that often becomes the subject of motion practice. The problem is exacerbated when litigation counsel also gave the opinion. *Genentech, Inc. v. Insmmed Inc.*, 442 F. Supp. 2d 838, 842-44 (N.D. Cal. 2006). Federal Circuit law is used to analyze the scope of the waiver in these cases. *EchoStar*, 448 F.3d at 1298. Waiver extends not only to opinions on which the party intends to rely, but also to all related communications and documents relied upon or considered in connection with the opinion. *Id.* at 1304.

The Federal Circuit clarified the scope of privilege waiver in *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*). The court found that the “significantly different functions of trial counsel and opinion counsel advise against extending waiver to trial counsel.” *Id.* at 1373. The classic “sword and shield” argument does not apply, because of the very different types of legal advice offered by trial counsel (litigation strategy and adversarial representation) and opinion counsel (commercial “due care” taken before undertaking potentially infringing activity).<sup>4</sup> *Id.* at 1372-75. The same rationale applies to the work-product doctrine. *Id.* at 1375-76 (applying *Hickman v. Taylor*, 329 U.S. 495, 510-11 (1947), and *United States v. Nobles*, 422 U.S. 225, 239-40 (1975)).

Although *Seagate* provides courts with substantial guidance, they must continue to be attentive, in summary judgment practice and at trial, to attempts by a party to use evidence it previously argued was outside the scope of the waiver, particularly as the law in this area continues to evolve. The standard for determining willfulness remains the totality of the circumstances. *See Trading Technologies Intl., Inc. v. eSpeed, Inc.*, 2008 U.S. Dist. LEXIS 295 (N.D. Ill.). Patentees may comment to the jury regarding the defendant’s failure to obtain an opinion letter, although there is no adverse inference to be drawn from such evidence. *See Energy Transp. Group, Inc. v. William Demant Holding*, 2008 WL 114861 (D. Del.) (“[N]othing in *Seagate* forbids a jury to consider whether a defendant obtained advice of counsel as part of the totality of the circumstances in determining willfulness.”).

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4. The Federal Circuit heavily discounted the value of post-litigation-commencement opinions for this same reason.

### **2.2.3.3 Defenses**

#### **2.2.3.3.1 Invalidity Defenses**

Like plaintiff's allegations of infringement, defendant's allegations of invalidity need not be pled with particularity. Defendants typically recite only that the patent is invalid, and may identify sections of the Patent Act, such as §§ 101, 102, 103, or 112. Although this sort of notice pleading satisfies the Federal Rules of Civil Procedure, in practice it gives little notice to a patent holder about what grounds for invalidity a defendant will actually assert. As a result, some district judges require that defendants disclose the specific grounds on which they assert invalidity early in a case, just as they require specific infringement contentions from a patent owner. Courts can require defendants to identify specific prior art references they intend to assert as invalidating and to disclose invalidity claims based on written description, indefiniteness, or enablement. *See, e.g.*, N.D. Cal. Patent Local Rule 3-3. Following a specified time period for making these disclosures, they may be amended only upon a showing of good cause. *See* N.D. Cal. Patent Local Rule 3-7.

#### **2.2.3.3.2 Unenforceability Defenses**

Unenforceability defenses include inequitable conduct, prosecution laches, equitable estoppel, and patent misuse (e.g., using patent rights to force tying agreements or compulsory licensing packages). With the exception of inequitable conduct, unenforceability allegations need not be pled with particularity.

##### **2.2.3.3.2.1 Inequitable Conduct Pled with Particularity**

Inequitable conduct is seen as a species of fraud, and must be pled with particularity. Fed. R. Civ. P. 9(b). Inequitable conduct must rest on specific allegations of intentional, material omissions or misrepresentations by the patentee during the application process for a patent. *Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003); Fed. R. Civ. P. 9(b). Intent may be pled on information and belief. Early in the case, any order granting dismissal for lack of specificity should be without prejudice. *See Sun Microsystems v. Dataram Corp.*, 1997 U.S. Dist. LEXIS 4557, \*\*5-7, 12-14 (N.D. Cal. 1997). Under recent Federal Circuit precedent, “[t]o prevail on the defense of inequitable conduct, the accused infringer must prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1287

(Fed. Cir. 2011). Furthermore, to prevail under the current standard, the accuser must prove that “but for” the withholding of a reference, the patent would not have issued. *Id.* at \*1291.

Because of the particularity requirement, defendants often seek leave to amend or to add inequitable conduct allegations as they are developed during discovery. Assuming the defense is pled with sufficient particularity, such motions should be granted if brought early in the case. *Id.* However, as the case approaches trial, the potential for prejudice to the patentee from late-arising claims increases. *See, e.g., Central Admixture Pharm. Servs. v. Advanced Cardiac Solutions, P.C.*, 482 F.3d 1347, 1357 (Fed. Cir. 2007).

To forestall unnecessary motion practice relating to inequitable conduct claims, courts often set a cut-off date for pleading such allegations. Under this approach, prior to that date, a defendant may add inequitable conduct allegations without seeking leave of court. But thereafter, such allegations may only be added upon a showing of good cause for delay. A typical time frame for cut-off is when fact discovery is approximately 60 percent completed (e.g., if fact discovery is scheduled for a 5-month period, the cut-off date for asserting inequitable conduct would be at 3 months).

#### **2.2.3.3.2.2 Privilege Issues Relating to Unenforceability**

Unenforceability allegations typically relate to the prosecution of the patent (inequitable conduct and prosecution laches) or to decisions relating to misuse of the patent, such as conditioning a license agreement on the requirement to buy non-patented products (i.e., improper tying schemes). These issues almost always involve attorney-client communications and may also involve attorney work-product. As a result, discovery may generate disputes over privilege. Attorney-client privilege doctrine applies in these matters as it applies generally. Therefore, absent a showing under the crime-fraud exception doctrine, *In re Rhone-Poulenc Rorer*, 1998 U.S. App. LEXIS 12829 (Fed. Cir. 1998), the privilege may be asserted, even where it appears to obstruct fact-gathering critical to prosecuting an unenforceability claim. *Id.*

#### **2.2.4 Counterclaims**

The defendant typically asserts an array of counterclaims. In nearly every case, it seeks a declaratory judgment that the asserted patents are not infringed, invalid, and/or unenforceable. The defendant may also assert infringement of its own patents.

### 2.2.4.1 Compulsory Counterclaims

Under Fed. R. Civ. P. 13(a), a counterclaim is compulsory if it arises out of the same transaction or occurrence as the opposing party's claim. Unsurprisingly, a counterclaim for infringement is compulsory in an action for declaration of noninfringement. *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 802 (Fed. Cir. 1999). Similarly, counterclaims for declaratory judgment of noninfringement or invalidity are compulsory with respect to a claim of infringement.

### 2.2.4.2 Non-Compulsory Counterclaims

In the most common non-compulsory counterclaim in a patent suit, the defendant/accused infringer alleges infringement of defendant's patent(s) by the plaintiff. Other arguably non-compulsory counterclaims may include antitrust claims, *Walker Process* claims (that the patentee is attempting to assert a fraudulently procured patent), *Walker Process Equip., Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), or *Handgards* claims (that the patentee is attempting to enforce a patent it knows to be invalid or not infringed), *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir. 1979). See *Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d 83 (5th Cir. 1997); *Hydranautics v. FilmTec Corp.*, 70 F.3d 533, 536-37 (9th Cir. 1995). Some courts have held that antitrust claims based upon allegations of patent invalidity are compulsory, rather than permissive. See *Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc.*, 233 F.3d 697, 702 (2d Cir. 2000). The Federal Circuit has observed the split of authority but has not resolved it. See *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1067 n.4 (Fed. Cir. 1998).

### 2.2.5 Potential Overlap with Non-Patent Claims; Choice of Law

Patent complaints may overlap with other forms of federal intellectual property claims (e.g., copyright, trademark), antitrust and sham litigation claims, and state law claims such as unfair competition, trade secret misappropriation, or breach of a patent license agreement. Federal Circuit law governs issues within its "exclusive jurisdiction" (i.e., patent law issues). See, e.g., *Advanced Cardiovascular Sys. v. Medtronic, Inc.*, 265 F.3d 1294, 1303 (Fed. Cir. 2001) (holding that the Federal Circuit will apply its "own law to both substantive and procedural issues intimately involved in the substance of enforcement of the patent right.") (quotation omitted). Issues not in the Federal Circuit's exclusive jurisdiction are governed by the law of the regional circuit in which the district court sits. *Id.*

The question of whether federal patent law preempts other federal or state law claims is decided based on Federal Circuit law, not regional circuit law. *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356, 1360-61 (Fed. Cir. 1999).

## 2.2.6 Interaction with Other Types of Actions

### 2.2.6.1 Bankruptcy

Typically, when a debtor begins bankruptcy proceedings, all pending actions against the debtor, including actions in federal district courts, are stayed. Section 362(a)(3) of the Bankruptcy Code provides that a petition “operates as a stay, applicable to all entities of . . . any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate.” The stay applies to pending patent litigation against a debtor, but not to claims by the debtor. *See Seiko Epson Corp. v. Nu-Kote Int’l, Inc.*, 190 F.3d 1360, 1364 (Fed. Cir. 1999). Such claims may proceed (e.g., if the debtor is the accused infringer, the debtor’s counterclaims for patent invalidity may proceed). *See id.* Likewise, the automatic stay does not apply to non-bankrupt co-defendants of a debtor. *Id.*; *but see In re Excel Innovations, Inc.*, 502 F.3d 1086, 1093-94, n.1 (9th Cir. 2007) (holding that on motion by debtor, bankruptcy court may enjoin ongoing proceedings against non-debtor; in most circuits, standard analysis for granting preliminary injunctive relief applies; some circuits do not require showing of irreparable harm). The district court may stay the entire case once the claims against the debtor are stayed by way of the bankruptcy court’s automatic stay. Or it may proceed with those aspects of the case that are not subject to the automatic stay.

A party may petition the bankruptcy court for partial or full relief from the stay. *See Outlast Techs., Inc. v. Frisby Techs., Inc.*, 298 F. Supp. 2d 1112, 1113-14 (D. Colo. 2004) (modifying stay order to allow summary judgment motions already filed in the district court to be decided). If a district court believes that such relief is appropriate, for example because trial has commenced or a decision on summary judgment is pending, it may suggest such a motion for relief in its order staying proceedings in response to the bankruptcy court’s automatic stay notice.

The bankruptcy court’s disposition of the debtor’s bankruptcy does not give the debtor a license to commit post-petition infringement. “A discharge in bankruptcy operates as an injunction against a plaintiff asserting a claim for a debt incurred, or a cause of action that arose, before the date of bankruptcy discharge. It does not act as an injunction against a plaintiff asserting a claim for a debt incurred, or a cause of action that arose, after the date of bankruptcy discharge.” *Hazelquist*, 437 F.3d at 1180. Therefore, to the extent an accused infringer

continues infringement after discharge of debts in bankruptcy court, it is subject to renewed patent litigation in federal district court. *Id.*

### **2.2.6.2 International Trade Commission Actions**

In parallel with the district courts, the United States International Trade Commission (ITC) provides a forum for domestic industries to seek exclusion of goods that violate U.S. intellectual property rights. The ITC is an independent agency that, among other things, directs actions against unfair trade practices. Under Section 337 of the Tariff Act of 1930, the ITC investigates complaints by domestic industries that goods are being imported into the United States in violation of U.S. intellectual property rights or through other methods of unfair competition. Thus, ITC investigations provide a means for domestic industries to enforce U.S. patent rights against infringing imports.

The ITC has experienced a significant increase in patent enforcement actions during the past several years due to the greater availability of injunctive-type relief and rapid adjudication relative to district court proceedings. The ITC is not bound by the Supreme Court's ruling in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), which makes injunctive relief less available in district court actions. *See Spansion, Inc. v. International Trade Com'n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010) (holding the ITC "is not required to apply the traditional four-factor test for injunctive relief"). Where patent infringement is found in an ITC proceeding, the ITC generally orders exclusion orders barring importation of the infringing articles into the United States. With regard to adjudication speed, the Trade Act directs the ITC seeks to resolve cases "at the earliest practicable time," which generally translates into an 18 month process after commencement of the investigation. *See* Uruguay Round Amendments Act of 1994, Pub. L. 103-465, § 321, 103rd Cong., 2d. Sess., 108 Stat. 4809 (1994); Trade Act of 1974, Pub. L. No. 93-618, § 341, 88 Stat. 1978, 2053 (1975) (amending § 337(b) of the Tariff Act of 1930).

Patent holders often seek relief before the ITC and U.S. district courts simultaneously. This raises several case management issues for district courts. We focus here on the granting of stays pending resolution of the ITC action and the effect of the ITC action on the district court's resolution of patent issues.

#### **2.2.6.2.1 Stays Relating to Parallel ITC Proceedings**

Under 28 U.S.C. § 1659(a), parties to a civil action that are also respondents in a parallel proceedings before the ITC can move for a stay of the district court proceedings as a matter of right:

(a) Stay. - In a civil action involving parties that are also parties to a proceeding before the United States International Trade Commission under section 337 of the Tariff Act of 1930, at the request of a party to the civil action that is also a respondent in the proceeding before the Commission, the district court shall stay, until the determination of the Commission becomes final, proceedings in the civil action with respect to any claim that involves the same issues involved in the proceeding before the Commission, but only if such request is made within - (1) 30 days after the party is named as a respondent in the proceeding before the Commission, or (2) 30 days after the district court action is filed, whichever is later.

*Id.*; see *In re Princo Corp.*, 478 F.3d 1345, 1355 (Fed. Cir. 2007). As noted in the statute, the stay remains in effect until the determination of the Commission becomes final. After the dissolution of the stay, 28 U.S.C. § 1659(b) allows the parties to use the ITC investigation record in the district court proceeding.

(b) Use of Commission Record. - Notwithstanding section 337(n)(1) of the Tariff Act of 1930, after dissolution of a stay under subsection (a), the record of the proceeding before the United States International Trade Commission shall be transmitted to the district court and shall be admissible in the civil action, subject to such protective order as the district court determines necessary, to the extent permitted under the Federal Rules of Evidence and the Federal Rules of Civil Procedure.

*Id.*

In deciding whether to stay a proceeding under 28 U.S.C. § 1659 (a), the district court will typically balance several factors. For example, in *FormFactor, Inc. v. Micronics Japan Co., Ltd.*, the district court granted a motion to stay pursuant to 28 U.S.C. § 1659(a) only after considering “(1) possible damage which may result from the granting of a stay; (2) the hardship or inequity which a party may suffer in being required to go forward; and (3) the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law which could be expected to result from a stay.” 2008 WL 361128 (N.D. Cal. 2008). Only two of the four patents under consideration in the district court were at issue in the ITC proceeding. Nonetheless, the court ruled that the two remaining patents overlapped in subject matter and common inventors with the patents at issue in the ITC proceeding, and therefore a stay of the action to avoid duplicative efforts in discovery was warranted. Similarly, the court in *ILJIN U.S.A. v. NTN Corp.* found that numerous factors weighed in favor of granting a stay, including the following:

- (1) the ITC claim was filed before the district court complaint;

- (2) the proceedings were more advanced in the ITC case than in the district court;
- (3) there had not been substantial discovery in the case;
- (4) indisputably, it would conserve judicial resources to allow the ITC investigation to at least narrow the issues before the district court case proceeded, with the added benefit of potentially avoiding conflicting decisions;
- (5) the ITC is more experienced in deciding patent disputes than the district court; and
- (6) the complainant did not present any persuasive reason why a stay should not issue.

2006 WL 568351 (E.D. Mich. 2006).

A district court must also decide whether to stay its proceedings as to all of the claims at issue, even if only a portion of those claims are involved in a Section 337 investigation. For example, in *Micron Technology, Inc. v. Mosel Vitelic Corp.*, the defendants moved to stay the district court proceedings for all the claims that were not at issue before the Commission. 1999 WL 458168 (D. Idaho 1999). The defendants argued that due to the substantial overlap of legal and factual issues, a stay of all the claims, including those not at issue before the Commission, “would enhance judicial economy” as well as “provide the Court with the benefit of the findings, conclusions and views of the ITC.” *Id.* at \*4. Moreover, the defendants insisted that while they would be prejudiced by litigating in multiple forums, the plaintiff would not be prejudiced by a stay because it will obtain a timely resolution of the claims before the ITC. *Id.* Yet in denying the motion, the court concluded that the defendants failed to establish that a stay of the instant proceedings was “necessary to prevent undue hardship or injustice.” *Id.* at \*5. The court further noted that a party moving for a stay “must make out a clear case of hardship or inequity in being required to go forward, if there is even a fair possibility that the stay for which he prays will work damage to someone else.” *Id.* at \*4 (quoting *Landis v. N. Am. Co.*, 299 U.S. 248, 255 (1936)). In sum, the Micron court denied the motion to stay and ordered discovery with respect to the claims not before the ITC. *Id.* at \*5

In contrast, the court in *Alloc, Inc. v. Unilin Décor, N.V.* took the alternative approach and entered a stay for all the claims. 2003 WL 21640372 (D. Del. 2003). The court noted that “even though the ‘579 patent does not contain precisely the same claims of the other patents that are under review or reexamination, there is a sufficient correlation among all of the patents for the court to conclude that a stay is appropriate.” In this case, the ‘579 patent was not part of the ITC proceeding, but rather, was a continuation of an earlier ‘621 patent which was part of the ITC proceeding. *Id.* at \*1. In issuing the stay, the court noted that it “would benefit from a narrowing of the numerous complex issues relating to the claims.” *Id.* at \*2. Moreover, the court noted that discovery had

not yet begun, nor had a trial date been set. *Id.* at \*3. Indeed, neither party had incurred substantial litigation related expenses. *Id.*

Thus despite the statutory mandate of 28 U.S.C. § 1659(a), a respondent may still be required to make out a clear case of hardship or inequity before a stay will be entered. But where the patent before the district court is a continuation of a patent before the ITC, a court might enter a stay in order to narrow complex issues and avoid duplicative discovery.

#### **2.2.6.2.2 Effect of ITC Rulings on District Court Proceedings**

The general intellectual property jurisdiction statute, 28 U.S.C. § 1338 grants federal courts original and exclusive jurisdiction of civil actions “arising under any Act of Congress relating to patents.” As a result, ITC patent determinations – such as claim construction, validity, infringement, and defenses – do not have preclusive effect in subsequent district court litigation. *See Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-69 (Fed. Cir. 1996); *but cf. Baltimore Luggage Co. v. Samsonite Corp.*, 977 F.2d 571 (4th Cir. 1992) (affording preclusive effect to affirmative defenses raised during ITC investigation because the party raising the defense had a full and fair opportunity to litigate the defense before the ITC); *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985) (holding that ITC *trademark* determinations have *res judicata* effect on subsequent federal court proceedings). Nonetheless, district courts can and do consider ITC rulings in assessing cases. *See e.g., Glasstech Inc. v. AB Kyro O.Y.*, 635 F. Supp. 465, 468 (N.D. Ohio 1986), *Mentor Graphics Corp. v. Quickturn Design Sys.*, 999 F. Supp. 1388, 1393 (D. Or. 1997).

#### **2.2.6.3 Parallel District Court Proceedings**

It is not uncommon for patent holders to pursue infringement actions involving the same patent in different jurisdictions at the same time as a result of jurisdiction and venue considerations. Furthermore, co-pending litigations relating to the same patent can occur when companies under threat of patent enforcement pursue declaratory judgment of invalidity, non-infringement, or unenforceability in a jurisdiction other than where a patent holder is seeking to enforce the patent against other entities. The AIA will likely increase the likelihood of such proceedings by limiting joinder of unrelated defendants in patent cases. *See* § 2.2.2.1.1.

The co-pendency of litigation involving the same patent can result in duplicative expenditure of judicial resources and impose unnecessary burdens on parties. Litigants have several tools for addressing these concerns: (1) transfer of venue, addressed in § 2.3.3.1; (2) coordination of litigation across districts

through provisions governing multidistrict litigation, addressed in § 2.3.4; and/or (3) requests to stay one or more proceedings pending resolution of common issues, particularly patent validity. The standards for stays parallel those for transfer of venue. Although the specific standards differ slightly among circuits, courts typically consider the following factors in evaluating a motion to stay: (1) whether a stay would cause undue prejudice to the non-moving party; (2) whether a stay will simplify the issues for trial; and (3) whether discovery is complete and a trial date set.

The public policy favoring expeditious resolution of disputes is of particular weight when dealing with wasting assets such as patents. *See Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990). Nonetheless, when two actions involving nearly identical parties and closely related patent infringement questions are filed in separate districts, the general rule is that the case first filed takes priority, and the subsequently filed suit should be dismissed, transferred, or stayed. *See Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180 (1952); *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931 (Fed. Cir. 1993); *see generally* Charles Alan Wright, Arthur R. Miller, Edward H. Cooper, Joan E. Steinman, Catherine T. Struve, Vikram David Amar, 14D Fed. Prac. & Proc. Juris. § 3823 (3d ed.). The first-to-file presumption applies to declaratory judgments as well. *See Wilton v. Seven Falls Co.*, 515 U.S. 277, 289 (1995) (“As a general rule, a first-filed declaratory judgment suit will be entitled to precedence over a later-filed patent infringement action.”); *Sanofi-Aventis Deutschland GmbH v. Novo Nordisk, Inc.*, 614 F. Supp. 2d 772, 774 (E.D. Tex. 2009); *but cf. Uniroyal Engineered Products, LLC v. Omnova Solutions Inc.*, 2009 WL 736700, \*1 (W.D. Wis. 2009) (“In general, when a declaratory judgment action and a patent infringement action are filed within days of each other, it is more appropriate to consider the convenience factors of 28 U.S.C. § 1404(a) rather than applying the rigid rule that the first-filed action trumps the later-filed action.”).

The first-to-file rule is based on principles of comity and sound judicial administration and is designed “to avoid the waste of duplication, to avoid rulings which may trench upon the authority of sister courts, and to avoid piecemeal resolution of issues that call for a uniform result.” *Cadle Co. v. Whataburger of Alice, Inc.*, 174 F.3d 599, 603 (5th Cir. 1999). Although the forum of the first-filed action is favored, exceptions “are not rare, and are made when justice or expediency requires [.]” *Genentech v. Eli Lilly & Co.*, 998 F.2d 931, 937 (Fed. Cir. 1993) (citing *Kahn v. General Motors Corp.*, 889 F.2d 1078, 1081–83 (Fed. Cir. 1989)) (discussing the general rule, the “customer suit” exception, and other factors that overcome “the presumptive right of the first litigant to choose the forum). In weighing venue transfer or stay motions, courts have looked to:

- the status of the co-pending case, *Elite Licensing, Inc. v. Thomas Plastics, Inc.*, 2003 WL 473669 (S.D.N.Y. 2003) (where the first filed case was dismissed for improper venue); *Schnadig Corp. v. Collezione*

*Europa U.S.A.*, 2001 WL 766898 (N.D. Ill. 2001) (where the co-pending case is likely to be dismissed);

- harm caused by delaying the stayed issues, *see Kahn v. General Motors Corp.*, 889 F.2d 1078, 1082-83 (Fed. Cir. 1989);
- whether the other forum lacks jurisdiction over all necessary or desirable parties;
- the possibility of consolidation, *see SAES Getters S.p.A. v. Aeronex, Inc.*, 219 F.Supp.2d 1081, 1092 (S.D. Cal. 2002) (emphasizing the importance that related patents are construed consistently);
- convenience of the parties; and
- judicial economy, *see Serco Servs. Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037, 1040 (Fed. Cir. 1995).

Nonetheless, the fact that the first-filed claim was anticipatory of the later-filed claim is not, without more, a sufficient ground for deviating from the first-to-file presumption, *see Electronics for Imaging, Inc. v. Coyle*, 394 F.3d 1341, 1347–1348 (Fed. Cir. 2005), but it can be a factor in the broader balance governing whether to apply the first-to-file rule, *Serco Servs. Co., L.P. v. Kelley Co., Inc.*, 51 F.3d 1037, 1040 (Fed. Cir. 1995).

Stays of co-pending patent litigation involving different parties have been most commonly granted in “customer suit” situations. As the name implies, such litigation arises when the patent holder is engaged in one litigation against a provider of the accused technology and separate litigation against the purchaser of the accused technology. Based on language in *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990); *see also Codex Corp. v. Milgo Elec. Corp.*, 553 F.2d 735, 737–38 (1st Cir. 1977) (preference for a manufacturer’s declaratory judgment action because the manufacturer is the true defendant), courts in some circumstances have stayed patent litigation against such customers pending the outcome of the supplier suit, principally, as in *Katz*, where resolution of liability with respect to the supplier will resolve liability with respect to the customer. Cases involving the same patent and same parties (e.g., a declaratory judgment action brought by the accused infringer and a patent infringement action brought by the patent holder) are typically resolved by the first-to-file rule: the earlier-filed case takes precedence, and the later-filed case is transferred, stayed, or dismissed.

Given the above-referenced proliferation of co-pending litigations involving the same patent, it seems likely that courts will increasingly be asked to decide whether some of those suits should be stayed. At least some such motions are likely to be filed at the outset of the case, before any discovery occurs. Because the stay factors balance the specific benefits to be gained from the stay with the specific prejudice that is likely to be suffered by the non-movant, as well as the stage of the litigation, the merits of such motions are fact intensive and may vary substantially from case to case. That said, such motions raise several issues for courts to consider. First, because the plaintiff often files all, or many of, the

co-pending litigations on the same day, it may be difficult or impossible for a court to identify a case or cases that naturally take precedence over others. Indeed, even if the various defendants agree that some cases should be stayed pending resolution of others, it is very likely that the defendants disagree about whose case should proceed first. Thus, a California court may be asked to stay a case pending resolution of a Delaware case, while the Delaware court is asked to stay that same Delaware case pending resolution of the same California case. As a practical matter, many courts are likely to avoid wading into those waters.

Moreover, even where one case or a group of cases clearly takes precedence (e.g., first filed), if the subsequent cases were filed in close proximity to the case deemed to have precedence, the patent holder is likely to have strong arguments that the stay will be prejudicial and that the possibility of case-narrowing is ephemeral – indeed, it may require the patent holder’s claims against some defendants to sit for years while other litigation is resolved. In addition, the possibility that the case(s) deemed to have precedence will not actually resolve issues that narrow the case sought to be stayed (because of settlement, because the patent holder prevails, or otherwise) and the fact that, even when the same patent claims are asserted, the claim construction and invalidity issues may differ substantially (e.g., because the patent holder’s infringement allegations against the various defendants differ) are also likely to be considered. For these reasons, where the request to stay is filed at the outset of the case, it seems likely that most courts will look to other options, such as MDL, to achieve efficiency, or will simply elect to proceed with the case normally. Of course, the stage of the case deemed to have precedence can alter this analysis substantially – if, for example, a request seeks to stay a case in its infancy to await resolution of a case that is on the eve of a trial at which invalidity is at issue, the factors may weigh strongly toward stay; likewise, if the case deemed to have precedence is pending in a venue with a short time-to-trial, that may also weigh strongly in favor of a stay. Because of the nature of the stay factors, and because the relevant considerations can vary widely from case to case, courts should evaluate such motions carefully on a case-by-case basis.

#### **2.2.6.4 PTO Actions—Reexamination, Reissue, and Newly Created Review Procedures under the AIA**

Anyone can request that the PTO reexamine an issued patent in light of prior art not previously considered, and proceedings will be initiated if the agency decides that a “substantial question of patentability” is presented. This procedure is explained more fully in § 13.2.6.4. The reexamination may result in the patent (or specific claims of the patent) being found valid (or invalid) over the previously unconsidered prior art, or may result in certain claims being narrowed to overcome the newly cited prior art.

Under certain circumstances, a patentee may file an application for a “reissue” of a patent to correct an error in the patent as issued. *See* § 13.2.6.3. Section 13.2.6.5 contrasts reexamination and reissue. The outcome of a reissue may result in the patent being found invalid or in a reissued patent with narrower—or broader—claims.

Because the scope and invalidity of a patent in reexamination or reissue are uncertain, courts may, in certain circumstances stay infringement litigation pending reexamination or reissue. *See, e.g., In re Cygnus Telecomms. Tech.*, 385 F. Supp. 2d 1022, 1023 (N.D. Cal. 2005); *Teradyne, Inc. v. Hewlett-Packard, Co.*, No. C-91-0344 MHP, 1993 U.S. Dist. LEXIS 14601, at \*\*21-28 (N.D. Cal. Jan. 7, 1993). Reexamination and reissue proceedings can take anywhere from several months to years to resolve, which can cause hardship to a patent holder alleging infringement. On the other hand, reexamination and reissue proceedings in the PTO can often “‘settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases,’ can aid the trial court in making informed validity decisions, and will ultimately reinforce investor confidence in the patent system by creating a broader opportunity for the PTO to review doubtful patents.” *MercExchange, L.L.C. v. eBay, Inc.*, 500 F. Supp. 2d 556, 563 (E.D. Va. 2007) (quoting *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602 (Fed. Cir. 1985)). In one recent district court case, statistics and case law cited by both parties “clearly indicated that patent claims are invalidated or modified in over 70% of reexamination proceedings conducted [and] strongly suggest that reexamination generally, though not always, simplifies litigation.” *Magna Donnelly Corp. v. Pilkington N. Am., Inc.*, No. 4:06-CV-126, 2007 U.S. Dist. LEXIS 17536, at \*\*10-11 (W.D. Mich. March 12, 2007).<sup>5</sup>

A stay pending reexamination or reissue is always within the court’s discretion. *Viskase Corp. v. Am. Nat’l Can Co.*, 261 F.3d 1316, 1328 (Fed. Cir. 2001) (citing *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985)). “In determining whether to grant a stay, courts routinely have considered three factors: (1) whether a stay would unduly prejudice or present a clear tactical disadvantage to the non-moving party; (2) whether a stay will simplify the issues in question and trial of the case; and (3) whether discovery is complete and whether a trial date has been set.” *Magna Donnelly*, 2007 U.S. Dist. LEXIS 17536, at \*6; *Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc.*, No. C 03-1431 SBA, 2007 U.S. Dist. LEXIS 44107 (N.D. Cal. June 6, 2007); *see also MercExchange*, 500 F. Supp. 2d at 563 (courts consider the stage of discovery, whether a trial date has been set, and whether a stay will unduly prejudice the

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<sup>5</sup> According to its September 2011 quarterly report, the PTO granted 92% of reexamination requests. For third-party initiated requests, the PTO resolved the reexamination in the following manner: confirmation of all claims (24%); cancellation of all claims (11%), and modification of claims (66%). *See* US PTO, Ex Parte Reexamination Filing Data - September 30, 2011 <[http://www.uspto.gov/patents/EP\\_quarterly\\_report\\_Sept\\_2011.pdf](http://www.uspto.gov/patents/EP_quarterly_report_Sept_2011.pdf)>.

non-moving party). Stays are less appropriate when the PTO proceedings are initiated late in the litigation. *See, e.g., IMAX Corp. v. In-Three, Inc.*, 385 F. Supp. 2d 1030, 1033-34 (C.D. Cal. 2005); *Gladish v. Tyco Toys*, No. S-92-1666 WBS, 1993 U.S. Dist. LEXIS 20211, at \*\*6-8 (E.D. Cal. 1993). Other factors a court may consider in deciding whether to stay include:

- Whether the outcome of the reexamination or reissue likely will assist the court in resolving invalidity claims. *See ASCII Corp. v. STD Entm't USA, Inc.*, 844 F. Supp. 1378, 1380-81 (N.D. Cal. 1994).
- Whether the outcome of the reexamination likely will eliminate some or all of the claims asserted in the litigation. *See id.*
- Whether the outcome of the reexamination or reissue will facilitate settlement. *Magna Donnelly*, 2007 U.S. Dist. LEXIS 17536, at \*\*5-7.

A district court's discretion to stay proceedings does not empower a court to direct that a party file a reexamination or reissue in the PTO, nor does it empower a court to place conditions on the stay. *Emerson Elec. Co. v. Davaoil, Inc.*, 88 F.3d 1051, 1053-54 (Fed. Cir. 1996) (reversing stay conditioned on party's agreement to submit to the PTO documents prepared by the patent litigation defendant).

The America Invents Act ("AIA"), signed on September 16, 2011, created several new PTO procedures that may interact with district court proceedings. The two primary new procedures are: post grant review and *inter partes* review. Together these two procedures will replace the *inter partes* reexamination procedure as of September 16, 2012. *Ex parte* reexamination will remain unchanged. These two new procedures are discussed in more detail in §§ 4.6.4.1, 13.2.2.5.4, and 13.2.5.7. The primary factor that may weigh in favor of a stay of a civil litigation pending a post grant review or an *inter partes* review is the time to a final decision within the PTO and the estoppel effect of that decision. While regulations have not yet been issued regarding the specific timing requirements, estoppel will be triggered upon the filing of the written findings of the Patent Trial and Appeal Board (PTAB) at the culmination of the review. This is different from the estoppel effect of an *inter partes* reexamination, which was not final until all appeals had been exhausted.

The AIA also creates a transitional post-grant review for covered business method patents. This transitional program is available only for patents that claim "method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, [excluding patents for technological inventions]." AIA §18(d)(1). The PTO is promulgating regulations to guide determining "whether a patent is for a technological invention" under this subsection. AIA §18(d)(2).

### **2.2.6.5 Preemption of State Law Unfair Competition Claims**

Federal patent law preempts state tort law (e.g., for unfair competition) where the patentee has acted in good faith in its communications to others regarding alleged infringement. *See, e.g., Viskase Cos. v. World Pac. Int'l AG*, 710 F. Supp. 2d 754, 756 (N.D. Ill. 2010) (citing *Globetrotter Software, Inc. v. Elan Computer Group, Inc.*, 362 F.3d 1367, 1374 (Fed. Cir. 2004)). “[T]o avoid preemption, bad faith must be alleged and ultimately proven, even if bad faith is not otherwise an element of the tort claim.” *Globetrotter*, 362 F.3d at 1374 (internal quotation marks omitted).

### **2.2.7 Rule 11: Pre-Suit Investigations—Objective Good Faith Basis for Filing Pleading**

Rule 11 requires that a party filing a complaint have engaged in sufficient investigation to form a good faith basis for its claims. Thus, a patentee is required to exercise reasonable diligence to ascertain infringement before filing suit. This process must include a reasonable investigation into the interpretation of the claims. *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997). But because patents are presumed valid, § 282, a patent holder has no obligation to assess validity prior to filing infringement claims. *See, e.g., Q-Pharma, Inc. v. Andrew Jergens Co.*, 360 F.3d 1295, 1303 (Fed. Cir. 2004); *Vigil v. Walt Disney Co.*, 2000 U.S. App. LEXIS 6231, at \*\*1-2 (Fed. Cir. 2000).

The level of inquiry may vary according to the nature of the allegedly infringing product or process since some infringement (for example, of software patents) is difficult to ascertain from publicly available information. *Judin v. United States*, 110 F.3d 780, 784 (Fed. Cir. 1997). If an accused product is readily obtainable and easily examined, courts tend to hold that it is reasonable to expect the patent owner to examine it, or have a reasonable explanation for not doing so. *Id.* (holding that patent owner and attorney had acted unreasonably when they had not “attempted to obtain a device from the [defendant] or the manufacturer so that they could more closely observe the device, nor was any attempt made to dissect or ‘reverse-engineer’ a sample device”); *Refac Int'l Ltd. v. Hitachi Ltd.*, 141 F.R.D. 281, 286 (C.D. Cal. 1991); *c.f. Vista Mfg. Inc. v. Trac-4 Inc.*, 131 F.R.D. 134, 138 (N.D. Ind. 1990) (declining to “recognize a general rule that Rule 11 requires an infringement plaintiff to examine the defendant’s product in all instances”). If it is not possible for a patent owner to fully investigate infringement (e.g., the invention is a patented method that the potential defendant may be practicing in secret), Rule 11 permits a party to proceed by specifically identifying in its pleadings those factual contentions that will “likely have evidentiary support after a reasonable opportunity for further investigation or

discovery,” distinguishing them from those factual contentions that “have evidentiary support . . . .” Fed. R. Civ. P. 11(b)(3).

## 2.3 Jurisdiction and Venue

### 2.3.1 Personal Jurisdiction

Personal jurisdiction is analyzed under the familiar two-part test: whether the applicable state long-arm statute is satisfied and whether exercise of personal jurisdiction is consistent with the due process clause of the Constitution. *Silent Drive, Inc. v. Strong Indus., Inc.*, 326 F.3d 1194, 1200, 1201 (Fed. Cir. 2003); *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1359-60 (Fed. Cir. 2001). Patent cases typically do not raise substantial issues of personal jurisdiction since the defendant is alleged to have sold or offered for sale infringing product within the district. Personal jurisdiction issues can arise, however, where non-U.S.-based parties are alleged to have infringed.

### 2.3.2 Subject-Matter Jurisdiction

#### 2.3.2.1 Original Jurisdiction

Under 28 U.S.C. § 1338(a), federal district courts have exclusive original jurisdiction of “any civil action arising under any Act of Congress relating to patents.” In *Christianson v. Colt Indus. Operating Corp.*, the Supreme Court held that “cases fall within the Federal Circuit’s patent jurisdiction in the same sense that cases are said to “arise under” federal law for purposes of federal question jurisdiction.” 486 U.S. 800, 814 (1988) (quotation omitted). *See also Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1367 (Fed. Cir. 2011) (holding that a malpractice claim brought under Michigan law arose under federal law because it required the district court to resolve a substantive issue of patent law). Whether cases “arise under” federal law is determined by the familiar “well-pleaded complaint rule.” Most decisions that address the rule have dealt with defenses, whether patent-specific (as in *Christianson*) or as a matter of general federal law. *See Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 831 (2002). In 2002, the Court clarified that whether a claim arises under an act “relating to patents” is to be determined solely on the basis of the complaint and not on any counterclaims, compulsory or otherwise. *Id.*

### 2.3.2.2 Supplemental Jurisdiction

The jurisdiction of federal district courts extends to state law claims arising out of a patent dispute. A common example of such jurisdiction is a trade secrets cause of action relating to the same technology as the patent cause of action. The supplemental jurisdiction statute provides that “in any civil action of which the district courts have original jurisdiction, the district courts shall have supplemental jurisdiction over all other claims that . . . form part of the same case or controversy under Article III of the United States Constitution.” 28 U.S.C. § 1367(a). Accordingly, if a district court has no underlying original jurisdiction (e.g., the plaintiff lacks standing to bring any federal claims), the supplemental state-law claims must be dismissed. *Textile Prods., Inc. v. Mead Corp.*, 134 F.3d 1481, 1485-86 (Fed. Cir. 1998). However, the district courts have discretionary authority to retain supplemental jurisdiction over state-law claims even when the federal claims giving rise to original jurisdiction have been dismissed on the merits. 28 U.S.C. § 1367(c); *Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 104 F.3d 1296, 1297 (Fed. Cir. 1996) (citing *Baker v. Farmers Elec. Coop., Inc.*, 34 F.3d 274, 283 (5th Cir. 1994)), amending 93 F.3d 774, 781 (Fed. Cir. 1996).

### 2.3.3 Venue

Venue for patent cases is generally governed by 28 U.S.C. § 1391, permitting filing in any district in which infringing activity (broadly defined as making, selling, or offering for sale) has occurred.

#### 2.3.3.1 Venue Transfer Motions

Because most patent cases involve products or services available nationally, the patent venue statute generally permits a plaintiff to bring suit in any district. Accordingly, defendants are often sued for infringement in a district in which they have no physical presence, and will often respond with a motion to transfer venue.

“For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.” 28 U.S.C. § 1404(a). To obtain a change of venue, the defendant has the burden of demonstrating why the forum should be changed. The difficulty of meeting that burden is the subject of some disagreement. In *Gulf Oil Corp. v. Gilbert*, a frequently-cited case, the Supreme Court held that “unless the balance is strongly in favor of the defendant, the plaintiff’s choice of forum should rarely be disturbed.” 330 U.S. 501, 508 (1947), *superseded by statute*, 28 U.S.C. § 1404(a), *as recognized in* *Quackenbush v. Allstate Ins. Co.*, 517 U.S. 706 (1996). However, *Gilbert* is a *forum non conveniens* case, not a § 1404(a) case. In *Norwood v. Kirkpatrick*, decided after the enactment of § 1404(a), the Supreme

Court held that § 1404(a)'s "words should be considered for what they say, not with preconceived limitations derived from the *forum non conveniens* doctrine," and that § 1404(a) was "intended to permit courts to grant transfers upon a lesser showing of inconvenience" than that required in the *forum non conveniens* context. 349 U.S. 29, 31, 32 (1955) (quotations omitted). The Fifth Circuit has further examined the difference between the *forum non conveniens* doctrine (which requires dismissal of a case) and § 1404(a) (which permits only transfers), and held that "the avoidance of dismissal through § 1404(a) lessens the weight to be given" to the plaintiff's choice of venue and that, consequently, "he who seeks the transfer must show good cause." *Humble Oil & Ref. Co. v. Bell Marine Serv., Inc.*, 321 F.2d 53, 56 (5th Cir. 1963). Sitting *en banc*, the Fifth Circuit held that

to show good cause means that a moving party, in order to support its claim for a transfer, must satisfy the statutory requirements and clearly demonstrate that a transfer is "[f]or the convenience of parties and witnesses, in the interest of justice." Thus, when the transferee venue is not clearly more convenient than the venue chosen by the plaintiff, the plaintiff's choice should be respected. When the movant demonstrates that the transferee venue is clearly more convenient, however, it has shown good cause and the district court should therefore grant the transfer.

*In re Volkswagen of Am., Inc.*, 545 F.3d 304, 315 (5th Cir. 2008) (en banc). The Fifth Circuit made clear that the "good cause" burden "reflects the appropriate deference to which the plaintiff's choice of venue is entitled." 545 F.3d at 315.

In determining whether to transfer venue, courts balance the convenience of the litigants and the public interest in the fair and efficient administration of justice. *Id.* The convenience factors include: (1) the relative ease of access to sources of proof; (2) the availability of the compulsory process to secure witnesses' attendance; (3) the willing witnesses' cost of attendance; and (4) all other practical problems that may interfere with the litigation being relatively easy, expeditious, and inexpensive. *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319 (Fed. Cir. 2008) (applying Fifth Circuit law). The public factors include: (1) the administrative difficulties flowing from court congestion; (2) the local interest in having local issues decided at home; (3) the forum's familiarity with the governing law; and (4) the avoidance of unnecessary conflict of law problems involving the application of foreign law. *Id.* Although courts have traditionally also considered the plaintiff's forum choice (though that by itself was not conclusive or determinative, *In re Horseshoe Entm't*, 337 F.3d 429, 434 (5th Cir. 2003)), the Fifth Circuit in *Volkswagen* held that the plaintiff's forum choice was reflected in the moving party's burden to show good cause, and that no separate consideration need be given to the plaintiff's choice. *Volkswagen*, 545 F.3d at 315.

To correct "a patently erroneous denial of transfer," the Federal Circuit may grant a writ of mandamus, ordering a district court to transfer a case to a different

venue. *In re Acer America Corp.*, 626 F.3d 1252, 1254 (Fed. Cir. 2010) (ordering transfer where plaintiff and five defendants were located in transferee venue and no party was located within 300 miles of courthouse where case was filed). “The writ of mandamus is available in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power.” *In re Nintendo Co.*, 589 F.3d 1194, 1197 (Fed. Cir. 2009). In *Nintendo*, the Federal Circuit held that the district court abused its discretion “in a case featuring most witnesses and evidence closer to the transferee venue with few or no convenience factors favoring the venue chosen by the plaintiff.” *See id.* at 1198.

Similarly, the Federal Circuit has recently granted mandamus relief in cases reflecting a variety of factual situations, especially out of the Fifth Circuit. *See, e.g., In re Microsoft Corp.*, 630 F.3d 1361 (Fed. Cir. 2011) (ordering transfer where U.K. plaintiff incorporated affiliate and established office without employees in Tyler, Texas, sixteen days before filing suit there); *In re Zimmer Holdings, Inc.*, 609 F.3d 1378, 1381 (Fed. Cir. 2010) (ordering transfer out of the Eastern District of Texas where “plaintiff is attempting to game the system by artificially seeking to establish venue by sharing office space with another of the trial counsel’s clients”); *In re Hoffman-La Roche Inc.*, 587 F.3d 1333 (Fed. Cir. 2009) (ordering transfer from Eastern District of Texas where plaintiff’s only connection to transferring district was storing electronic documents locally); *In re TS Tech USA Corp.*, 551 F.3d 1315, 1321 (Fed. Cir. 2008) (finding that the district court “clearly abused its discretion in denying transfer from a venue with no meaningful ties to the case”).

Notably, in applying Fifth Circuit law in these cases, the Federal Circuit held that the plaintiff’s choice of forum need only be honored to the extent the plaintiff’s connections to the forum are legitimate, rather than connections “made in anticipation of litigation and for the likely purpose of making that forum appear convenient.” *See In re Microsoft Corp.*, 630 F.3d at 1361, 1364 (Fed. Cir. 2011). District courts beyond the Fifth Circuit have cited this rule, showing a trend of increased scrutiny of plaintiffs’ chosen forum. *Pragmatus AV, LLC v. Facebook, Inc.*, 769 F. Supp. 2d 991, 997 (E.D. Va. 2011) (citing *In re Microsoft* for the proposition for the plaintiff’s choice to warrant substantial deference in the venue analysis, “[the] plaintiff must prove a legitimate connection to the district”) (criticizing plaintiffs for selecting forum because of its reputation as a “rocket docket”); *Patent Licensing & Inv. Co., LLC, v. Green Jets, Inc.*, No. 11-80689-CIV, 2011 WL 5513262 (E.D. Va. Jun. 13, 2011) (same).

Another reason the Federal Circuit has ordered transfer in is that “[i]n patent infringement cases, the bulk of the relevant evidence usually comes from the accused infringer. Consequently, the place where the defendant’s documents are kept weighs in favor of transfer to that location.” *In re Genentech, Inc.*, 566 F.3d 1338, 1345 (Fed. Cir. 2009) (quoting *Neil Bros. Ltd. v. World Wide Lines, Inc.*, 425 F.Supp.2d 325, 330 (E.D.N.Y. 2006)). In addition, the Federal Circuit has downplayed the role of the defendant’s place of incorporation, overturning a

District of Delaware ruling that the defendant’s nominal corporate domicile tipped the balance in favor of retaining venue in Delaware. *See In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221 (Fed. Cir. 2011).

Nonetheless, the Federal Circuit has denied mandamus where remaining in a particular venue would significantly serve judicial economy. *See In re Vistaprint, Ltd.*, 628 F.3d 1452 (Fed. Cir. 2010) (denying writ of mandamus for transfer where there was past and co-pending litigation in the same court on the patent in suit); *In re Volkswagen of Am., Inc.*, 566 F.3d 1349 (Fed. Cir. 2009) (denying transfer where three lawsuits were pending in the same court on the same patents); *but see In re Verizon Bus. Network Servs.*, 635 F.3d 559, (Fed. Cir. 2011) (ordering transfer where convenience factors clearly outweighed the possible judicial efficiencies to be gained because the patent-in-suit had been previously construed by the same court in a separate action five years earlier, and prior to a reexamination proceeding).

Despite these denials of mandamus, recent writs issued by the Federal Circuit regarding transfer motions have made clear that certain facts, without more, are inadequate to maintain venue in a forum if there is another forum that is more convenient to witnesses in the action. For example, until recently, some district courts denied transfer on the ground that the forum was a centralized locale between many far-flung witnesses and documents. The Federal Circuit has rejected this rationale for maintaining venue. *See In re Genentech, Inc.*, 566 F.3d at 1348; *In re Nintendo Co.*, 589 F.3d 1194, 1199-1200 (Fed. Cir. 2009). Chart 2.4 summarizes factual showings deemed insufficient to maintain venue.

**Chart 2.4**  
**Facts, Standing Alone, Held Insufficient to Maintain Venue**

District Court deference to Plaintiff’s Choice of Forum.	<i>In re TS Tech USA Corp.</i> , 551 F.3d 1315 (Fed. Cir. 2008)
Presence of Electronic Documents in the Forum.	<i>In re Hoffmann-La Roche Inc.</i> , 587 F.3d 1333 (Fed. Cir. 2009)
Plaintiff’s presence in the venue was solely for purposes of litigation. For example:	
Incorporating in the venue 16 days prior to filing suit.	<i>In re Microsoft Corp.</i> , 630 F.3d 1361 (Fed. Cir. 2011)
Sharing office space in the forum with another client of trial counsel.	<i>In re Zimmer Holdings, Inc.</i> , 609 F.3d 1378 (Fed. Cir. 2010)
Past experience of the transferee forum with the patent in suit.	<i>In re Verizon Bus. Network Servs.</i> , 635 F.3d 559, (Fed. Cir.

	2011)
Defendant sells allegedly infringing products in the forum.	<i>In re Nintendo Co.</i> , 589 F.3d 1194 (Fed. Cir. 2009)
“Central location” rationale.	<i>In re Genentech, Inc.</i> , 566 F.3d 1338 (Fed. Cir. 2009)  <i>In re Nintendo Co.</i> , 589 F.3d 1194 (Fed. Cir. 2009)
Defendant is incorporated in the forum but maintains no other business presence there.	<i>In re Link_A_Media Devices Corp.</i> , 662 F.3d 1221 (Fed. Cir. 2011)

### 2.3.4 Multidistrict Coordination

There are a number of options for managing multiple patent cases between the same parties. Multiple cases pending in the same district are often consolidated (or at least coordinated) before a single judge. Related cases pending in multiple districts may be consolidated by a transfer of venue under 28 U.S.C. §1404(a). In addition, the Judicial Panel on Multidistrict Litigation (“JPML”) is authorized to transfer cases for coordinated or consolidated pretrial proceedings if transfer “will be for the convenience of the parties and witnesses and promote the just and efficient conduct of such actions.” 28 U.S.C. §1407.

Co-pending patent cases are eligible for coordination or consolidation through this process. For example, the JPML issued an order transferring seven patent actions relating to a patent on a system for spraying self-tanning solutions then pending in various districts for coordinated or consolidated pretrial proceedings. *See In re Laughlin Prods., Inc., Patent Litig.*, 265 F. Supp. 2d 525 (E.D. Pa. 2003). The JPML recently ruled that §299(a) of the America Invents Act does not alter its authority to order pretrial centralization of patent litigation. *See In re Bear Creek Technologies, Inc.*, MDL No. 2344, 2012 WL 1523340 (May 2, 2012). The JPML reasoned that there was “no overlap” between the AIA and Section 1407, emphasizing the different standards of the two statutes, and contrasting the AIA’s focus on joinder and consolidation at trial with “Section 1407’s express focus on transfer for pretrial proceedings.” The JPML concluded that transfer and centralization was appropriate in *Bear Creek* because the separate actions shared “substantial background questions of fact” concerning the “validity and enforceability” of the patent-in-suit, as well as “claim construction.” The JPML emphasized that “centralization offers substantial savings in terms of judicial economy by having a single judge become acquainted with the complex patented technology and construing the patent in a consistent fashion (as opposed to having six judges separately decide such issues).” When related cases or litigation between the same parties cannot be consolidated, there are still many

options available to the district courts to coordinate proceedings. Courts may designate one case as the “lead case,” or even stay a case until the conclusion of another. Judges may conduct joint hearings or conferences, or jointly appoint special masters under Fed. R. Civ. P. 53. The parties may be required to prepare a joint discovery plan, and protective orders can be drafted to permit discovery from one case being made available in another.

## 2.4 Scheduling

As in any litigation, the case management conference and scheduling order under Fed. R. Civ. P. 26(f) and 16(b) form the starting point for managing the litigation. Scheduling and case management in a patent case must balance the need for efficient identification and resolution of key issues in the case against potentially incomplete development of complex, highly technical issues. As discussed above, in § 2.1, Patent Local Rules adopted in some district courts reflect various approaches to striking this balance. Courts outside these districts should consider whether such rules can be adapted to fit the needs of a specific case, if not a standing order.

Regardless of any Patent Local Rules, scheduling will be optimized if the scheduling order includes dates for:

- disclosure of invalidity and infringement contentions,
- last date to disclose intention to rely on advice of counsel as a defense,
- last date to add inequitable conduct allegations without leave of court,
- close of fact discovery,
- claim construction hearing date,
- close of expert discovery,
- last date for filing and hearing dispositive motions (in most patent cases, both sides will want to file multiple summary judgment motions; *see* §§ 2.1.1.3 and 5.1),
- schedule for *Daubert* motions (*see* § 7.4.2),
- the possibility of staggering expert report deadlines with damages reports due before technical expert reports,
- requiring substantial disclosure of damages theories in initial disclosures (*see* §§ 2.6.4, 4.2.1), and
- setting an early date for motions to dismiss that would narrow the scope of the action (*see* §§ 2.1.1, 6.1.3).

Case-specific factors will drive decisions regarding the time necessary to complete each of the above tasks. At the outset of the case, the parties will be more familiar with these unique factors. Therefore, to facilitate preparation of an effective case management order, the court should ask the parties to address each

of these issues and to provide a proposed calendar in their Rule 26(f) Joint Case Management Statement.

## **2.5 Case Management Conference**

Effective management of a patent case usually begins with a Case Management Conference pursuant to Rule 26(f). At the conference, the court and parties identify issues relating to the substance of the case and any business considerations that may be influencing the dispute. The court should also establish ground rules that will encourage the parties to minimize acrimony and maximize communication and compromise.

Typically the conference is held off the record, with only counsel in attendance. Informality can promote more productive discussion and compromise. In particularly complex or obviously contentious cases, it may be necessary to conduct the proceedings on the record.

In advance of the initial conference, many courts will issue a form of standing order that applies to patent cases, addressing the matters to be covered in the Joint Case Management Statement, the agenda for the conference, certain aspects of local patent rules and attendant disclosures, and presumptive limitations on discovery.

Some courts have found it helpful in patent cases to distribute a very brief “advisory” document to address some of the special aspects of patent litigation, as well as expectations for conduct of the case, beyond what might be found in a typical standing order or local rules. This advisory document may be distributed at, or in advance of, the initial case management conference. Appendices 2.3 and 2.4 contain examples. The court might consider in appropriate cases requiring that lead counsel provide a copy of this advisory to their respective clients.

The following checklists of subjects for initial and subsequent case management conferences should be used as a guide in preparing to discuss the case with counsel. Exploring these issues will provide insight into how counsel might be expected to conduct the litigation and whether the case is amenable to early settlement or summary judgment.

**Chart 2.5**  
**Business and Market Considerations Checklist**

Issue	Implications
What are the accused products?	Damages. Why certain terms are being disputed in claim construction and the effect of a given interpretation. This information may also affect the scope of

	discovery.
Do the accused products encompass the accused infringer's entire business, or are they part of a larger line of products?	Can be a factor in injunctions and stays: business-destroying judgments favor stays of execution.
How big is the market for these products (approximate annual sales figures)?	Willingness to litigate to trial. Justification for imposing private costs such as special masters.

**Chart 2.5**  
**Business and Market Considerations Checklist, *continued***

Issue	Implications
Does the plaintiff make a competing product?	Relevant to consideration of injunctive relief. Can complicate damages because of plaintiff's loss of monopoly pricing.
Are there other competitors in the market?	Issue preclusion or <i>stare decisis</i> possible if patent owner loses. Damages affected if economic substitutes available.
Have the parties had a prior business relationship? If so, how and when did it end?	Partners who have a history together, or an ongoing relationship, are more amenable to settlement. May be helpful in understanding collateral motivations to sue, and possible avenues to settlement.
What is the financial state of the parties (e.g., what were the companies' prior year profits and what are projected profits)?	See above.
Are the parties public companies?	See above.
Will injunctive relief put the accused infringer out of business?	See above.
How much time remains before the asserted patents expire?	Can affect equitable factors in injunctions and stays.

**Chart 2.6**  
**Substantive Considerations Checklist**

Issue	Implications
Is the party asserting the patent(s) the named inventor? If not, how did the party acquire the patent rights? If by license or assignment, when did this occur?	Standing.
Is there a dispute about the structure and function of the accused device?	If these points are undisputed then infringement is effectively a question of claim construction, and the case may be handled on a more expedited basis.
Is the technology complex?	The court might require a tutorial or consider appointment of a special master.
Are there substantive issues amenable to early resolution? ( <i>E.g.</i> , a few dispositive claim terms?)	Narrowing the disputed issues early in the case can focus discovery and encourage settlement.
Have the asserted patents—or any related patents—been litigated in actions against other parties? If so, what was the outcome?	Other case discovery may be helpful to efficient handling of current litigation. Successful prior assertion of patent can affect validity analysis. Understanding how other courts handled claim construction or summary judgment issues can be helpful, whether or not any decisions were final, vacated, or binding in the current case.
Have the asserted patents—or any related patents—been licensed to third parties? If so, is defendant asserting a license defense or patent exhaustion?	Patent owner’s licensing activities can affect damages and consideration of injunctive relief.
Are the asserted patents connected with any industry standard? Are the asserted patents subject to a binding obligation to license?	Patent owner’s participation in standard-setting organizations may affect damages and consideration of injunctive relief, as SSOs often impose patent disclosure obligations or obligations to license on fair, reasonable, non-discriminatory terms.
Have the asserted patents—or	Outcome of PTO proceedings can affect

Issue	Implications
any related patents—been reexamined in the PTO? If so, what was the outcome? If not, is this something that either party is contemplating?	scope of claims and sometimes damages. Current or planned proceedings at PTO may be grounds for stay of litigation. <i>See</i> §4.6.4
If the accused infringer intends to rely on opinion of counsel with attendant waiver of attorney-client privilege, what will be the scope of the waiver?	<i>See</i> § 2.2.3.2.2. Early discussion of waiver issue may obviate post-waiver disputes over scope.
Has litigation counsel for the patentee been involved in prosecution of the patents in suit or related patents?	May result in need to depose trial counsel or partners. Raises issues of privilege waiver and possible disqualification.
Discuss how the court intends to address the proper role for and limitations on expert witnesses. <i>See</i> § 7.4.1.	Raising these issues early can provide valuable guidelines for the parties in preparing for trial.
If the plaintiff has asserted indirect infringement (contributory or by inducement), discuss how plaintiff intends to prove accused infringer's required mental state.	Raising the issue early can provide guidance to the parties to ensure that the necessary facts are developed in discovery.
How does the plaintiff expect to calculate reasonable royalty damages? Established royalty or hypothetical negotiation? Will the entire market value rule be applied? Are there comparable licenses?	Raising the issue early can provide guidance to the parties to ensure that the facts necessary to support are developed in discovery.
Will any survey evidence be presented at trial? ( <i>E.g.</i> , to show customer demand for the patented invention or support a damages theory based upon the entire market value rule)	May wish to require parties and their experts to discuss or agree upon survey design before it is conducted to save time and money, and resolve admissibility problems in advance. <i>See</i> Manual for Complex Litigation, Fourth, § 11.493 (2004); <i>see generally</i> Shari Seidman

Issue	Implications
	Diamond, Reference Guide on Survey Research, <i>in</i> Reference Manual on Scientific Evidence 229 (Federal Judicial Center, 2d ed. 2000).

**Chart 2.7**  
**Managing Cooperation Between the Parties and the Potential for Early Resolution**

Issue	Implications
Discuss the parties' anticipated scope of discovery. Consider limiting the number of depositions, document requests and/or requests for admission. Consider whether the 25-interrogatory limit under the Federal Rules should be modified.	Efficiency and cost of litigation. More robust discovery planning generally means less call on the court to intervene later in discovery disputes.
Discuss electronic discovery issues.	Encourages early cooperation in complex and costly area; diminishes risk of inadvertent loss of electronic records.
Discuss the patents and claims being asserted. Consider imposing a limit on the number of claim terms to be construed.	Helps parties focus on narrowing issues in the case, reducing the burden on themselves and the court.
Require the parties to meet and confer (at least telephonically) before bringing discovery disputes to the court. Provide stern warnings concerning cooperation and communication.	Reduces the need for court intervention to resolve discovery disputes, which can overwhelm a case if not controlled.
Consider limiting the number of discovery disputes the court will entertain without prior leave.	See above. The court may exercise even more control by requiring leave through a telephonic hearing, either directly or preceded by a very brief exchange of letters.
If the district does not have its	Improves efficiency by eliminating most

Issue	Implications
own patent local rules, consider adopting the patent local rules of another district (e.g., Eastern District of Texas, Northern District of California). Discuss with the parties ways that such patent local rules might be adapted to best fit the case.	common discovery disputes. Generally improves forward progress of the case and assures that claim construction and summary judgment motions will be informed.

**Chart 2.8**  
**Managing Cooperation Between the Parties and the**  
**Potential for Early Resolution, *continued***

Issue	Implications
Discuss the timing of summary judgment motions and their relationship to claim construction, and identify any other issues that could potentially give rise to dispositive motions.  If so, do these issues require much discovery?	While claim construction may or may not have to be completed before summary judgment process ( <i>see</i> § 2.1.1.3), other issues may be dispositive. <i>See</i> § 6.1.1 for further discussion of issues that might be amenable to early adjudication.
Discuss any restrictions that the court will or might impose on the number of summary judgment.	Can greatly affect the parties' strategies and practices. <i>See</i> § 6.1 for guidance on summary adjudication best practices for patent cases.
Discuss how the court will distinguish motions for summary judgment and motions <i>in limine</i> . <i>See</i> § 7.1.4.	Reduces burden of premature consideration of <i>in limine</i> motions and tardy consideration of summary judgment motions.
Discuss approaches to mediation. Appoint mediator, or initiate selection process. <i>See</i> § 2.6.	Establishes mediation as integral and continuous part of litigation process. Encourages parties to cooperate on information exchange. Enhances chance of early resolution.

Appendix 2.1 contains an Initial Case Management Conference Checklist, which can be used as a guide during the initial CMC. This checklist raises many of the issues identified in the charts above, as well as other patent-specific issues that should be discussed at the outset of the case.

## **2.6 Salient Early Case Management Issues**

This section addresses issues that can greatly influence the costs and complexity of patent litigation. The goal is to identify possible issues that can potentially lead to early resolution of some or all issues and/or greatly reduce the costs of patent litigation.

### **2.6.1 Multi-Defendant Litigations**

An increasingly popular trend has been for patentees to sue large numbers of defendants in a single litigation. The benefit to the plaintiff is that this approach is often less expensive and more easily coordinated than pursuing multiple different litigations. Recent passage of the AIA, as well as the Federal Circuit's decision in *In re EMC Corp.*, 677 F.3d 1351 (Fed. Cir., May 4, 2012), are likely to blunt this trend. For example, in those multi-defendant cases where the conduct or products accused of infringement bear little resemblance from one defendant to another, there may be joinder issues. *See* §2.2.2.1.1. But other types of multi-defendant cases may be unaffected by these changes in the law where, for example, the alleged infringement may stem from the defendants' compliance with an industry standard, or where the patentee has sued both the manufacturer of the accused products and its downstream customers (*e.g.*, OEM companies).

The court's ability to efficiently manage such cases may be enhanced by identifying at an early stage the patentee's basis for including multiple defendants in the litigation.

#### **2.6.1.1 Multi-Defendant Litigations Based on Standards Compliance**

Standards regulate almost all modern manufacturing. For example, every wireless device must conform to dozens, if not more, standards set by industry specific standard setting organizations. These standards ensure interoperability between devices. When practicing a mandatory feature of a standard infringes a patent, however, each manufacturer's compliance with the standard becomes an act of infringement. Recently, there has been enormous growth in patent litigations accusing whole industries of patent infringement based on the practice

of standards. Identifying this underlying fact at the outset of the litigation can enhance the Court's ability to manage the case.

For example, if the alleged infringing activity is purely the compliance with a mandatory feature of the standard, then discovery regarding the functional specifications of the accused products should be fairly limited.

However, these types of cases also involve complicated defenses and counterclaims related to the patentee's potential non-compliance with the policies of the standard setting organization ("SSO") surrounding the adoption of the standard. For example, the defendant may bring claims alleging that the patentee participated in the development of the standard without timely disclosing its patents that were essential to the standard, in violation of SSO policies. Or the defendant may allege that the patentee has failed to offer a license on fair, reasonable, and non-discriminatory ("FRAND") terms, as is required by most SSO policies with respect to patents that patentees declare essential to the standard. These allegations may form the basis for equitable, contract-based, and/or antitrust claims and defenses. *See, e.g., Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004, 1020 (Fed. Cir. 2008) (holding patent unenforceable for implied waiver where the patentee "organiz[ed] a plan of action to shield the '104 and '767 patents from consideration by the JVT (Joint Video Team) with the anticipation that (1) the resulting H.264 standard would infringe those patents and (2) Qualcomm would then have an opportunity to be an indispensable licensor to anyone in the world seeking to produce an H.264 compliant product."); *Broadcom Corp. v. Qualcomm Inc.*, 501 F.3d 297 (3rd Cir. 2007) (holding that a claim for antitrust violations was stated based on a patentee's failure to offer a FRAND license). These additional claims and defenses can complicate the litigation and the scope of discovery.

Another consideration is that the defendants in these litigations are often competitors in the same industry (since they are all accused of practicing the same standards). Thus, confidentiality may be a significant consideration for certain issues, especially damages. This type of litigation lends itself well to bifurcating damages from liability since the parties will likely share infringement and invalidity positions, but may vary on damages.

### **2.6.1.2 Customer / Manufacturer Multi-Defendant Litigations**

To gain leverage over a manufacturer defendant, a patentee might join or separately sue the customers (*e.g.*, OEM companies, distributors/resellers, *etc.*) of the manufacturer's allegedly infringing products. Because the manufacturer may be jointly and severally liable with the customers for the damages flowing from the infringement, these customers are generally superfluous to the litigation. Often, the court will stay the cases against the customer defendants, pending the

resolution of the litigation against the manufacturer defendants in order to decrease litigation costs and to streamline the case.

In a case involving only customer defendants, the parties will likely need to take third party discovery from the manufacturers of the accused product in order to prove or defend against infringement. Such discovery can be difficult and time consuming, and may raise complicated protective order issues. The defendant may be inhibited in its ability to adduce evidence of and develop contentions for its non-infringement theory due to a lack of access to the details of the accused third-party technology. The court should be cognizant of these discovery complications in a case involving only customer defendants.

### 2.6.2 Spoliation

Because of the potential penalties if a court finds that documents have been destroyed, the issue of spoliation and, specifically, whether the parties have taken reasonable steps to preserve relevant evidence often becomes a satellite litigation to the primary patent litigation. This issue is particularly prevalent where the plaintiff is a non-practicing entity, who may have few documents to preserve and produce,<sup>6</sup> and the defendant is a large company with many documents that are potentially relevant to the litigation. Addressing this issue early in the litigation may allow the court to better control the issue before it consumes the court's time and the parties resources. Section 4.4.2.1 discusses analyzing accusations of spoliation as the case progresses.

### 2.6.3 Early Claim Construction

Faced with the growing number of cases with tens (or hundreds) of defendants, some courts have taken an active case management role by requiring the parties to identify claim terms, which if construed, they believe will dispose of all or a significant portion of the case. The court then proceeds to construe those claim terms on an expedited schedule. In some cases, the court orders parties to submit their claim construction briefing via shorter than normal briefs and without any expert discovery. This approach has been successful in the Eastern District of Texas for encouraging early resolution where it appears that the plaintiff's goal is to achieve nuisance settlement values. *See e.g., Global Sessions LP v. Travelocity.com, LP et al.*, 6:10cv671-LED-JDL (E.D.Tex. Aug. 18, 2011).

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<sup>6</sup> An NPE that has an established licensing campaign and/or past history of litigation may have many documents for which there is a duty to preserve. *See e.g. Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1315–19 (Fed. Cir. 2011) (finding spoliation on behalf of a non-practicing entity).

**Chart 2.9**  
**Issues Susceptible to Early Motions to Dismiss or Summary Judgment**

Issue	Implications
Inequitable conduct defenses.	See discussion of inequitable conduct at §2.2.3.3.2.1. The standards set by the Federal Circuit in <i>Exergen Corp. v. Wal-Mart Stores, Inc.</i> , 575 F.3d 1312 (Fed. Cir. 2009) (pleading requirements), and <i>Therasense, Inc. v. Becton, Dickinson &amp; Co.</i> , 649 F.3d 1276 (Fed. Cir. 2011) (proof of materiality and intent), will render this defense susceptible to an early motion to dismiss. If this issue is eliminated at an early stage, discovery will be narrowed (sometimes significantly).
Patentable subject matter.	See discussion of §101 of the Patent Act at §6.2.1.1.1
Extraterritoriality.	It is increasingly common for plaintiffs to accuse acts committed abroad of infringement of U.S. patent law under either 35 U.S.C. §271(f) or §271(g), either alone or in combination with §271(b). Often, there are easily ascertainable facts regarding the contacts of the defendants with the United States that could lead to early resolution of claims or defenses on the basis of extraterritorial conduct.
Willfulness.	As discussed in detail in §6.2.1.4, the Federal Circuit’s decision in <i>In re Seagate Tech., LLC</i> , 497 F.3d 1360 (Fed. Cir. 2007), requires proof of that the defendant both objectively and subjectively willfully infringed the asserted patent. Often, there is evidence that can be produced early in the litigation that objectively demonstrates no willful infringement.
Is this a multi-defendant litigation where the infringement theory is based on the defendants	The Court may be able to significantly narrow the scope of fact discovery since infringement will largely rise and fall based

Issue	Implications
compliance with certain industry standards? <i>See</i> §2.6.1.1.	on whether the standard infringes and whether the defendants assert that they comply with the standard.
Is this a multi-defendant litigation where some of the defendants are customers accused of selling infringing products, and other of the defendants are manufacturers accused of making those same products? <i>See</i> §2.6.1.2.	It may be possible to stay the cases against the customer defendants and allow the case to proceed against the manufacturer, who will be joint and severally liable with each of its customers.
Is this a multi-defendant litigation that is not based on compliance with standards?	Case management efficiency considerations may counsel in favor of breaking up the case into multiple cases based on similarity of accused products or relationships between the defendants.

## 2.6.4 Damages Theories and Proof

The damages-related aspects of patent infringement cases present special case management challenges for the district court. In large part, this results from the fact that damages law is evolving rapidly in ways that alter or render obsolete methodologies for valuing patent damages that have historically been used (albeit often under protest from one of the parties). It also results from the fact that the parties in most cases do not focus the same energy on damages that they do on liability issues, in part because districts that require comprehensive liability disclosures do not require them for damages. Another factor is that expert testimony concerning damages, unlike the typical expert opinion on patent liability issues, implicates and can draw from economic, mathematical, and financial valuation methodologies that are peer-reviewed and testable, as well as industry experience in patent valuation in the licensing and acquisition context. The interplay between this body of established non-patent-litigation valuation methodologies and the *Georgia-Pacific* factors commonly used to calculate damages in patent cases creates myriad disputes about the reliability of that testimony.

As a result of these and other factors, in our experience the majority of patent cases involve fundamental challenges to the damages theories and evidence presented by one or both of the parties. This usually occurs in the context of

*Daubert* challenges to damages-related expert testimony. But disputes about whether the methodology used by a damages expert to reach her conclusions is both legally viable and reliable, or whether she applied that methodology reliably to the facts of the case, have not typically been well-vetted by district courts before trial, despite the fact that courts have tools at their disposal to do so. This is in large part because such disputes are almost always raised with the court at the end of the case. As a result, a court that believes that a damages expert's opinions may not be reliable is typically faced with imperfect options: (a) excluding the expert and leaving the party with no expert testimony regarding damages at trial; (b) continuing the trial date and providing the party proffering the expert a do-over; or (c) allowing the testimony, despite its reservations, with the belief that the jury will see the weakness in the opinions and the intent that, if not, the court will correct the the outcome through remittitur, JMOL or a motion for new trial.

Section 7.4.2 provides some suggestions to courts that find themselves in this situation, but the best course is to manage patent cases in ways that reduce the likelihood that fundamental disputes about damages theories and evidence are relegated to the very end of a case. Resolving such disputes about damages earlier in the case is difficult to accomplish, in large part because damages contentions are not vetted by the parties as thoroughly as are infringement and validity contentions. Under Fed.R.Civ.P. 26(a)(1)(3), a party claiming damages must provide as part of its initial disclosures "a computation of each category of damages claimed" and produce the documents and materials on which each computation is based. However, in patent cases, courts have not used this provision to compel a meaningful, early disclosure of the amount of damages claimed or the method by which they are computed, apparently believing that claim construction and some damages discovery is necessary before a meaningful disclosure can fairly be compelled. *See* § 4.2.1. The parties usually exchange infringement and invalidity contentions during fact discovery, either in accordance with local rules or through interrogatory responses, which ensures that both parties are aware of the theories of infringement and invalidity in the early to middle stages of the case. By contrast, the parties' first disclosure of damages theories typically comes through the exchange of expert reports served after the close of fact discovery and concurrently with expert reports regarding infringement and invalidity. This creates two problems. First, because parties have not yet taken positions about damages, they cannot raise with the court in the early or middle portions of a case potential legal flaws or other issues that may render an expert opinion arising from them unreliable, as is commonly done with respect to disputes about infringement and invalidity theories. And, second, *Daubert* challenges themselves are necessarily relegated to the end of the case.

Recognizing this systemic problem, courts have begun experimenting with various mechanisms to encourage proper vetting of damages positions and

opinions earlier in the case schedule. For a court willing to do so, two options to consider are outlined below.

Damages contentions. In jurisdictions that presently require parties to exchange infringement and invalidity contentions, the patentee could be required to provide damages contentions that a) identify the type of damages sought (lost profits, reasonable royalty, or both); b) provide an explanation of the specific theories and methodologies the patentee intends to use to value the infringement for which damages are sought; and c) identify a range within which its ultimate damages number for each accused instrumentality is expected to fall. To enable the patentee to provide this information reliably, the accused infringer could be required to produce, along with its invalidity contentions, financial documents related to the accused instrumentalities (just as it is presently required to produce technical documentation concerning the accused instrumentalities), and the patentee's deadline for serving such damages contentions could be set at a reasonable time (e.g., 45 days) after the accused infringer's document disclosure. Although not specifically directed to expert testimony, these disclosures would require the patentee to identify its theories early in the case, would enable the accused infringer to disclose rebuttal damages theories in response to a contention interrogatory served during fact discovery, and would put parties in a position to challenge each other's legal and factual bases for damages positions earlier in the case.

Accelerated discovery schedule for damages. The court could elect to set an accelerated schedule for fact and expert discovery related to damages. For example, the court could require all damages-related discovery to be completed 2-3 months before the fact discovery deadline for other issues, and then require expert reports regarding damages to be served within a reasonable time thereafter (e.g., by applying the same gap between the close of damages discovery and service of the opening damages report as is set between the close of liability discovery and service of opening liability reports). Because it would allow the court to set a damages-related *Daubert* schedule that starts 2-3 months before summary judgment, this approach would provide sufficient time for the court to allow a one-time opportunity for a party whose proffed damages opinions are excluded to correct the deficiencies, if that opportunity is warranted, without moving the trial date.

These two approaches, or others, could be utilized alone or in combination, depending upon the circumstances. In some cases, neither approach may be practical or warranted, and, even in the best circumstances, both approaches can present the court and the parties with new challenges and unintended consequences. But both have the benefit of addressing behavior that consistently relegates damages-related disputes to the end of the case, where the court has few practical options to resolve them equitably. As is evident from the nature of these suggestions and this discussion, there is no one-size-fits-all approach to resolving this problem. But courts should, in most patent cases, discuss with the parties the

timing and nature of damages discovery and the timing of damages-related *Daubert* proceedings to determine whether these or other damages-specific provisions should be adopted. Moreover, case management techniques that clarify the parties' damages positions and the theories supporting them early in the case have the side benefit of encouraging settlement – once parties know the damages playing field, they will be better-equipped to value the risk of the litigation and evaluate settlement positions. For all of these reasons, having a discussion about the timing and nature of damages-related disclosures and discovery at the case management conference stage is very important. If the parties and the court do not address these issues early in the case, they will be locked into a schedule that, in almost all cases, will limit the practical options that are available to resolve damages-related *Daubert* challenges and other damages-related disputes.

## 2.6.5 Nuisance-Value Litigation

There has been in recent years a proliferation of patent infringement cases that appear to have been filed simply to extract a nuisance-value settlement from a large number defendants. Such cases, if they are not resolved quickly, have the potential to clutter the court's docket and drain resources from other cases. But given the highly technical nature of patent cases, it can be very difficult for a court to distinguish between nuisance-value cases and cases in which both parties genuinely seek resolution of the allegations by the court or a jury. Paradoxically, recent developments in venue transfer law by the courts, and the joinder provisions enacted by the AIA, which were in some measure intended to reduce nuisance-value litigation, can make it even more difficult to identify such cases, because fewer defendants are likely to be aggregated in any one case or judicial district. By engaging in active case management from the outset of the case, however, courts can drive the parties in such cases toward settlement. Moreover, requiring exchanges of contentions early in the case and permitting first-track summary judgment motions (as discussed fully in Chapter 6) provides mechanisms for the court to resolve such cases on the merits when they do not settle and, for that reason, also promotes settlement. Requiring the parties to participate in an early ADR process can also be helpful in setting the parties' expectations about the significance of the case and placing a value on the risk of litigation. And because these techniques are good practice, generally, they do not require the court to identify and distinguish between nuisance-value cases and those that are more substantial.

## **2.7 Settlement and Mediation**

The vast majority of patent cases (about 96 percent) settle, but typically not until late in the case. In the meantime, the litigation can be extremely expensive for the parties. According to an industry survey, each side can expect to spend from \$1.5 to \$3 million in fees through the close of discovery, and between \$2.5 and \$5 million in total through trial.<sup>7</sup> And some cases can be substantially more expensive to litigate and try. Bringing the case to settlement on the eve of trial also can result in a substantial waste of judicial and company resources. Consequently, earlier settlement is usually in everyone's best interest.

Most parties to patent litigation recognize the high economic stakes, uncertainty, and legal costs involved. Nevertheless, various impediments to settlement—ranging from the relationships of the particular parties to institutional issues arising out of the nature of some patent litigation—often prevent parties from settling cases without some outside assistance.

To overcome these impediments, courts have evolved techniques to promote dialogue between the parties and, when the circumstances allow, settle them earlier in the litigation. Early judicial intervention, usually at the first case management conference, can be a critical factor in bringing about settlement. Such initiative by the court emphasizes to the parties that the court is interested in assuring they actively consider settlement strategies as well as litigation strategies throughout the case.

Effective judicial encouragement of settlement involves several considerations: (1) appropriate initiation of mediation; (2) selection of the mediator; (3) scheduling of mediation; (4) delineating the powers of the mediator; (5) confidentiality of the mediation process; and (6) the relationship between mediation and litigation activities. Additional considerations come into play with regard to multi-party and multi-jurisdictional cases.

### **2.7.1 Initiation of the Mediation Process**

Many courts require, either by local rules or standardized order, that counsel for the parties discuss how they will attempt to mediate the case before the first case management conference and that they report either their agreed plan or differing positions to the court at the conference. By requiring this early discussion, the court eliminates any concern that the party first raising the possibility of settlement appears weak. This can be particularly important at the outset of a case when attitudes may be especially rigid, posturing can be most severe, and counsel may know little about the merits of their clients' positions.

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7. AIPLA, Report of the Economic Survey 2011 at 35 (2011) (statistics for cases involving more than \$1 million at risk).

Whether or not the parties have agreed on a settlement discussion strategy, the court should address the subject at the conference, encouraging the litigants to develop and evolve settlement strategies along with their trial strategies. By making clear the importance the court attaches to the mediation effort and its expectation that the parties will give it similar importance, the court can help assure that settlement efforts receive ongoing attention as the case progresses.

At the case management conference, the court should order that the parties have a first meeting with a specified mediator (or a mediator to be chosen according to a specified process) prior to a fixed deadline. If either party resists mediation, the court should order participation, as it is empowered to do. *See* 28 U.S.C. § 652(a) (Supp. 1998). A party's initial insistence that it will not consent to the mediation, will attend against its will, or has no interest in compromising its rights are positions that reflect more a lack of sophistication than a strategy. Experienced mediators routinely settle cases notwithstanding protestations that "this case can't be settled."

### **2.7.2 Selection of the Mediator**

Courts can identify successful mediators for patent cases from a variety of sources: other judges and magistrate judges, retired judges, professional mediators and practicing lawyers. While in some courts the trial judge serves as mediator, this requires the express consent of the parties. Committee on Codes of Conduct, Judicial Conference of the United States, Code of Conduct for United States Judges Canon 3A(4) (1999). Many judges decline to act in this role, believing that it is difficult to have the requisite candid discussion with parties and their counsel and later objectively rule on the many issues the court must decide. *See Fed. Trade Comm'n v. Freecom Commc'ns, Inc.*, 401 F.3d 1192, 1208 n.9 (10th Cir. 2005) (judges in non-jury cases should be especially hesitant to involve themselves in settlement negotiations); Wayne D. Brazil, *Settling Civil Suits: Litigators' Views About Appropriate Roles and Effective Techniques for Federal Judges* 84-99 (1985) (noting substantial attorney discomfort with trial judge's involvement in settlement negotiations).

The best choice is usually a professional mediator with a record of successfully resolving patent litigation. A practicing patent attorney may have deeper knowledge of patent law, but that depth of knowledge, particularly in the details of patent prosecution, is unlikely to be useful in the mediation. The most useful attribute is the professional mediator's ability to diffuse discord and build cooperation between the parties. It is important that the parties have confidence that the appointment was based on the mediator's skills and past success. Where the parties agree on a mediator, the court should usually appoint that person so that the authority of the mediator is clear.

To help judges choose mediators, some courts have adopted the practice of asking parties, attorneys, and mediators to evaluate the private mediation process confidentially at the conclusion of cases. This practice also has the advantage of putting mediators on notice that their performance will be monitored by the court. Forms used by the Northern District of Illinois for such an evaluation are attached as Appendices 2.4(a), 2.4(b), and 2.4(c).

### **2.7.3 Scheduling the Mediation**

In scheduling the first meeting with the mediator, the court should take into account the amount of time that the parties will need to come up to speed on the principal issues, strengths, and weaknesses of the case as well as the risks and ramifications of the case for their businesses. Counsel typically reach this level of comprehension by the time that they file *Markman* briefs.

The mediator usually schedules the subsequent mediation sessions. The mediator has greater flexibility in arranging the meetings because, unlike a court, a mediator is able to consult with counsel, together or separately, to obtain their views and prepare for the next meeting.

In scheduling mediation sessions, a mediator needs to take into account the progress of the case and how the stages of the litigation may contribute to productive settlement discussions. For example, the mediator may conclude that a session should be held between briefing and hearing claim construction or summary judgment, when positions are fully exposed and the uncertainty of outcome can lead to compromise. In limine, *Daubert* and other pretrial motions create similar opportunities. Substantive mediation preferably occurs before the intense (and expensive) period of trial preparation. Nevertheless, because many cases are settled only in light of the immediate uncertainty of trial, mediation efforts should continue through the pretrial process. Mediation after a jury verdict, but before the resolution of post-trial motions, can also be effective, especially in cases in which legal issues such as inequitable conduct and injunctive relief remain to be resolved.

### **2.7.4 Powers of the Mediator and Who Should Be Present During Mediation**

To maximize the likelihood of successful mediation, the mediator must have the power to require certain actions. Most importantly, the mediator should be empowered to require, or the court should be prepared to order, that the parties participate in the mediation. Participation includes attendance by the most appropriate client representative. The common insistence that someone “with full settlement authority” attend the mediation is insufficient in patent cases because a person with authority does not necessarily have the requisite motivation to engage

in meaningful compromise. For the typical corporate business entity, the person with the necessary authority and motivation may be a licensing executive; for the alleged infringer, it may be a manager of the operating unit responsible for the accused product or service whose budget will absorb the costs of the settlement and any judgment. Merely because the litigation is overseen by in-house counsel with authority to settle does not mean that person is the most appropriate party representative.

The mediator may need to resolve disagreements about the relative seniority of party representatives. If litigants are of similar size, this usually is not a problem. But when one company is much smaller—for example, either a start-up competitor or a patent holding company—it likely will be represented by its chief executive officer, and it may attempt to force attendance of the chief executive of the larger entity. This approach can sometimes be counterproductive because it forces participation by someone who lacks sufficient knowledge and resents having to attend. It is more important that the representative of the large entity be someone with responsibility for and knowledge of the relevant portion of that entity's business.

The mediator may also need to address how to obtain approval of a settlement when no one person has settlement authority and any outcome must be approved by a governing board. Where an entity requires board approval of a settlement, the entity is typically represented at the mediation by an individual. If the mediation is successful, the mediator should require that the representative commit to recommend unconditional approval of the settlement to the board and require that the board act by a fixed date.

Another important power for a mediator is the right to exclude particular individuals from the process. For example, one or more of the parties' counsel or an individual, such as an inventor or a technical director, may be too deeply involved in the merits of the dispute to be constructive. Particularly for major cases, it can be useful to require the parties to be represented by attorneys other than lead litigation lawyers, who tend to be preoccupied with the merits and events of the litigation and who sometimes find it difficult to communicate productively with each other.

### **2.7.5 Confidentiality of the Mediation**

To maximize open communication and candor, everything submitted, said, or done during the mediation should be deemed confidential and not be available for use for any other purpose. Confidentiality is usually required by agreement of the parties or by court order or rule. *See, e.g.,* N.D. Cal. Patent Local Rule 6-11 (broadly prohibiting disclosure or use outside the mediation of anything said or done in the mediation). Generally, the confidentiality requirements go beyond the evidentiary exclusion of Fed. R. Evid. 408 and assure that the parties, their

counsel, and the mediator can candidly discuss the facts and merits of the litigation without concern that statements might be used in the litigation or publicized. Given the importance of confidentiality to the mediation process, the court should be prepared to enforce these confidentiality guarantees strictly.

This same concern for confidentiality usually precludes reports to the trial judge of anything other than procedural details about the mediation, such as the dates of mediation sessions, or a party's violation of court rules or orders requiring participation. *See* R. Niemic, D. Stienstra & R. Ravitz, *Guide to Judicial Management of Cases in ADR* at 111-14, 163-64 (Federal Judicial Center 2001) (hereinafter cited as "FJC ADR Guide") ("An attorney-neutral should protect the integrity of both the trial and ADR processes by refraining from communicating with the assigned trial judge concerning the substance of negotiations or any other confidential information learned or obtained by virtue of the ADR process, unless all of the participants agree and jointly ask the attorney-neutral to communicate in a specified way with the assigned trial judge."); Am. Bar Ass'n, *Civil Trial Practice Standards* § 23e (2007) (hereinafter cited as "ABA Standards") ("The court should not communicate ex parte with any third-party neutral, including a senior, magistrate or other judge, involved in an alternative dispute resolution mechanism about the course of negotiations or the merits of the case."). "Public confidence in both the trial and settlement processes can be undermined if direct communication is permitted between the attorney/neutral and the assigned trial judge regarding the merits of the case or the parties' confidential settlement positions." FJC ADR Guide at 164.

### **2.7.6 Relationship of the Mediation to the Litigation Schedule**

Absent a final settlement, a case usually proceeds as scheduled without regard to mediation events. *See* ABA Standards § 23(f) (2007) ("The court ordinarily should not delay proceedings or grant continuances to permit the parties to engage in settlement negotiations.") This approach assures that the litigation is not unnecessarily delayed and encourages the parties to mediate diligently.

Arranging early discovery of needed information or scheduling early consideration of a potentially important summary judgment motion may make it possible for the parties to consider settlement earlier in the case. The patent owner, for example, may believe it needs software code, chemical formulation details, or other information not available by buying or using the infringing product or service. Alternatively, the parties may dispute the existence of an invalidating prior sale of the patented invention. This scheduling can be facilitated by the mediator at an early meeting with the parties.

Mediation is sometimes held while a critical case event is pending—for example, after the briefing and hearing of a preliminary injunction or summary judgment motion, but before the court decides the motion. In some courts, judges

and mediators regularly communicate about scheduling to maximize these settlement opportunities. By providing the parties with an expected schedule for deciding the motion, the court can encourage them to focus on completing a settlement before the deadline. If the parties are productively engaged in mediation at the deadline, some judges continue to delay issuing a decision where the mediator and the parties so request.

### **2.7.7 Mediating Multi-Party and Multi-Jurisdictional Cases**

Not all patent cases involve a single plaintiff and defendant in a single court. When in the typical multi-party case the patent owner asserts that the alleged infringers acted independently, separate mediation meetings can be scheduled for each alleged infringer. This allows the opportunity to negotiate settlements with each defendant based upon the unique facts and market forces relevant to that party. It also allows the defendants interested in settling early to mediate without the interference of others who may wish to litigate the dispute through a later stage of the case.

Multi-jurisdictional cases often arise when a party sued on a patent brings a countersuit against the plaintiff in another court, asserting infringement of its own patent. In some circumstances, however, parties may find themselves in unrelated patent litigation in multiple courts because different business units of at least one of the parties have proceeded independently.

Settlement efforts normally should not be delayed in one court because of proceedings in another court. The parties should be required to comply with the court's usual mediation planning requirements. If the parties report active engagement in mediation in another jurisdiction, the court can delay ordering further mediation while they complete those efforts. In the mediation of multi-jurisdictional suits, the parties will make clear the scope of settlement they are prepared to negotiate. If the multiple cases are countersuits, cases in both courts will be settled. If the separate suits are the result of the independent actions of separate business units, one party may assert that the second suit will not be part of any settlement. Should its opponent disagree, the mediator will have to determine the advantage of forcing discussion of the second suit—likely requiring the attendance of party representatives of the second business unit—or focusing the discussions on the single case.

### **2.7.8 Factors Affecting the Likelihood of Settlement of Particular Categories of Cases**

Like other aspects of patent litigation, settlement dynamics vary depending upon the nature of the parties. While every case involves a multitude of individual settlement issues, categories of cases also reflect common pathologies. The

following chart summarizes the settlement issues and patterns associated with the most common types of patent disputes and provides insights into how and when settlement can be most effectively fostered:

**Chart 2.10**  
**Settlement Considerations**

Case Category	Settlement Issues
Competitor vs. Competitor— Core Technology	Difficult to settle absent a counterclaim or other significant risk to the patent owner or strategic opportunity available from business agreement. Meaningful mediation likely to require participation from senior officers of the parties. Agreement may present antitrust issues if the parties have large cumulative market share.
Competitor vs. Competitor— Non-Core Technology	Likely to settle through mediation, potentially early in the litigation. Litigation may be the result of failed effort to negotiate license prior to litigation, with litigation intended to add additional negotiating leverage.
Large Enterprise vs. Start-up/New Entrant	If no other competitor offers substantial equivalents of claimed patented technology, the established company may not settle without eliminating start-up's use of technology. The suit nevertheless may raise costs for the start-up to the point of forcing a settlement, potentially including acquisition of the start-up. If other competitors exist, settlement is likely, potentially early in litigation. Suit may be timed to critical event for start-up ( <i>e.g.</i> , new product offering, additional investment, public stock offering, or merger), in which case potential windows for settlement are very early in the litigation or just after the event.

**Chart 2.10**  
**Settlement Considerations, *continued***

Case Category	Settlement Issues
Licensing Company vs. Large Enterprise	<p>The likelihood and timing of settlement depends on several factors:</p> <p>(1) the amount demanded—for example, the licensing company may intend future litigation against others and is seeking to build necessary funding through the current suit, in which case the demand may be modest and early settlement possible;</p> <p>(2) the size of the licensing company’s portfolio—if the current suit likely is the first of several expected, a license to the patentee’s entire portfolio can be an attractive settlement;</p> <p>(3) reputational effects: whether the large enterprise had or expects litigation with the patent owner or other licensing companies—several large companies believe, sometimes based on policy, settling such suits encourages additional licensing company litigation, in which case settlement will be possible, if at all, only after substantive rulings create a substantial risk of an adverse outcome; and</p> <p>(4) strategic alliances: whether the licensing company and large enterprise can join forces against the defendant’s competitors—a settlement, potentially early in the litigation, may be based on an agreement allowing the enterprise to use the licensing company’s portfolio against its competitors.</p>
Licensing Company vs. Start-up Enterprise	<p>Such suits often are timed to critical events for the start-up. Very early settlement or settlement after the start-up accomplishes the event is likely. Obtaining participation from senior start-up company officers while the critical event is pending can be difficult and</p>

Case Category	Settlement Issues
	may justify telephone or other non-traditional participation in the mediation.

**Chart 2.10**  
**Settlement Considerations, *continued***

Case Category	Settlement Issues
Serial Litigant: Patent Owner vs. First Alleged Infringer	Such patent owners face the collateral risk that an adverse <i>Markman</i> or other substantive ruling dooms not just this case, but the entire flotilla behind it. On the other hand, while a win cannot be used as collateral estoppel in subsequent suits, it can be persuasive in them, especially if they are brought in the same court. This may create settlement opportunities while important substantive rulings are pending.
Pharmaceutical vs. Pharmaceutical	Difficult, and often impossible, cases to settle, as industry economics are based on an exclusive position in marketing patent-protected drugs.
Pharmaceutical vs. Generic	Often based on Hatch-Waxman Act provisions which grant the generic a 180-day period of exclusivity after it enters the market. 21 U.S.C. § 355(j)(5)(B)(iv). Regarding Hatch-Waxman litigation generally, see Chapter 10. Because delaying actual market entry by the generic delays entry by all generics and because the economic loss to the pharmaceutical company after entry usually far exceeds profit to the generic, some of these cases have been settled by “reverse payments,” payments by the pharmaceutical company to the generic to remain off the market for a period of time. Such settlements have been approved by appellate courts so long as the exclusion is no greater than the exclusionary potential of the pharmaceutical company’s patent, but

Case Category	Settlement Issues
	continue to be challenged by the Federal Trade Commission as anticompetitive. <i>See Joblove v. Barr Labs, Inc.</i> , 429 F.3d 370 (2d Cir. 2005), <i>amended</i> , 466 F.3d 187 (2006), <i>cert. denied</i> , 127 S. Ct. 3001 (2007); <i>Schering-Plough Corp. v. FTC</i> , 402 F.3d 1056 (11th Cir. 2005), <i>cert. denied</i> , 126 S. Ct. 2929 (2006).
Medical Device Industry	Historically an industry with a large amount of patent litigation, so it is likely the litigants have a history of litigation against each other; they may have other related or unrelated litigation in other courts and they may have patent portfolios that threaten future litigation. Early settlement of the litigation is unlikely. Otherwise, like other “Competitor vs. Competitor” litigation (above), settlement will depend on whether the technology is “core” to a significant product.
Preliminary Injunction Motion	Motions for preliminary injunction present an opportunity for very early consideration of settlement: counsel quickly become knowledgeable, parties focus early on strengths and weaknesses, and there is a period early in the case while a potentially important ruling is pending.

## **Appendix 2.1**

### **Initial Case Management Conference Summary Checklist**

Ask for an informal description of the technology

Ask for a brief statement/summary of claims and defenses by each party and related background issues, including an informal and general description of the following:

- Identity of the accused products
- Whether the primary basis for asserted liability is direct or indirect infringement
- Whether any technology standards are implicated
- Whether there are there any third parties from which the parties expect to obtain substantial discovery
- Scope of accused products relative to the defendant's business
- Scope of the patented/embodying technology relative to the patentee's business
- Whether the parties are competitors
- Whether the patent(s)-in-suit have been, or are likely to be, the subject of reexamination proceedings

If willfulness is asserted, discuss special issues:

- Timing of the assertion of the claim
- Timing of the reliance on any opinion of counsel
- Possibility of bifurcation
- Possibility of disqualification of counsel

Discuss alternative dispute resolution (ADR)

- Usefulness
- Timing
- Mediation, arbitration, or other form

Determine whether a protective order will be needed

- Discuss known points of contention (e.g., prosecution bar, levels of confidentiality, access by in-house lawyers) and, if applicable, convey the court's general perspective on such issues

Discuss electronic discovery and consider limitations on discovery

- Format(s) for production of electronic discovery
- Limits on the scope of electronic discovery
- Limits on the number of custodians
- Number of total hours for fact witnesses or number of depositions

Discuss contention disclosures and schedule therefor

- In patent local rule jurisdictions, discuss whether variance from the standard disclosure timelines is appropriate
- In jurisdictions without patent local rules, discuss whether the parties should exchange infringement, invalidity, unenforceability, and damages contentions and the appropriate schedule for such disclosures

Set timing and procedures for claim construction and dispositive motions

- Determine timing of summary judgment relative to claim construction
- If not addressed by local rule, set a schedule for exchanges of claim terms, proposed constructions, and supporting evidence
- Discuss whether a tutorial would be appropriate
  - How conducted: By counsel? By experts? Submissions (e.g., DVDs)?
- Discuss limits on the number of claim terms submitted for construction
  - Require an explanation of the significance of the term (e.g., effect on infringement/validity)
- Discuss claim construction hearing logistics
  - Discuss whether live witnesses should be called
  - Encourage parties to use graphics, animations and other visual displays to aid in understanding the technology and disputed claim terms
  - Schedule a pre-claim-construction conference to finalize the logistics for the hearing (held after the parties' positions on claim construction have crystallized)
- Discuss whether any summary judgment issues depend on claim construction or can otherwise be resolved with little or no discovery, including
  - Is there a dispute about the structure/function of the accused products?
  - Is there any claim term or claim construction issue that, once decided, will compel infringement or non-infringement?
  - Are there territorial issues (e.g., location of allegedly infringing acts) that affect infringement?
  - Are there any claims or defenses that are purely legal in nature?
- If so, discuss whether a first-track and second-track schedule for summary judgment would be appropriate for the case (see Chapter 6)
- Discuss whether any limits on the number of summary judgment motions (or number of pages of briefing) should be imposed or modified

Discuss issues related to *Daubert* and *in limine* motions

- Schedule *Daubert* motions well in advance of pretrial conference, for example concurrently with summary judgment
- Discuss scope of *in limine* motion practice and advise parties that the court will not consider dispositive motions disguised as *in limine* motions
- Damages
  - Discuss whether it would be appropriate to require damages contentions and/or an expedited damages discovery schedule, or to take other steps to facilitate the early resolution of challenges to damages-related theories or expert testimony.

## Appendix 2.2

### Patent Pilot Program

<b>District</b>	<b>Participating Judges</b>
Central District of California	<ul style="list-style-type: none"> <li>• District Judge Andrew J. Guilford</li> <li>• District Judge S. James Otero</li> <li>• District Judge Otis D. Wright II</li> <li>• District Judge George H. Wu</li> </ul>
Northern District of California	<ul style="list-style-type: none"> <li>• Chief Judge James S. Ware</li> <li>• District Judge Edward J. Davila</li> <li>• District Judge Lucy H. Koh</li> <li>• District Judge Jeffrey S. White</li> <li>• Senior District Judge Ronald M. Whyte</li> <li>• Magistrate Judge Laurel Beeler</li> <li>• Magistrate Judge Jacqueline Scott Corley</li> <li>• Magistrate Judge Nathanael M. Cousins</li> <li>• Magistrate Judge Elizabeth M. Laporte</li> <li>• Magistrate Judge Paul S. Grewal</li> <li>• Magistrate Judge Joseph C. Spero</li> <li>• Magistrate Judge Donna M. Ryu</li> </ul>
Southern District of California	<ul style="list-style-type: none"> <li>• Chief Judge Irma E. Gonzalez</li> <li>• District Judge Roger T. Benitez</li> <li>• District Judge Marilyn L. Huff</li> <li>• District Judge Dana M. Sabraw</li> <li>• District Judge Janis L. Sammartino</li> </ul>
Southern District of Florida	<ul style="list-style-type: none"> <li>• District Judge Donald M. Middlebrooks</li> <li>• District Judge K. Michael Moore</li> <li>• District Judge Patricia A. Seitz</li> </ul>
Northern District of Illinois	<ul style="list-style-type: none"> <li>• Chief Judge James F. Holderman</li> <li>• District Judge Ruben Castillo</li> <li>• District Judge John W. Darrah</li> <li>• District Judge Gary S. Feinerman</li> <li>• District Judge Virginia Kendall</li> <li>• District Judge Matthew F. Kennelly</li> <li>• District Judge Joan Humphrey Lefkow</li> <li>• District Judge Rebecca R. Pallmeyer</li> <li>• District Judge Amy J. St. Eve</li> <li>• District Judge James B. Zagel</li> </ul>
District of Maryland	<ul style="list-style-type: none"> <li>• District Judge Marvin J. Garbis</li> </ul>

	<ul style="list-style-type: none"> <li>• District Judge William D. Quarles, Jr.</li> <li>• District Judge Roger W. Titus</li> </ul>
District of Nevada	<ul style="list-style-type: none"> <li>• Chief Judge Robert C. Jones</li> <li>• District Judge Gloria M. Navarro</li> <li>• District Judge Philip M. Pro</li> </ul>
District of New Jersey	<ul style="list-style-type: none"> <li>• Chief Judge Jerome B. Simandle</li> <li>• District Judge Renee M. Bumb</li> <li>• District Judge Claire C. Cecchi</li> <li>• District Judge Stanley R. Chesler</li> <li>• District Judge Noel L. Hillman</li> <li>• District Judge Faith S. Hochberg</li> <li>• District Judge Joel A. Pisano</li> <li>• District Judge Peter G. Sheridan</li> <li>• District Judge Susan D. Wigenton</li> <li>• Senior District Judge Mary L. Cooper</li> <li>• Senior District Judge Joseph E. Irenas</li> </ul>
Eastern District of New York	<ul style="list-style-type: none"> <li>• District Judge Brian M. Cogan</li> <li>• District Judge John Gleeson</li> <li>• District Judge Kiyo A. Matsumoto</li> <li>• District Judge William F. Kuntz, II</li> <li>• District Judge Joanna Seybert</li> <li>• Senior District Judge Jack B. Weinstein</li> <li>• Chief Magistrate Judge Steven M. Gold</li> <li>• Magistrate Judge Marilyn D. Go</li> <li>• Magistrate Judge James Orenstein</li> <li>• Magistrate Judge Ramon E. Reyes, Jr.</li> <li>• Magistrate Judge A. Kathleen Tomlinson</li> <li>• Magistrate Judge William D. Wall</li> </ul>
Southern District of New York	<ul style="list-style-type: none"> <li>• District Judge P. Kevin Castel</li> <li>• District Judge Denise Cote</li> <li>• District Judge Katherine B. Forrest</li> <li>• District Judge John G. Koeltl</li> <li>• District Judge Colleen McMahon</li> <li>• District Judge Laura Taylor Swain</li> <li>• Senior District Judge Thomas P. Griesa</li> <li>• Senior District Judge Jed S. Rakoff</li> <li>• Senior District Judge Shira A. Scheindlin</li> <li>• Senior District Judge Robert W. Sweet</li> </ul>
Western District of Pennsylvania	<ul style="list-style-type: none"> <li>• Chief Judge Gary L. Lancaster</li> <li>• District Judge Joy Flowers Conti</li> <li>• District Judge Nora Barry Fischer</li> <li>• District Judge Arthur J. Schwab</li> </ul>

Western District of Tennessee	<ul style="list-style-type: none"><li>• Chief Judge Jon P. McCalla</li><li>• District Judge S. Hardy Mays</li></ul>
Eastern District of Texas	<ul style="list-style-type: none"><li>• Chief Judge Leonard E. Davis</li><li>• District Judge Ron Clark</li><li>• District Judge Rodney Gilstrap</li><li>• District Judge Richard A. Schell</li><li>• District Judge Michael H. Schneider, Sr.</li></ul>
Northern District of Texas	<ul style="list-style-type: none"><li>• District Judge David C. Godbey</li><li>• District Judge Ed Kinkeade</li><li>• District Judge Barbara M.G. Lynn</li></ul>

## **Appendix 2.3**

### **Protective Orders**

Many district courts have established default protective orders in conjunction with or in addition to Patent Local Rules (PLRs). This Appendix catalogs the districts with default protective orders and contains several representative examples. The highlighted documents are contained herein.

#### **California**

- **Northern District (effective Dec. 1, 2009) (three forms: (1) Patent Local Rule 2-2 Interim Model Protective Order; (2) Stipulated Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets; (3) Stipulated Protective Order for Standard Litigation)**
- Southern District (effective Dec. 1, 2009) (Appendix A)

#### **Illinois**

- **Northern District (Appendix B)**

#### **Minnesota (Form 5. Stipulation for Protective Order)**

#### **Missouri**

- Eastern District (Appendix A)

New Jersey (general discovery confidentiality order; Appendix S to Local Patent Rules)

#### **Ohio**

- Northern District (effective Oct. 22, 2009) (Appendix A)
- Southern District (effective Jun. 1, 2010) (Appendix A)

#### **Pennsylvania**

- Western District (effective Dec. 1, 2005) (Appendix A)

#### **Texas**

- Eastern District (effective Feb. 22, 2005) (sample form)
- Northern District, Dallas Division (effective May 1, 2007) (Appendix A)
- Southern District (effective Jan. 1, 2008)

**Appendix 2.4(a)**  
**Mediation Evaluation Form for Attorneys,**  
**Northern District of Illinois**

U.S. DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)  
MEDIATION EVALUATION FORM  
– For Attorneys –

Please promptly fill out this form after the mediation conference and return it to the ADR Administrator via fax at 815-987-4291. No case identification will be associated with these responses for purposes other than program evaluation.

Name of Mediator: \_\_\_\_\_

Case Number: \_\_\_\_\_

Date of Mediation: \_\_\_\_\_ Type of Case: \_\_\_\_\_

Outcome: ☐ settled ☐ partially settled ☐ not settled ☐ continued for further mediation

Number of mediation sessions held: \_\_\_\_\_ Number of hours spent in mediation: \_\_\_\_\_

Are you the ☐ defendant's attorney ☐ plaintiff's attorney

Number of cases in which you have participated in mediation prior to this one: \_\_\_\_\_

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

	SD	D	N	A	SA
a) The mediator was well-prepared for the mediation:	1	2	3	4	5
b) My client(s) and I understood the mediation process after it was explained:	1	2	3	4	5
c) The mediator helped the parties to generate options:	1	2	3	4	5
d) The mediator effectively moved the parties toward settlement:	1	2	3	4	5
e) The mediator was knowledgeable about the law in this case:	1	2	3	4	5
f) The mediation helped narrow or clarify the issues involved in this case:	1	2	3	4	5
g) Overall, I am satisfied with the mediation process:	1	2	3	4	5
h) The process was fair to all parties:	1	2	3	4	5
i) Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5
j) Overall, I am satisfied with the agreement (if reached):	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. ☐ Very helpful
2. ☐ Somewhat helpful
3. ☐ It had little impact on the case
4. ☐ Somewhat detrimental
5. ☐ Very detrimental

3. The overall length of mediation was: ☐ too long ☐ too short ☐ about right

4. Did the mediator appear to have a bias for the ☐ Plaintiff? ☐ Defendant? ☐ No Bias

5. Do you think the assignment of this case to mediation:

☐ Facilitated (or will facilitate) its early resolution

☐ Will increase time to resolution

☐ Will have no impact on time to resolution

6. Do you think the assignment of this case to mediation:

☐ Has reduced (or will reduce) litigation costs to your client

☐ Will increase litigation costs to your client

☐ Will have no effect on costs to your client

7. If the case did not settle, why not?

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8. Would you be willing to use mediation again?

☐ Yes ☐ No

Why or why not? 

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9. Would you be willing to use *this* mediator again?

☐ Yes ☐ No

Why or why not? 

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10. Comments on the mediator or the mediation process:

**Appendix 2.4(b)**  
**Mediation Evaluation Form for Mediators,**  
**Northern District of Illinois**

U.S. DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)  
MEDIATION EVALUATION FORM  
-- For Mediators --

Please fill out this form and return it to the ADR Administrator via fax at 815-987-4291 within 10 days of the mediation session. No case identification will be associated with these responses for purposes other than program evaluation.

Name: \_\_\_\_\_

Case Number: \_\_\_\_\_

Date of Mediation: \_\_\_\_\_ Type of Case: \_\_\_\_\_

Outcome: ☐ settled ☐ partially settled ☐ not settled ☐ continued for further mediation

Number of cases for which you have acted as mediator prior to this one: \_\_\_\_\_

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

	SD	D	N	A	SA
a) This case was appropriate for mediation:	1	2	3	4	5
b) This case was referred to mediation at the appropriate time:	1	2	3	4	5
c) The lawyers were prepared for the mediation:	1	2	3	4	5
d) The litigants were prepared for the mediation:	1	2	3	4	5
e) The litigants were actively involved in the mediation:	1	2	3	4	5
f) The mediation helped narrow or clarify the issues involved in this case:	1	2	3	4	5
g) I have expertise in this type of dispute:	1	2	3	4	5
h) Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. ☐ Very helpful
2. ☐ Somewhat helpful
3. ☐ It had little impact on the case
4. ☐ Somewhat detrimental
5. ☐ Very detrimental

3. The overall length of mediation was: ☐ too long ☐ too short ☐ about right

4. Do you think the assignment of this case to mediation:

- ☐ Helped the case resolve *more quickly*
- ☐ Will *increase* the time it takes to resolve the case
- ☐ Will have *no effect* on the time it takes to resolve the case

5. Do you think the assignment of this case to mediation:

- ☐ Has *reduced* (or will reduce) litigation costs to the parties
- ☐ Will *increase* litigation costs to the parties
- ☐ Will have *no effect* on costs to the parties

6. If the case did not settle, why not?

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7. Please check the actions you undertook in the mediation:

- |  |  |
|--|--|
| <input type="checkbox"/> Focused on legally relevant issues                            | <input type="checkbox"/> Gave primacy to parties' needs & interests              |
| <input type="checkbox"/> Focused on the evidence of the case                           | <input type="checkbox"/> Focused on parties' perception of case                  |
| <input type="checkbox"/> Gave an advisory opinion of the likely outcome                | <input type="checkbox"/> Helped parties determine strengths & weaknesses of case |
| <input type="checkbox"/> Provided parties with particular settlement proposal or range | <input type="checkbox"/> Helped parties generate own options                     |

8. Comments on the program:

**Appendix 2.4(c)**  
**Mediation Evaluation Form for Parties,**  
**Northern District of Illinois**

**U.S. DISTRICT COURT  
NORTHERN DISTRICT OF ILLINOIS (WESTERN DIVISION)  
MEDIATION EVALUATION FORM  
-- For Parties --**

Please promptly fill out this form after the mediation conference and return it to the ADR Administrator via fax at 815-987-4291. No case identification will be associated with these responses for purposes other than program evaluation.

Name of Mediator: \_\_\_\_\_

Case Number: \_\_\_\_\_

Date of Mediation: \_\_\_\_\_ Type of Case: \_\_\_\_\_

Outcome: ☐ settled ☐ partially settled ☐ not settled ☐ continued for further mediation

Number of mediation sessions held: \_\_\_\_\_ Number of hours spent in mediation: \_\_\_\_\_

Are you the ☐ defendant ☐ plaintiff

Number of cases in which you have participated in mediation prior to this one: \_\_\_\_\_

1. On a scale of 1 – 5 (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree), please respond to the following:

	SD	D	N	A	SA
a) The mediator was well-prepared for the mediation	1	2	3	4	5
b) I understood the mediation process:	1	2	3	4	5
c) The mediator allowed me to fully present my case:	1	2	3	4	5
d) The mediator carefully listened to my side of the case:	1	2	3	4	5
e) The mediator helped me to generate options for settling the dispute:	1	2	3	4	5
f) The mediation asked appropriate questions to determine the facts of the case:	1	2	3	4	5
g) Overall, I am satisfied with the mediation process:	1	2	3	4	5
h) The process was fair to all parties:	1	2	3	4	5
i) Overall, I am satisfied with what was accomplished in the mediation:	1	2	3	4	5
j) Overall, I am satisfied with the agreement (if reached):	1	2	3	4	5

2. Overall, how helpful or detrimental was the mediation in the resolution of this case?

1. ☐ Very detrimental;
2. ☐ Somewhat detrimental;
3. ☐ It had little impact on the case;
4. ☐ Somewhat helpful;
5. ☐ Very helpful

4. Did the mediator appear to have a bias for the ☐ Plaintiff? ☐ Defendant? ☐ No Bias

5. Do you think the assignment of this case to mediation:

☐ Facilitated (or will facilitate) its early resolution

☐ Will increase time to resolution

☐ Will have no impact on time to resolution

6. Do you think the assignment of this case to mediation:

☐ Has reduced (or will reduce) litigation costs

☐ Will increase litigation costs

☐ Will have no effect on costs

7. If the case did not settle, why not?

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8. Would you be willing to use mediation again?

☐ Yes ☐ No

Why or why not? 

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9. Would you be willing to use *this* mediator again?

☐ Yes ☐ No

Why or why not? 

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10. Comments on the mediator or the mediation process:

# Chapter 3

## Preliminary Injunction

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### 3.1 Introduction

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- 3.1.2 Opportunities Presented by PI Applications in Patent Cases
- 3.1.3 Frequency of PI Applications in Patent Cases
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## 3.1 Introduction

### 3.1.1 The Special Circumstances of the Preliminary Injunction (PI) Application in Patent Cases

The essence of the patent right—the right to exclude others from practicing the patented technology—is particularly suited to protection through injunctive relief. In certain cases, the right may only be enforced through an injunction, and

in fact may be irretrievably lost, absent a preliminary injunction (“PI”) preventing an accused infringer’s ongoing practice of an invention during the course of litigation. However, PI applications in patent matters present special challenges. As in other cases, a party seeking a PI in a patent case must demonstrate likelihood of success on the merits and ongoing irreparable harm. Unlike in other types of cases, this showing in a patent case typically calls for analysis of nearly every substantive issue that ultimately will be presented at trial. To address the merits, patent claim terms must be at least preliminarily construed, and invalidity, infringement, and enforceability must be addressed based on those constructions. To address harm, the parties will often present complicated market analyses. These issues typically require both fact and expert discovery, all undertaken in the context of the compressed preliminary injunction schedule. PI applications therefore place a tremendous strain on the court and the parties.

### **3.1.2 Opportunities Presented by PI Applications in Patent Cases**

While there is no question that a PI application places a weighty burden on a court’s limited resources, it also presents a variety of opportunities for prioritizing case management. These opportunities will likely be greatly enhanced by aggressive use of expedited discovery strategies. *See* § 3.4. Having effectively managed the parties’ expedited discovery demands, the court may be well positioned to promote early settlement, early summary judgment, and possibly a consolidated trial under Rule 65(a)(2).

*Settlement:* Having identified key claim terms and developed their best arguments for infringement and invalidity, the parties will exit the PI process with a more finely tuned understanding of the relative strengths of their cases. The court will be familiar with the technology and will have heard at least some of the fundamental arguments and counter-arguments in the case. This is a propitious time to consider settlement. *See* § 2.6 (concerning settlement generally). Courts may ask the parties to engage in settlement talks and/or mediation either immediately before or immediately after the PI motion is decided.

*Early summary judgment or Fed. R. Civ. P. 65(a)(2) trial:* The PI process may reveal one or more case-dispositive issues. For example, the plaintiff may present a clear-cut case of infringement or the defendant may raise a particularly strong invalidity argument. Courts should take note if a party emphatically states “Your Honor, this is a simple case . . . .” Although patent cases are not usually simple from the court’s perspective, a court may choose to take a party at its word and hold its feet to the fire: the court can use the PI process to expedite discovery on the issue and order an early summary judgment motion or expedited trial on the merits under Fed. R. Civ. P. 65(a)(2). *See generally* § 3.6.

### 3.1.3 Frequency of PI Applications in Patent Cases

The frequency with which patentees have sought preliminary injunctions has ebbed and flowed with changes in legal standards and economic conditions over the years. Before the creation of the Federal Circuit in 1982, PIs were rarely granted because courts typically required a prior judicial determination of patent validity, and considered damages after trial adequate to compensate for infringement. This made the irreparable harm prong particularly difficult to establish.

Shortly after its establishment, the Federal Circuit ushered in a new era, emphasizing that “the very nature of the patent right is the right to exclude others. . . . A court should not be reluctant to use its equity powers once a party has so clearly established his patent rights.” *Smith Int’l v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983). The court ruled that “where validity and continuing infringement have been clearly established . . . immediate irreparable harm is presumed.” *Id.* (footnote omitted). Over time, however, the Federal Circuit raised the bar for plaintiffs, giving greater weight to the classical view of a preliminary injunction as “a drastic and extraordinary remedy that is not to be routinely granted.” *Intel Corp. v. ULSI Sys. Tech., Inc.*, 995 F.2d 1566, 1568 (Fed. Cir. 1993); *see also Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1366 (Fed. Cir. 2001) (overturning grant of PI where the defendant has “raised substantial questions” as to the patent’s validity). In 2006, the Supreme Court reinforced this more searching and cautious perspective, holding that courts in patent cases must weigh all of the factors in any injunction analysis—likelihood of success on the merits, irreparable harm, balance of hardships and public interest. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006).

Nevertheless, PIs remain an important option in some patent cases, particularly those involving dynamic, fast-paced, highly competitive markets where plaintiffs believe they will lose the benefit of their patent rights absent a PI. Furthermore, the Federal Circuit’s en banc *Seagate* decision, *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007), may encourage PI applications where the alleged infringement begins on or about the date that the infringement suit was filed.<sup>1</sup> In *Seagate*, the Federal Circuit explained that “[a] patentee who does not attempt to stop an accused infringer’s activities [by seeking a PI] should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct.” *Id.* at 1374. Thus, *Seagate* suggests that, in most cases in which a plaintiff is seeking only prospective damages (i.e., where both the conduct giving rise to alleged damages and the conduct giving rise to the alleged willfulness occurred after the complaint was filed), the plaintiff is required to seek a PI in order to have a reasonable chance of recovering enhanced damages for willful infringement. Where the con-

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1. Patent litigation is often filed shortly after a patent issues or a new product is introduced. In such cases, damages typically are based solely on post-filing conduct.

duct allegedly giving rise to willfulness includes pre-filing conduct, however, *Seagate* does not require the plaintiff to move for a preliminary injunction as a predicate to obtaining enhanced damages. The Federal Circuit in *Seagate* went on to explain that “if a patentee attempts to secure injunctive relief but fails, it is likely the infringement did not rise to the level of recklessness [that is necessary for a willfulness finding].” *Id.* The court reasoned that “[a] substantial question about invalidity or infringement is likely sufficient not only to avoid a preliminary injunction, but also a charge of willfulness based on post-filing conduct.” *Id.* Thus a party that seeks but fails to win a PI may have done significant harm to its case on enhanced post-filing damages. There is one notable exception: “in some cases a patentee may be denied a preliminary injunction despite establishing a likelihood of success on the merits, such as when the remaining factors are considered and balanced. In that event, whether a willfulness claim based on conduct occurring solely after litigation began is sustainable will depend on the facts of each case.” *Id.* at 1374.

### **3.1.4 Governing Legal Standards: § 283, Federal Circuit Law, and Fed. R. Civ. P. 65**

District courts have discretion to grant injunctions to prevent the violation of patent rights. Section 283 of the Patent Act provides that courts “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.” An injunction application is evaluated according to the traditional four-factor test: the court weighs the applicant’s likelihood of success on the merits, irreparable harm to the applicant, the balance of harm between the parties, and the public interest. *See eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006).

Fed. R. Civ. P. 65 sets forth the procedures governing PI motions, Federal Circuit law governs the analysis. The Federal Circuit has explained that while “the grant of a preliminary injunction [is] a matter of procedural law not unique to the exclusive jurisdiction of the Federal Circuit, and on appellate review . . . procedural law of the regional circuit in which the case was brought [applies],” Federal Circuit law governs the decision as to whether to grant a PI. *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 894 (Fed. Cir. 1998). “Because the issuance of an injunction . . . enjoins ‘the violation of any right secured by a patent, on such terms as the court deems reasonable,’ a preliminary injunction . . . , although a procedural matter, involves substantive matters unique to patent law and, therefore, is governed by the law of [the Federal Circuit].” *Id.* (quoting *Hybritech Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 n.12 (Fed. Cir. 1988)); *see also Texas Instruments, Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1328 (Fed. Cir. 2000) (“This court, however, applies its own body of precedent to uniformly deal with procedural

matters arising from substantive issues in areas of law within the unique jurisdiction of this circuit.”).

While the district court grants or denies the injunction at its discretion, the grant or denial must be supported by findings of fact that explicitly address the equitable factors weighed in the decision process. *See* Fed. R. Civ. P. 52(a); *Pretty Punch Shoppettes, Inc. v. Hauk*, 844 F.2d 782, 784 (Fed. Cir. 1988). The trial court must provide sufficient factual findings to enable meaningful review of the merits of its order. *Nutrition 21 v. United States*, 930 F.2d 867, 869 (Fed. Cir. 1991) (“Sufficient factual findings on the material issues are necessary to allow [the Federal Circuit] to have a basis for meaningful review. Otherwise, [the Federal Circuit] has no basis for evaluating what facts entered into the district court’s analysis or whether the district court’s reasoning comports with the applicable legal standard.”) (Citations omitted); *Oakley, Inc. v. Int’l Tropic-Cal, Inc.*, 923 F.2d 167, 168 (Fed. Cir. 1991) (vacating preliminary injunction where “the court’s findings . . . [were] so limited and conclusory that meaningful appellate review [was] not possible”).

“[A] district court must consider all four factors before *granting* a preliminary injunction to determine whether the moving party has carried its burden of establishing each of the four.” *Reebok Int’l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1556 (Fed. Cir. 1994) (emphasis in original). This requirement does not, however, extend to the denial of a preliminary injunction, which may be based on a party’s failure to make a showing on any one of the four factors, particularly, the first two. *Guttman, Inc. v. Kopykake Enters.*, 302 F.3d 1352, 1356 (Fed. Cir. 2002) (“While *granting* a preliminary injunction requires analysis of all four factors, a trial court may, as the court did here, *deny* a motion based on a patentee’s failure to show any one of the four factors—especially either of the first two--without analyzing the others.” (emphasis added) (citation omitted)); *see also Glaxo Group Ltd. v. Ranbaxy Pharms., Inc.*, 262 F.3d 1333, 1339 (Fed. Cir. 2001) (“Because this court’s interpretation of the claims makes it unlikely that Glaxo will succeed in its infringement showing, this court need not address the other factors for a preliminary injunction.”); *Reebok International*, 32 F.3d at 1556 (citing *T.J. Smith & Nephew Ltd. v. Consol. Med. Equip., Inc.*, 821 F.2d 646 (Fed. Cir. 1987) (affirming denial of preliminary injunction based on movant’s failure to establish a reasonable likelihood of success and irreparable harm, even though district court did not address the other two factors)). It is nonetheless generally prudent for district courts to address all four factors in their written opinion—even if the order merely explains that the factor did not weigh significantly in either party’s favor. *Polymer Techs. v. Bridwell*, 103 F.3d 970, 973, 977 (Fed. Cir. 1996) (explaining that “before denying a motion for preliminary injunction, an analysis of each of the four factors is generally appropriate ‘for reasons of judicial economy and greatly aids appellate review,’” vacating denial based only on erroneous analysis of rebutted presumption of irreparable harm, and directing that “on remand, the district court should

evaluate the other factors and exercise its discretion in light of its findings.” (quoting *Reebok*, 32 F.3d at 1557)).

### 3.1.5 Tension Between Right to Exclude and Equitable Considerations

Due to the evolution of the legal standards governing PI determinations as well as philosophical differences among Federal Circuit jurists, litigants will be able to cite apparently conflicting authority regarding the proper standard. As traced above, *see* § 3.1.3, the Federal Circuit initially emphasized the role of equity to protect the right to exclude, erecting a rebuttable presumption of irreparable harm once validity and continuing infringement were established. *Smith Int’l v. Hughes Tool Co.*, 718 F.2d 1573 (Fed. Cir.). Over time, however, the Federal Circuit has shifted away from that standard, although it still echoes in some more recent decisions. See, e.g., *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1353 (Fed. Cir. 2006) (Newman, J., dissenting) (noting that denial of a patentee’s PI “authorize[s] infringement before the merits are decided,” depriving a patent of exclusivity during litigation). Nonetheless, the Supreme Court’s decision in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006) firmly establishes the need for courts to balance all of the equitable considerations carefully.

### 3.1.6 Meaning of Status Quo

As in other cases, “[t]he purpose of a preliminary injunction is to preserve the relative positions of the parties until a trial on the merits can be held.” *Univ. of Tex. v. Camenisch*, 451 U.S. 390, 395 (1981). A preliminary injunction preserves the status quo if it prevents future infringement but does not undertake to assess the pecuniary or other consequences of past infringement. *Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230, 1232 (Fed. Cir. 1985). Thus, an accused infringer cannot avoid a preliminary injunction merely by arguing that because it is presently practicing the disputed technology, preserving the status quo requires that it be allowed to continue the practice. *Id.* The accused infringer’s dependence on allegedly infringing activity is considered in assessing the balance of harms. *Id.*; *Circle R v. Smithco Mfg.*, 919 F. Supp. 1272, 1303 (N.D. Iowa 1996) (“What Smithco would suffer would not be simply a partial or temporary shutdown of its business, . . . but the complete shutdown of its business, which depends entirely on the accused product the record so far shows is not in fact infringing . . . . The court is unwilling to inflict such a complete shutdown on Smithco in light of Circle R’s limited showing on likelihood of success on the merits and irreparable harm.”). However, “the status quo catchword does not necessarily allow [an accused infringer] to continue such dependence, apart from other factors . . . . ‘[S]tatus quo’ is not a talisman to dispose of the question by itself.” *Atlas Powder*,

773 F.2d at 1232; *see also Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12 (Fed. Cir. 1986) (considering a *permanent* injunction and explaining that “[o]ne who elects to build a business on a product found to infringe cannot be heard to complain if an injunction against continuing infringement destroys the business so elected.”); *but see Archive Corp. v. Cipher Data Prods., Inc.*, 1988 U.S. Dist. LEXIS 17190, \*18 (C.D. Cal. Dec. 22, 1988) (“Because [the defendant] has been manufacturing [and selling] the accused [products] long prior to the issuance of [the asserted] patent, [a preliminary] injunction could not preserve the status quo and would conversely create new market conditions.”).<sup>2</sup>

## 3.2 Standards and Burdens

### 3.2.1 Discretion of Trial Court

The grant or denial of a preliminary injunction is within the sound discretion of the district court. *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1334 (Fed. Cir. 2006). Abuse of discretion in granting or denying a preliminary injunction requires a “showing that the court made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings.” *Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1335 (Fed. Cir. 2006) (quoting *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 973 (Fed. Cir. 1996)).

Findings of fact are reviewed for clear error. However, “[t]o the extent that a district court’s decision to grant a preliminary injunction hinges on questions of law, [appellate] review is *de novo*.” *Mylan Pharms., Inc. v. Thompson*, 268 F.3d 1323, 1329 (Fed. Cir. 2001).

### 3.2.2 Factors To Be Considered

The traditional equitable considerations apply to analysis of injunctions in patent cases. *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). Courts must apply Federal Circuit law in assessing these considerations in a patent case. *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 894 (Fed. Cir. 1998).

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2. Of course the facts of a given case may temper a court’s response to a defendant’s decision to build a business on an infringing product. Shutting down a defendant’s business through a preliminary injunction likely would require an unusually strong showing on the merits, the absence of which could dictate that a defendant should have the opportunity of a trial before seeing its business destroyed. *See Ill. Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683-684 (Fed. Cir. 1990) (observing that the result in *Windsurfing* did not support preliminary injunction where defendant would be shut down without having its day in court).

The factors—likelihood of success on the merits, irreparable harm, balance of hardship, and public interest—“taken individually, are not dispositive; rather, the district court must weigh and measure each factor against the other factors and against the form and magnitude of the relief requested.” *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1451 (Fed. Cir. 1988). However, the factors do not all carry equal weight; the first two factors effectively set up a threshold showing that the patent holder must meet before the other factors are weighed. See *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001) (“[A] movant cannot be granted a preliminary injunction unless it establishes *both* of the first two factors, *i.e.*, likelihood of success on the merits and irreparable harm.”); *Polymer Techs., Inc. v. Bridwell*, 103 F.3d 970, 973-74 (Fed. Cir. 1996) (“[A] trial court need not make findings concerning the third or fourth factors if the moving party fails to establish either of the first two factors.”).

### **3.2.2.1 Reasonable Likelihood of Success on the Merits**

In order to satisfy the first equitable factor, the moving party must demonstrate that, “in light of the presumptions and burdens that will inhere at trial on the merits, [the movant] will likely prove that [the accused infringer’s] product infringes the [asserted] patent and that it will withstand [the accused infringer’s] challenges to the validity and enforceability of the . . . patent.” *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1374 (Fed. Cir. 2006) (internal citations omitted); see also *Astrazeneca LP v. Apotex, Inc.*, 633 F.3d 1042, 1050 (Fed. Cir. 2010); *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001).

#### **3.2.2.1.1 Claim Construction and Infringement**

Likelihood of success in proving infringement and defending validity “depends fundamentally on the meaning of the asserted claim and its relationship to the accused product or process. Therefore, a correct claim construction is almost always a prerequisite for imposition of a preliminary injunction.” *Chamberlain Group, Inc. v. Lear Corp.*, 516 F.3d 1331, 1339-1340 (Fed. Cir. 2008). However, claim constructions determined during the preliminary injunction stage are always subject to later revision, and do not stand as law of the case for purposes of subsequent proceedings. See § 5.3.2.4.1; *Jack Guttman, Inc. v. Kopycake Enters., Inc.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002) (explaining that “district courts may engage in a rolling claim construction” when beginning at the preliminary injunction stage); *Purdue Pharma L.P. v. Boehringer Ingelheim GmbH*, 237 F.3d 1359, 1363 (Fed. Cir. 2001) (“[F]indings of fact and conclusions of law at the preliminary injunction stage are subject to change.”).

### 3.2.2.1.2 Invalidity

Notwithstanding the presumption of validity that attaches to all granted patents, the patentee seeking a preliminary injunction is expected to make a “clear case” for the validity of each asserted patent claim. *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1359 (Fed. Cir. 2001). Evidence that could support such a showing includes the patent’s having previously withstood a validity challenge, or industry acquiescence to the patent’s validity by licensing. *Id.* Similarly, where a defendant asserts that a patent is unenforceable (e.g., due to inequitable conduct), the patentee must show that the defense “lacks substantial merit.” *Purdue Pharma L.P. v. Boehringer Ingelheim GmbH*, 237 F.3d 1359, 1366 (Fed. Cir. 2001).

As a practical matter, the burden of persuasion is on the opposing party, who “must show a substantial question of invalidity to avoid a showing of likelihood of success.” *Erico Int’l Corp. v. Vutec Corp.*, 516 F.3d 1350, 1354 (Fed. Cir. 2008). Note, however, that “an accused infringer may avoid a preliminary injunction by showing only a *substantial question* as to invalidity, as opposed to the higher clear and convincing standard required to prevail on the merits.” *In re Seagate Tech., LLC*, 497 F.3d 1360, 1374 (Fed. Cir. 2007) (emphasis added) (citing *Amazon.com*, 239 F.3d at 1359). Stated another way, “[v]ulnerability is the issue at the preliminary injunction stage, while validity is the issue at trial. The showing of a substantial question as to invalidity thus requires less proof than the clear and convincing showing necessary to establish invalidity itself.” *Amazon.com*, 239 F.3d at 1359.

### 3.2.2.2 Irreparable Harm if the PI Is Not Granted

#### 3.2.2.2.1 Presumption

Following the Supreme Court’s decision in *eBay*, the Federal Circuit overturned its prior rule that patent owners who demonstrate a likelihood of success on the merits enjoy a presumption of irreparable injury. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1148-49 (Fed. Cir. 2011). Nevertheless, in evaluating irreparable harm, the court should consider a patent holder’s right to exclude infringers. *Id.*

#### 3.2.2.2.2 Evidentiary Factors

Examples of harm from patent infringement that may not be compensable by money damages include: potential price erosion; loss of market share and customers, and the resulting difficulty in determining money damages; loss of goodwill; work force reductions; and disruption of ongoing research and development. *Astrazeneca LP*, 633 F.3d at 1061-63; *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006); *Canon, Inc. v. GCC Int’l, Ltd.*, 263 F. App’x 57, 62

(Fed. Cir. 2008) (unpublished opinion). Other evidentiary factors that can influence the analysis of irreparable harm include:

whether the patentee's reputation will be injured by the public mistaking inferior, infringing goods, for the patentee's product; whether the patentee or its licensees will be injured by competition from the alleged infringer; whether the patentee runs the risk of loss of sales or goodwill in the market; whether the alleged infringer's activities have or will preclude the patentee from licensing its patent or entering the market; as well as whether the patentee needs an injunction to protect its right to refuse to exploit its invention commercially or to prevent others from doing so; and whether the patentee is willing to forego patent exclusivity by licensing its invention, which suggests that any injury suffered by the patentee would be compensable in damages assessed as part of the final judgment in the case.

(*Circle R v. Smithco Mfg.*, 919 F. Supp. 1272, 1302 (N.D. Iowa 1996) (citations omitted)), and

the maturity of the field covered by the patent, the competition in the field, the patentee's presence in the field, changes in the technology in the field, research being conducted in the field, whether the patent would assist the holder to establish market position, the value of the patent over time, predictability of injury if the patent is not enforced, whether failure to enjoin will encourage other infringers, whether the patentee has engaged in a pattern of granting licenses such that it may be reasonable to expect that the patent right can be compensated by a royalty, the availability of money damages and whether the patentee delayed in bringing suit thereby discrediting irreparability.

*P.N.A. Constr. Techs. v. McTech Group, Inc.*, 414 F. Supp. 2d 1228, 1242 (N.D. Ga. 2006). The analysis is heavily dependent on the facts of a given case. *Compare Reebok Int'l Ltd. v. J. Baker, Inc.*, 32 F.3d 1552, 1558 (Fed. Cir. 1994) (“[H]arm to reputation resulting from confusion between an inferior accused product and a patentee's superior product is a type of harm that is often not fully compensable by money.”) and *Circle R*, 919 F. Supp. at 1302 (considering factors listed above) with *Altana Pharma AG v. Teva Pharms. USA, Inc.*, 532 F. Supp. 2d 666, 683 (D.N.J. 2007) (citing *Novartis v. Teva*, Nos. 04-4473, 06-1130, 2007 U.S. Dist. LEXIS 42163, at \*\*26-28 (D.N.J. June 11, 2007) (finding that plaintiff failed to establish irreparable harm because the damages were calculable, Teva had the ability to pay any monetary damages judgment, and the possibility of a loss of market share, irreversible price erosion, and lost research opportunities do not constitute irreparable harm). When the parties are direct competitors, irreparable harm is more likely. *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1152-54 (Fed. Cir. 2011).

The facts may indicate that, while a preliminary injunction is warranted, it should be narrowly tailored to minimize irreparable harm while still allowing some commercialization by the accused infringer. *See, e.g., P.N.A. Constr.*, 414 F. Supp. 2d at 1244 (“[T]he Court believes preliminary injunctive relief tailored to the unique facts here best serves the law and the parties. Specifically, the Court is not inclined to consider granting a comprehensive injunction, especially one that would prohibit Defendants from performing contracts into which it already has entered. The risk to Plaintiff’s patent rights derives, in the Court’s view, from continuing sales, and if a preliminary injunction is entered, it ought to apply only to new contracts.”).

Irreparable harm may be rebutted by a showing that the patent holder delayed in bringing its infringement action. *See Pfizer, Inc. v. Teva Pharmaceuticals, USA, Inc.*, 429 F.3d 1364, 1381 (Fed. Cir. 2005); *but see High Tech. Med. Instr., Inc. v. New Image Indus., Inc.*, 49 F.3d 1551 (Fed. Cir. 1995) (“[T]he period of delay may not have been enough, standing alone, to demonstrate the absence of irreparable harm.”). Likewise, if future infringement is unlikely or the patent holder has licensed the patent to others the presumption may be blunted. *See Novo Nordisk A/S v. Sanofi-Aventis U.S. LLC*, 2008 U.S. Dist. LEXIS 12342, 21-22 (D.N.J. Feb. 19, 2008) (citing *Cordis Corp.*, 99 F. App’x at 933-35 (acknowledging that delay in bringing an action, seeking monetary damages, granting licenses, and relative market effects are factors that may be considered by a court when determining whether the defendant has rebutted the presumption of irreparable harm)). In contrast, however, the presence of other infringers in the marketplace does not negate irreparable harm. *Id.* (citing *Pfizer, Inc.*, 429 F.3d at 1381).

Irreparable harm, however, is not rebutted by showing that other competitors also infringe the patent or that the patented product is not “core” to the patent holder’s business. *Robert Bosch LLC*, 659 F.3d at 1150-52.

### 3.2.2.2.3 Non-Practicing Entities

Where a patentee does not practice the invention or otherwise commercially exploit it, irreparable harm is more difficult to demonstrate. *See High Tech Med. Instr, Inc. v. New Image Indus., Inc.*, 49 F.3d 1551, 1556 (Fed. Cir. 1995) (“Although a patentee’s failure to practice an invention does not necessarily defeat the patentee’s claim of irreparable harm, the lack of commercial activity by the patentee is a significant factor in the calculus.”). Whether the patentee practices the invention is clearly a factor that concerns trial courts. *See, e.g., Paice LLC v. Toyota Motor Corp.*, No. 2:04-CV-211-DF, 2006 U.S. Dist. LEXIS 61600 (E.D. Tex. Aug. 16, 2006), *aff’d in part and vacated*, 504 F.3d 1293, 1303 (Fed. Cir. 2007) (holding that “because Plaintiff does not compete for market share . . . concerns regarding loss of brand name recognition and market share similarly are not implicated”); *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS

91453 (E.D. Tex. Dec. 19, 2006) (holding that “[the parties] are direct competitors, and this fact weighs heavily in the court’s analysis”).

Nevertheless, a non-practicing entity is not barred from obtaining a preliminary injunction:

[S]ome patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their work to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.

*eBay*, 547 U.S. at 392. Relying upon this portion of the *eBay* opinion, the district court in *Commonwealth Scientific and Indust. Research Org. (CSIRO) v. Buffalo Tech. Inc.*, 492 F. Supp. 2d 600 (E.D. Tex. 2007), granted a permanent injunction to a non-practicing entity. CSIRO is the principal scientific research organization of the Australian government, similar to the United States’ National Science Foundation and National Institutes of Health. It “relies heavily on the ability to license its intellectual property to finance its research and development.” *Id.* at 604. The trial court held that even though CSIRO did not commercialize its patent itself and instead sought licensing revenue, the harm suffered by CSIRO was not merely financial: Buffalo’s infringement meant that CSIRO’s “reputation as a research institution has been impugned just as another company’s brand recognition or good will may be damaged.” *Id.* at 605.

In discussions of the subject of non-practicing entities (and sometimes in briefs), the pejorative term “patent troll” is often used to conjure an image of opportunistic misuse of the patent system. The label is as analytically unhelpful as it is attention-grabbing, explaining why it is not generally found in judicial opinions. It is not necessary for a court to determine whether a patent owner is a “troll” in order to determine where the equities lie. Instead, as cases such as *Paice* and *CSIRO* show, the issue is whether the infringement causes irreparable harm to the patentee. Under some circumstances, a non-practicing patentee may suffer irreparable harm from ongoing infringement, *CSIRO*, 492 F. Supp. 2d at 607-08, but under other circumstances it may not, *Paice*, 504 F.3d at 1303.

### 3.2.2.3 Balance of Hardships

The grant of a preliminary injunction in a patent case often results in the defendant having to remove a product from the market, or at least drastically modify it, pending trial. Furthermore, given the extended duration of many patent cases, the defendant may face months or even years before the product can be re-introduced (assuming the defendant prevails). As a result, the hardship on the defendant can be drastic. That is why the patentee must post a bond in order to get a TRO or preliminary injunction. See § 3.7. On the other hand, a patent holder en-

joys a property right that can only be exploited for a limited time. Denial of that right for the months or years of a patent case can irretrievably lead to hardship in the form of price erosion, loss of reputation, loss of market share, and lost opportunity to lead or even dominate a market the patent holder ought rightfully to lead (assuming the patent holder prevails). In *Illinois Tool Works*, the Federal Circuit considered these opposing hardships and explained:

The hardship on a preliminarily enjoined manufacturer who must withdraw its product from the market before trial can be devastating. On the other hand, the hardship on a patentee denied an injunction after showing a strong likelihood of success on validity and infringement consists in a frequently and equally serious delay in the exercise of his limited-in-time property right to exclude. Neither hardship can be controlling in all cases. Because the court must balance the hardships, at least in part in light of its estimate of what is likely to happen at trial, it must consider the movant's showing of likelihood of success. Yet, a court must remain free to deny a preliminary injunction, whatever be the showing of likelihood of success, when equity in the light of all the factors so requires.

*Ill. Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683 (Fed. Cir. 1990). Courts facing the prospect of such dire consequences to one party or the other therefore must engage in a sensitive analysis based on the unique facts of each case..

A party's considered business decision to take a calculated risk of infringement cannot, however, form the basis of a finding of harm to justify denying injunctive relief. See *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383 (Fed. Cir. 2006) ("The court did not clearly err in finding that Apotex's harms were 'almost entirely preventable' and were the result of its own calculated risk to launch its product pre-judgment."). Thus, for example, a party that elected to launch an accused product during the course of patent litigation could not avoid a PI by complaining that the harm incurred in having to cease manufacture and sale of the product outweighed the patent holder's harm in facing irreversible price erosion. *Id.* at 1382-83.

### 3.2.2.4 Impact on the Public Interest

Although the public has an abstract interest in protecting rights secured by valid patents, the focus of the district court's public interest analysis should be whether the public has some critical interest in the specific case that would be injured by the grant or denial of preliminary relief. See *Hybritech, Inc. v. Abbott Labs.*, 849 F.2d 1446, 1458 (Fed. Cir. 1988). Thus, the public interest in enforcement of valid patents, taken alone, does not skew this factor toward the patent holder. See *id.* However, a specific public concern can weigh heavily in the analysis, particularly in an industry, such as pharmaceuticals, where development costs are very high and the public interest in effective new products is also high. See

*Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1383-84 (Fed. Cir. 2006) (finding that district court did not clearly err in concluding that the significant public interest in encouraging investment in development and protecting the exclusionary rights conveyed in valid patents tipped the scale in favor of pharmaceutical patent holder).

In some cases, the public interest could weigh heavily enough that a court might deny an injunction even where the patent holder makes a reasonable showing on merits and irreparable harm. For example, “[i]f a patentee’s failure to practice a patented invention frustrates an important public need for the invention, a court need not enjoin infringement of the patent. Accordingly, courts have in rare instances exercised their discretion to deny injunctive relief in order to protect the public interest.” *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1547 (Fed. Cir. 1995) (citations omitted). In *z4 Technologies*, the district court found that the public interest weighed against enjoining ongoing infringement. *See z4 Techs. Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 439 (E.D. Tex. 2006). The case involved product activation software that was used by every genuine purchaser of Microsoft’s popular Windows XP and Office products. *See id.* at 439. Although the jury found willful infringement, the district court declined to order Microsoft to redesign its software or turn off its product activation servers, stating that it was “unaware of any negative effects that might befall the public in the absence of an injunction,” that “it is likely that any minor disruption to the distribution of the products in question could occur and would have an effect on the public due to the public’s undisputed and enormous reliance on these products” and “[a]lthough these negative effects are somewhat speculative, such potential negative effects on the public weigh, even if only slightly, against granting an injunction.” *Id.* at 443-44.

### 3.2.2.5 Burdens of Proof and Persuasion

The patent holder has the burden of proof to demonstrate the predicates for a PI. *See Abbott Labs. v. Andrx Pharms., Inc.*, 452 F.3d 1331, 1334 (Fed. Cir. 2006). This includes the burden of showing that asserted patents are valid and enforceable, notwithstanding either the presumption of patent validity or the fact that the accused infringer has the ultimate burden of proof on these issues at trial. *See, e.g., Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350 (Fed. Cir. 2001); *Hybritech, Inc. v. Abbott Laboratories*, 849 F.2d 1446, 1451 (Fed. Cir. 1988); *Purdue Pharma L.P. v. Boehringer Ingelheim GmbH*, 237 F.3d 1359, 1366 (Fed. Cir. 2001).

The patentee may make its showing of patent validity and enforceability based on the patent’s prosecution history, prior litigation involving the patent, or other evidence such as industry having “acquiesced in” the patent (e.g., competitors having paid royalties to license it). *See Amazon.com*, 239 F.3d at 1359; *Eyeticket*

*Corp. v. Unisys Corp.*, 155 F. Supp. 2d 527, 542-43 (E.D. Va. 2001) (citing *H.H. Robertson*, 820 F.2d at 388-89).

Once the patent holder makes its showing, the accused infringer must come forward with evidence that raises a “substantial question” of invalidity. *Amazon.com*, 239 F.3d at 1358. It is important to note, however, that validity challenges may successfully defeat a PI application “on evidence that would not suffice to support a judgment of invalidity at trial.” *Amazon.com*, 239 F.3d at 1358-59. At the PI stage, the defendant need not meet the “clear and convincing” burden of proof it must meet to prevail on invalidity or unenforceability at trial. *Id.* (“Vulnerability is the issue at the preliminary injunction stage, while validity is the issue at trial. The showing of a substantial question as to invalidity thus requires less proof than the clear and convincing showing necessary to establish invalidity itself.”).

### **3.2.2.6 Effect of Proceedings in the Patent and Trademark Office**

Where a patentee moves for a preliminary injunction with regard to a patent that is subject to pending interference or reexamination proceedings at the PTO, the question arises whether those proceedings constitute evidence of substantial questions as to the validity of the patent. As discussed in § 11.2.6.4, the PTO grants reexamination requests when it determines that a “substantial new question of patentability” has been raised. 35 U.S.C. § 303. As noted above, the Federal Circuit has stated that “validity challenges during preliminary injunction proceedings can be successful, that is, they may raise substantial questions of invalidity, on evidence that would not suffice to support a judgment of invalidity at trial.” *Amazon.com*, 239 F.3d at 1358. This suggests that the PTO’s grant of a reexamination request supports an accused infringer’s invalidity argument at the preliminary injunction stage. See *Pergo, Inc. v. Faus Group, Inc.*, 401 F. Supp. 2d 515, 524 (E.D.N.C. 2005) (“[W]hile the grant of a motion for reexamination is not conclusive as to the issue of validity, it is probative to the issue of whether defendants have raised a substantial question of validity.”); *DUSA Pharms., Inc. v. River’s Edge Pharms.*, 2007 U.S. Dist. LEXIS 16005, at \*9 (D.N.J. Mar. 6, 2007) (reaching similar conclusion). Of course, extending the grant of a reexamination request to support denial of a PI requires the assumption that a “substantial new question of patentability” has the same meaning as a substantial question about the merits of a patent holder’s case. In applying *Seagate* in the context of a willfulness analysis, one district court made this assumption: “To the extent the Court accepts the PTO’s determinations that there are substantial questions of validity, the Court grants partial summary judgment of no willful infringement with respect to post-filing conduct.” *Lucent Techs., Inc. v. Gateway, Inc.*, 2007 U.S. Dist. LEXIS 95934,

18-19 (S.D. Cal. Oct. 30, 2007) (reasoning that because there was a substantial question, there could have been no willful infringement).

On the other hand, in the context of a willfulness inquiry, the Federal Circuit has stated that “the grant by the examiner of a request for reexamination is not probative of unpatentability. The grant of a request for reexamination, although surely evidence that the criterion for reexamination has been met . . . does not establish a *likelihood* of patent invalidity.” *Hoechst Celanese Corp. v. BP Chems. Ltd.*, 78 F.3d 1575, 1584 (Fed. Cir. 1996) (emphasis added). Accordingly, while a court should consider the arguments raised in a request for reexamination, and should probe the patent holders’ counterarguments to assess their persuasiveness, the reexamination grant itself likely is not enough to warrant denial of a preliminary injunction. *Cf. DUSA Pharms., Inc. v. River’s Edge Pharms.*, 2007 U.S. Dist. LEXIS 16005, at \*10 (D.N.J. Mar. 6, 2007) (granting motion to dissolve preliminary injunction where patent holder “ha[d] not shown that the validity question raised by the reexamination order and the Office Action lacks substantial merit”).

Where the reexamination proceeding has progressed beyond a grant, and some or all patent claims have been rejected by the PTO, such evidence should weigh in the court’s analysis—although it is not dispositive of the likelihood of the patent’s withstanding a validity challenge. *See Tap Pharm. Prods. v. Atrix Labs., Inc.*, 2004 U.S. Dist. LEXIS 17118 at \*8 (N.D. Ill. Aug. 26, 2004) (“Since the PTO’s [reexamination] proceeding has only passed its first stages, I have had difficulty determining what bearing the PTO’s preliminary invalidation of the ’721 patent should have in these proceedings. At the very minimum, however, the PTO’s invalidation raises a substantial question about the patent’s validity and is, therefore, fatal to a motion for a preliminary injunction.”).

Note that infringement and validity are determined on a claim-by-claim basis. It is important that the court evaluate each claim that is asserted as the basis for preliminary relief.

### 3.3 Temporary/*Ex Parte* Orders

#### 3.3.1 Generally

As in any other case, “[a] TRO is available under FRCP 65 to a [patent] litigant facing a threat of irreparable harm before a preliminary injunction hearing can be held.” *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*, 564 F. Supp. 2d 63, 66 (D. Me. 2008) (citing Charles A. Wright, et al., *Federal Practice and Procedure* § 2951 (1996 & Supp. 2008)). The Supreme Court has explained that “*ex parte* temporary restraining orders [TROs] are no doubt necessary in certain circumstances, but under federal law they should be restricted to serving their underlying purpose of preserving the status quo and preventing irreparable harm just so long as is necessary to hold a hearing, and no longer.”

*Granny Goose Foods, Inc. v. Bhd. of Teamsters Local 70*, 415 U.S. 423, 439 (1974) (citation omitted). Entering a TRO enjoining practice of a given technology can have extreme consequences, including the complete shutdown of a competitor's business. And the factual and legal complexity of patent cases makes it difficult—if not impossible—for a court to make the sort of hair trigger decisions necessary to grant a TRO application. These considerations render the Supreme Court's cautionary guidance in *Granny Goose* even more forceful in a patent case.

Consequently, as a practical matter, TROs are exceedingly rare in patent cases. With the possible exception of cases of blatant copying of technology in a patent that has previously withstood legal challenge, TROs are almost never granted in the face of competition between legitimate businesses. Likewise, as it is most difficult for a non-practicing entity to prove irreparable harm in the timeframe associated with a TRO, TROs in such cases should be similarly rare.

In evaluating an *ex parte* TRO application a court assesses the same four factors as for a PI: likelihood of success on the merits, irreparable harm, balance of hardships, and public interest. A TRO may be granted only on a clear showing of *immediate* irreparable injury. Fed. R. Civ. P. 65(b)(1)(A); *Rhino Assoc., L.P. v. Berg Mfg. and Sales Corp.*, Civil Action No. 1:04-CV-1611, Order Granting Temporary Restraining Order (Docket No. 44) (July 1, 2005 M.D. Penn.) (granting TRO where “continuing manufacture and sale of the infringing products present a *serious and immediate risk* to plaintiff of loss of good will in its customer base and of cascading and undefinable loss of revenues due to re-sales of the infringing products” (emphasis added)). In a patent case, assessment of the merits of a TRO application will typically touch on factual and expert discovery in most, if not all, aspects of the case. The time required to address the application therefore often dictates that it be evaluated in the context of a later PI hearing. *See, e.g., Robotic Vision Sys. v. View Eng'g*, 1996 U.S. Dist. LEXIS 11917, at \*\*2-3 (C.D. Cal. Mar. 1, 1996).

While a PI may be issued only on notice to the adverse party, a TRO may issue without such notice. Fed. R. Civ. P. 65(a)(1), 65(b)(1). Nonetheless, where an adverse party has adequate notice of an application for a TRO, such that a meaningful adversarial hearing on the issues may be held, the court may treat an application for TRO as a motion for preliminary injunction. *See CVI/Beta Ventures v. Custom Optical Frames*, 859 F. Supp. 945, 948 (D. Md. 1994) (citing *C. Wright & A. Miller, Federal Practice and Procedure*, § 2951, p.499 (1973)).

### 3.3.2 Procedure

Courts have discretion to handle the attendant hearing, scheduling, and expedited discovery associated with TRO applications in a manner that best suits the circumstances of an individual case. The court may grant or deny the *ex parte* application without a hearing. Or the court may decline to rule on the TRO applica-

tion until the adverse party has had an opportunity to respond. See *Chem-Tainer Indus. v. Wilkin*, 1997 U.S. Dist. LEXIS 17241, at \*3 (C.D. Cal. Feb. 24, 1997) (“The Court declined to rule on the TRO application. Instead, the Court set a hearing . . . and ordered Chem-Tainer’s counsel to serve the papers on Defendant that same day . . . and to inform Defendant of the hearing and that any opposition was due . . .”). Or it may decide to combine the hearings and discovery for the TRO with a pending PI application. *Robotic Vision Sys. v. View Eng’g*, 1996 U.S. Dist. LEXIS 11917, at \*\*2-3 (C.D. Cal. Mar. 1, 1996) *rev’d on other grounds*, 112 F.3d 1163 (Fed. Cir. 1997).

In determining the proper procedure, courts balance the heavy burden on the parties—often the required expedited discovery will require double and triple tracking of depositions—against the necessity for quick resolution of the applications. As discussed further below, assessing the merits of a TRO or PI application could conceivably require discovery into nearly every aspect of the case. At a minimum, plaintiffs will likely seek documents and deposition testimony regarding the structure and function of accused products (relevant to infringement allegations) and market and financial data (relative to irreparable harm). Defendants will seek discovery relating to the plaintiff’s patents, including their prosecution, and possibly the sale of plaintiff’s products covered by the patents (relevant to invalidity and potential on-sale bar allegations). Defendants may also seek financial data relevant to the amount of bond necessary should a PI issue. Both parties may offer experts for both claim construction (if claim terms have particular meaning in the industry) and infringement.

Thus, from a practical standpoint, in order for a court to consider a TRO application, the parties must focus the issues in order to permit expeditious resolution of the TRO application. Even if the issues are focused, factual complexity almost always precludes meaningful TRO relief. Therefore, the TRO application usually is best treated as a PI application. Depending on information developed in initial discovery and on the actions of the parties, the court may modify the discovery, briefing, and hearing schedules. See *CVI/Beta Ventures v. Custom Optical Frames*, 859 F. Supp. 945, 946-48 (D. Md. 1994) (describing the court’s evolving approach to discovery and hearing related to a TRO application, in which the court ultimately treated the request as a PI application because the defendant was determined to have notice and opportunity to respond). At all times, the objective under Fed. R. Civ. P. 65(b) should be to preserve the status quo, protect the rights of the patent holder, and “ensure that parties subject to [TROs] are given an opportunity to present their case as soon as possible.” *Id.* (granting preliminary injunction, but ordering a hearing for reconsideration after further discovery was completed).

### 3.4 Discovery

Discovery relating to a PI application can touch on nearly every substantive issue in a patent case. Claim construction is usually required, which in turn may require expert discovery if certain terms have special meaning in the art. The plaintiffs may require fact and expert testimony as to the defendant's products, including their development, structure, and operation. The plaintiff's irreparable harm allegations may require fact and expert discovery as to market conditions and the defendant's financial condition. The defendant's invalidity and unenforceability allegations may require discovery into the prosecution of the plaintiff's patents (especially where the defendant asserts inequitable conduct) and sales by the plaintiff of products covered by the patent as relevant to a potential on-sale bar argument. The defendants might also seek financial data relevant to the amount of bond necessary should a TRO or PI issue.

The initial challenge for a court confronting a PI application in a patent case is thus to balance the need to resolve the application based on a reasonably full record against the twin considerations that a PI proceeding needs to be resolved expeditiously and the parties need to conduct their business in the interim. Where a PI application is filed prior to the initiation of discovery, expedited discovery may be ordered upon motion or stipulation. *See Semitool, Inc. v. Tokyo Elec. Am.*, 208 F.R.D. 273, 276 (N.D. Cal. 2002) (explaining that “good cause [for expedited discovery] may be found where the need for expedited discovery, in consideration of the administration of justice, outweighs the prejudice to the responding party. It should be noted that courts have recognized that good cause is frequently found in cases involving claims of infringement;” granting motion where plaintiff sought narrowly defined “core” discovery but denying motion as to third party expedited discovery); Fed. R. Civ. P. 26(d).

The parties should be encouraged to confer and stipulate with respect to a discovery and hearing schedule to the extent feasible. In finalizing the schedule, courts consider whether the parties have already engaged in discovery in the instant litigation or in a related matter, the complexity of the technology, any delay by the plaintiff in bringing its PI application (which weighs against aggressive expediting), *see Power Integrations, Inc. v. BCD Semiconductor Corp.*, 2008 U.S. Dist. LEXIS 16021, at \*\*3-4 (D. Del. Feb. 11, 2008), the necessity for expert discovery, and other considerations unique to the case. Depending on the facts, discovery and hearing may be set on a shortened schedule or may need to be delayed for weeks or even months. *Compare Power Integrations*, 2008 U.S. Dist. LEXIS 16021, at \*\*3-4 (finding expedited discovery appropriate, and setting time period to PI hearing of 85 days) *with Furminator, Inc. v. Ontel Prods. Corp.*, 246 F.R.D. 579, 581 (E.D. Mo. 2007) (plaintiff filed motion on January 24; Court granted plaintiff's request for expedited discovery and set the hearing for February 14).

The general strategies for patent case management apply here, but with even greater force. Courts should use every means to encourage the parties to focus the

issues and should keep a watchful eye for signs that the parties are using litigation tactics as a business lever: attempting to gain access to a competitor's confidential business information, disrupting a competitor's business with burdensome discovery, or driving a competitor out of business by running up litigation bills—a particular concern where one or both parties is a small or new company.<sup>3</sup> The court should therefore consider strictly limiting, for purposes of the PI:

1. The number of patent claims and prior art references that may be asserted.
2. The number of claim terms that will be construed.
3. The number of depositions that may be taken. Consider allowing each side to take one 30(b)(6) deposition—on the accused product and on the prosecution of the patents—without precluding later 30(b)(6) depositions. *See, e.g., Eyeticket Corp. v. Unisys Corp.*, 155 F. Supp. 2d 527, 530 (E.D. Va. 2001) (allowing limited expedited discovery in which each party was permitted to depose two key witnesses prior to the PI hearing).
4. The number and nature of document requests. This is an area particularly subject to abuse.
5. The issues to be considered. To the extent appropriate, screen out financial argument. Sales and profits likely need not be discovered absent a party's convincing showing that lost sales could not be remedied in damages. If financial discovery is necessary to determine a proper bond amount, consider bifurcating this issue pending a decision on the application. Also, consider whether the PI briefing and argument need to address the doctrine of equivalents. (Where prosecution history has limited a patent's scope on a key claim term, a patent holder could face a very high bar in showing likelihood of success on the merits of a doctrine of equivalents argument.)

## 3.5 Hearing

### 3.5.1 Whether to Conduct a Hearing

As with other aspects of case management, a court has considerable discretion as to the handling of a hearing for a TRO or PI application. Under Fed. R. Civ. P. 65, a court need not have a hearing on a TRO application. Rule 65 is not explicit about whether the court must have a hearing to consider a PI. However, as a practical matter given the complexity of patent TRO and PI applications, courts generally hear argument, and this is the better practice.

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3. Note that because much of the business information in a patent case is highly confidential, it will likely be necessary for the court to enter a protective order before PI discovery can go forward. On protective orders generally, see § 4.2.4.

A hearing offers the opportunity to move the case forward significantly. Evidence received on a PI motion that would be admissible at trial “becomes part of the trial record and need not be repeated at trial.” Fed. R. Civ. P. 65(a)(2). Note, however, that to the extent a party has preserved the right to jury trial, the evidence may have to be repeated to the jury if the matter goes to trial. See Fed. R. Civ. P. 65(a)(2) Advisory Committee’s Note (“[T]he jury will have to hear all the evidence bearing on its verdict, even if some part of the evidence has already been heard by the judge alone on the application for the preliminary injunction.”).

As discussed further in § 3.6, the court may dispose of certain issues by advancing their trial on the merits. *See id.*

### 3.5.2 Notice and Scheduling

“The court may issue a preliminary injunction only on notice to the adverse party.” Fed. R. Civ. P. 65(a)(1). Notice must be effective as to all parties that will be bound by the order. Fed. R. Civ. P. 65(d) (“[An order granting an injunction] is binding upon the parties to the action, their officers, agents, servants, employees, and attorneys, and upon those persons in active concert or participation with them who receive actual notice of the order by personal service or otherwise.”); *see also Dentsply Int’l, Inc. v. Kerr Mfg. Co.*, 42 F. Supp. 2d 385, 394-400 (D. Del. 1999) (analyzing whether non-party was bound by injunction and concluding that non-party was in privity with party and was therefore bound).

If expedited discovery relating to the PI application is an issue, the PI hearing may be set following a conference with the parties during which the court should explore the discovery that will be necessary to address the merits of the application *see* § 3.4 (discussing strategies for focusing this discovery). Discovery for PI applications is necessarily expedited and can be quite burdensome. Nevertheless, as in § 3.4, because of the breadth of fact and expert discovery that may be required for a PI application in a new patent case, it is not uncommon for this discovery to take several weeks or longer.

### 3.5.3 Evidentiary Showing—What to Expect

As discussed above, the analysis of a PI application can touch on nearly every aspect of a patent case. Evidence that will likely be brought to the court during the PI process includes:

- Claim construction: fact evidence as to the prosecution of the patent and any limitations imposed on claim meaning and/or available equivalents; expert testimony as to special meanings of claim terms in the industry.
- Infringement: fact and expert evidence as to structure and operation of accused products and comparison of accused products to patent claim terms.

- Validity/enforceability: fact and expert evidence as to allegedly invalidating prior art references; fact evidence as to alleged inequitable conduct or other unenforceability defenses.
- Irreparable harm: fact and expert evidence as to market conditions and growth projections, status of the parties in the industry (e.g., market leader, new entrant to market, etc.), special circumstances (e.g., approaching holiday sales or changes in the market brought on by legislation or regulatory action).
- Other: evidence relating to public interest, such as the public's need for an accused medical device or pharmaceutical; evidence relating to proper bond amount.

### **3.6 Rule 65 Trial**

As can be seen from the above, the bulk of the substance of a patent case will be in play in deciding a PI motion. Depending on the facts of a given case, one or more issues may be ripe for final disposition, even at this early stage.

For example, defendant may argue that its product is non-infringing because it is clear that a particular claim element is not in its product and that plaintiff is using patent litigation as a tactic to disrupt or destroy defendant's business. In such a case, Rule 65 presents the court and the litigation "victim" with an opportunity in the form of an early trial on the merits, through consolidation with the PI hearing. *See* Fed. R. Civ. P. 65(a)(2). Likewise, where a prior art reference or inequitable conduct allegation appears convincingly to render a patent invalid or unenforceable, a Rule 65 trial may be warranted.

While an early trial may require frontloading of casework by both the parties and the court, the benefits can be substantial. First, while the result of a PI motion provides the parties some early notice of the relative strengths of their cases, a Rule 65 trial crystallizes the parties' positions with respect to the issues resolved—and these issues tend to be pivotal. The plaintiff who loses on infringement on its "best" claim, or the defendant who loses on its "best shot" invalidating prior art reference will have strong reasons to reassess whether pressing forward with the litigation is wise, or whether settlement and/or dismissal of the case makes better business sense. Second, the court's offer of a Rule 65 trial gives an opportunity to force the hand of litigants that are misusing the litigation process. Foot-dragging by a plaintiff that claims an infringement case is simple and straightforward may be a sign of such behavior. Finally, evidence presented during the trial becomes part of the record of the case. Nonetheless, the evidence may have to be repeated to the jury if the matter goes to trial. *See* Fed. R. Civ. P. 65(a)(2) Advisory Committee's Note; § 3.5.1.

A district court may order advancement of trial and consolidation with a preliminary injunction hearing on its own motion. Fed. R. Civ. P. 65(a)(2). Of course,

the decision to do so must be tempered by due process considerations. *See, e.g., Pughsley v. 3750 Lake Shore Drive Coop. Bldg.*, 463 F.2d 1055, 1057 (7th Cir. 1972). Parties “should be given a clear opportunity to object, or to suggest special procedures, if a consolidation is to be ordered.” *Id.*

The answers to the following questions may help the district court and the parties determine whether to proceed with the PI motion or an expedited trial on the merits:

1. What is the urgency that requires a prompt hearing?
2. Can complete relief be provided if the case proceeds to an expedited trial on the merits?
3. Will the plaintiff be able to post an injunction bond?
4. Can a standstill agreement be worked out between the parties, with or without a bond?
5. How long will it take the parties to be ready for a trial on the merits?
6. How long will it take the parties to be ready for a preliminary injunction hearing?
7. Can the parties afford the possibility of two rounds of discovery, two trials, and two appeals?
8. Will there be a jury demand?
9. Does it make sense to bifurcate liability from the damages remedy?
10. How much time will a trial on the merits take compared to a hearing on the preliminary injunction?

Morton Denlow, *The Motion For A Preliminary Injunction: Time For A Uniform Federal Standard*, 22 Rev. Litig. 495, 536 (2003).<sup>4</sup>

### 3.7 Bond

“No restraining order or preliminary injunction shall issue except upon the giving of security by the applicant, in such sum as the court deems proper, for the payment of such costs and damages as may be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained.” Fed. R. Civ. P. 65(c). Because the amount of the security bond is a procedural issue not unique to patent law, the amount is determined according to the law of the district court’s regional circuit. *See Int’l Game Tech. v. WMS Gaming Inc.*, 1999 U.S. App. LEXIS 22971, at \*4 n.1 (Fed. Cir. Sept. 3, 1999).

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4. The author is a U.S. magistrate judge for the Northern District of Illinois.

The amount of a bond rests within the sound discretion of a trial court. *See Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1384-85 (Fed. Cir. 2006) (citing *Doctor's Assocs., Inc. v. Distajo*, 107 F.3d 126, 136 (2d Cir. 1997)).

A court may exercise discretion in the procedure it follows for argument and decision on bond amount. Briefing and argument may be made along with briefing on the merits or may be postponed until after the decision on the injunction. *See, e.g., Eisai Co. v. Teva Pharms. USA, Inc.*, 2008 U.S. Dist. LEXIS 33747 at \*38 (D.N.J. Mar. 28, 2008) (“[T]he Court will require Eisai to post security in an amount sufficient to compensate Teva should the injunction later be found to be unjustified. Therefore, the parties shall submit evidence concerning the proper amount of bond.”); *Warrior Sports, Inc. v. STX, L.L.C.*, 2008 U.S. Dist. LEXIS 21387 at \*1 (E.D. Mich. Mar. 19, 2008) (“[T]he Court GRANTS the Motion, but in order to determine the appropriate amount of bond, holds it in abeyance pending receipt of Defendant’s estimated lost profits.”). Of course, if briefing on this issue is postponed, it should be required within a reasonably short time after an injunction is ordered, because the injunction cannot take effect until the bond is posted. *See Warrior Sports*, 2008 U.S. Dist. LEXIS 21387 at \*37 (ordering submittal of lost profits estimate five days after order granting injunction); *Eisai*, 2008 U.S. Dist. LEXIS 33747 at \*38 (presentation of evidence on bond amount within two weeks after order granting injunction).

Discovery relating to bond amount is often intertwined with discovery relating to irreparable harm. However, the quantitative data necessary to evaluate the proper bond amount may require more in-depth discovery of financial documents than would be required for the irreparable harm analysis.

## 3.8 Order

### 3.8.1 Specificity

As discussed in the introduction to this chapter, in order to withstand appeal, a court’s order must comply with Rule 65’s requirements, expressly addressing the factors considered in deciding whether to grant or deny the injunction. Fed. R. Civ. P. 65(d)(1)(A). It must also specifically describe the infringing actions enjoined, with reference to particular products. *See Fed. R. Civ. P. 65(d)(1)(C)*. While a denial may be based on a finding that the movant has failed to demonstrate likelihood of success on the merits or irreparable harm, *see, e.g., Novo Nordisk A/S v. Sanofi-Aventis U.S. LLC*, 2008 U.S. Dist. LEXIS 12342 (D.N.J. Feb. 19, 2008) (affirmed by *Novo Nordisk A/S v. Sanofi-Aventis U.S. LLC*, 2008 U.S. App. LEXIS 16227 (Fed. Cir. July 30, 2008)), a grant must be based on assessment of both of these factors as well as the balance of harms and public interest. The structure of an order granting a PI should systematically address each of these issues, providing the court’s reasoning and conclusion. The order should also address the

technology at issue as well as the scope of the injunction and the amount of the bond. The PI Order in *Oakley, Inc. v. Sunglass Hut Int'l*, 2001 U.S. Dist. LEXIS 23572 (C.D. Cal. Dec. 7, 2001) (*affirmed Oakley, Inc. v. Sunglass Hut Int'l*, 316 F.3d 1331, 1346 (Fed. Cir. 2003)), suggesting the following general outline, is an example of such a well-drafted order:

1. Introductory material. Describe the parties, patents and technology at issue). *See id.* at \*\*6-10.
2. Claim construction. Perform preliminary construction of key claim terms. *See id.* at \*\*11-12. Recall that the court's construction for PI purposes can be revisited.
3. Likelihood of Success on the Merits:
  - a. Infringement—analyze whether the accused devices have every element of any asserted claim under the court's construction. *See id.* at \*\*10-14.
  - b. Validity—analyze asserted invalidity contentions. *See id.* at \*\*15-29.
  - c. Enforceability—analyze asserted inequitable conduct arguments and/or other unenforceability arguments. *See id.* at \*\*30-31.
  - d. Conclusion—decide whether movant has shown it will likely prevail in showing infringement and in countering opponent's invalidity and/or unenforceability arguments. *See id.* at \*\*31.
4. Irreparable Harm. *See id.* at \*\*31-34. Note that the district court in *Oakley* recited a presumption of irreparable harm but also analyzed actual harm. Given that the status of the presumption is presently uncertain, this is a prudent approach.
5. Balance of Harms. *See id.* at \*34.
6. Public Interest. *See id.* at \*\*34-35.
7. Scope of Injunction. *Id.* at \*3. Note that, while the court's description of the acts enjoined was somewhat cursory, the Federal Circuit affirmed, explaining that the enjoined party demonstrated its understanding of the enjoined acts by way of its actions in response to the similarly-worded TRO. *Oakley, Inc. v. Sunglass Hut Int'l*, 316 F.3d 1331, 1346 (Fed. Cir. 2003).
8. Amount of Bond. *See id.* at \*\*35-36.

A template for drafting an order granting a PI is provided in Appendix 3-1.

Depending on the facts of the case, the court may also need to address the persons bound by the order. (*See* § 3.8.2). As can be seen from this outline, a well-drafted order granting a PI can be a complicated and lengthy document that is time consuming and challenging to prepare. This is one more reason to apply the strategies described above, *see* § 3.4, to encourage the parties to narrow and focus the issues.

### 3.8.2 Parties Affected

A court's PI can bind "only the following who receive actual notice . . . (A) the parties; (B) the parties' officers, agents, servants, employees, and attorney; and (C) other persons who are in active concert or participation with anyone described in [parts (A) or (B)]." Fed. R. Civ. P. 65(d)(2). In applying Rule 65(d), the Federal Circuit has emphasized that "a court may not enter an injunction against a person who has not been made a party to the case before it." *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 96 F.3d 1390, 1394 (Fed. Cir. 1996).

A court is not, however, powerless against non-parties that act to frustrate a PI. "[T]hose who act in concert with an enjoined party may be held in contempt, but only for assisting the enjoined party in violating the injunction." *Id.* (citing *Spindelfabrik Suessen-Schurr v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1580-81 (Fed. Cir. 1990)); Fed. R. Civ. P. 65(d)(2)(C). As the Federal Circuit explained in a second *Additive Controls* case, "[n]on-parties may be held in contempt . . . if they either abet the defendant, or are legally identified with him." *Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1351 (Fed. Cir. 1998) (considering whether a resigned corporate officer was "legally identified" with a corporation and listing factors that might influence the fact-specific inquiry) (quoting *Alemite Mfg. Co. v. Staff*, 42 F.2d 832, 833 (2d Cir. 1930)); see also *Power-One, Inc. v. Artesyn Techs., Inc.*, 2008 U.S. Dist. LEXIS 30338, at \*\*10-11 (E.D. Tex. Apr. 11, 2008) (concluding that certain non-parties could not be named in an injunction as they had not appeared before the court to have their rights adjudicated, but crafting an injunction that encompassed "successors in interest" to or persons "in active concert" with the named parties). While a party need not intend to violate an injunction to be found in contempt, non-parties may be found in contempt only if they are aware of the injunction and know that their acts, made in concert with an enjoined party, violate the injunction. *Id.* at 1353. That is, the non-party must know both that the acts are proscribed and that the person(s) with whom they are acting are subject to the injunction. *Id.* at 1353-54.

### 3.8.3 Modification

Modification of a PI in a patent case may be necessary to address new facts or circumstances. For example, an enjoined accused infringer may place a new product on the market through which it has attempted, but failed, to design around a patent-in-suit. In such a case, the court may modify its PI to include the manufacture and sale of the new product in the scope of enjoined actions. See *SEB S.A. v. Montgomery Ward & Co.*, 137 F. Supp. 2d 285, 287 (S.D.N.Y. 2001) ("Finding that the modified fryer infringes the '312 Patent by equivalences, this Court grants SEB further injunction relief . . ."). Consideration of the motion for modification re-

quires analysis of the same factors as are required for initial grant of the PI. *See id.* at 287-91 The objective in modifying the injunction should be to maintain the status quo. *See id.* (“Enjoining the sale of the modified fryer will restore the status quo.”) (citing *Atlas Powder Co. v. Ireco Chems.*, 773 F.2d 1230, 1231 (Fed. Cir. 1985)). Courts may also modify PI orders to encompass additional potentially infringing products that come to light during discovery, include newly issued patents, or remove expired patents.

### 3.9 Appellate Review

A district court’s decision on a motion for preliminary injunction is usually immediately appealable, whether the decision is to grant or deny an injunction. 28 U.S.C. § 1292(a)(1).<sup>5</sup> As an abstract principle, the grant or denial of a preliminary injunction is a procedural issue not unique to the exclusive jurisdiction of the Federal Circuit. *Texas Instruments, Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1327 (Fed. Cir. 2000). When reviewing “procedural matters not unique to the areas that are exclusively assigned to the Federal Circuit,” the Federal Circuit generally applies the procedural law of the regional circuit in which the case originated. *Id.* (quoting *Nat’l Presto Indus., Inc. v. West Bend Co.*, 76 F.3d 1185, 1188 n.2 (Fed. Cir. 1996)). However, Federal Circuit precedent applies “to uniformly deal with procedural matters arising from substantive issues in areas of law within the unique jurisdiction of this circuit”—such as the grant or denial of a preliminary injunction in a patent case. *Id.*

“A decision to grant or deny a preliminary injunction pursuant to 35 U.S.C. § 283 is within the sound discretion of the district court,” reviewed for abuse of discretion. *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1374 (Fed. Cir. 2006). “[A] decision granting a preliminary injunction will be overturned on appeal only if it is established ‘that the court made a clear error of judgment in weighing relevant factors or exercised its discretion based upon an error of law or clearly erroneous factual findings.’” *Id.* (quoting *Genentech, Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1364 (Fed. Cir. 1997)). However, to the extent a district court’s decision is based upon an issue of law, that issue is reviewed *de novo*. *Id.* Such issues include preliminary claim constructions and obviousness determinations. *Oakley, Inc. v. Sunglass Hut Int’l*, 316 F.3d 1331, 1339 (Fed. Cir. 2003).

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5. A decision to grant or deny a TRO is not usually appealable. Fed. R. Civ. P. 65; *Nikken USA, Inc. v. Robinson-May, Inc.*, 1999 U.S. App. LEXIS 31925 (Fed. Cir. Oct. 25, 1999) (unpublished case).

### 3.9.1 Writ Review

Instead of appealing, a party may seek a writ of mandamus from the Federal Circuit ordering imposition or dissolution of a preliminary injunction. “The remedy of mandamus is available only in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power. A party seeking a writ bears the burden of proving that it has no other means of attaining the relief desired, and that the right to issuance of the writ is clear and indisputable.” *Razor USA LLC v. ASA Prods., Inc.*, 2000 U.S. App. LEXIS 33182, at \*4-5 (Fed. Cir. Nov. 22, 2000) (unpublished opinion) (citations omitted). Accordingly, a party dissatisfied with the outcome on a motion for preliminary injunction should first seek to stay the result and file a notice of appeal. *In re Lumenis, Inc.*, 89 F. App’x 255, 256 (Fed. Cir. 2004) (“The proper procedure for seeking to stay or vacate an injunction is to file a notice of appeal and a motion in the district court for a stay of the injunction, pending appeal.”) (unpublished opinion).

### 3.9.2 Stays

A party subjected to a PI may ask the district court to stay the injunction pending appeal. *See Razor USA LLC v. ASA Prods.*, 2000 U.S. App. LEXIS 33182, 4-5 (Fed. Cir. Nov. 22, 2000) (unpublished opinion). “While an appeal is pending . . . from an order . . . that grants, dissolves or denies an injunction, the court may suspend, [or] modify” the injunction. Fed. R. Civ. P. 62(c). Whether to issue a stay of enforcement of a preliminary injunction is within the sound discretion of the district court. *Abbott Labs. v. Sandoz, Inc.*, 500 F. Supp. 2d 846, 849 (N.D. Ill. 2007) (citing Fed. R. Civ. P. 62(c)).

“To obtain a stay, pending appeal, a movant must establish a strong likelihood of success on the merits [of the appeal] or, failing that, nonetheless demonstrate a substantial case on the merits provided that the harm factors militate in its favor.” *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 222 F. App’x 970, 971-72 (Fed. Cir. 2007) (citing *Hilton v. Braunskill*, 481 U.S. 770, 778 (1987)). In deciding whether to grant a stay, pending appeal, the court weighs four factors: “(1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay; (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and (4) where the public interest lies.” *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 897 F.2d 511, 512 (Fed. Cir. 1990) (quoting *Hilton v. Braunskill*, 481 U.S. 770, 776 (1987)).

As with preliminary injunction determinations, courts apply a flexible approach: “the more likely the plaintiff is to win, the less heavily need the balance of harms weigh in his favor; the less likely he is to win, the more need it weigh in his favor.” *Id.* (quoting *Roland Mach. Co. v. Dresser Indus., Inc.*, 749 F.2d 380, 387-88

(7th Cir. 1984)). “Thus, the four factors can effectively be merged and a sliding scale approach is utilized, which states: ‘in considering whether to grant a stay pending appeal, this court assesses movant’s chances for success on appeal and weighs the equities as they affect the parties and the public.’” *Honeywell Int’l, Inc. v. Universal Avionics Sys. Corp.*, 397 F. Supp. 2d 537, 548 (D. Del. 2005) (quoting *Standard Havens*, 897 F.2d at 513); see also *E. I. du Pont de Nemours & Co. v. Phillips Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987).

For a district court that has weighed the equitable factors and issued a preliminary injunction, it may seem unlikely that a consideration of quite similar factors could lead to a decision to stay the injunction. Changed legal or factual circumstances can, of course, change the calculus. For example, in *Standard Havens*, the Federal Circuit stayed an injunction in part because, after the trial court had entered the injunction, the Patent Office rejected all the infringed patent claims in a Director-initiated reexamination. 897 F.2d at 514. Other examples could include actual or potentially imminent substantial changes in governing patent law, such as the Supreme Court or the Federal Circuit en banc deciding to take up the “next” *Festo*, *Phillips*, or *eBay* case.

### 3.10 Enforcement

A party subject to an injunction will often attempt to modify its product to avoid the patent, that is, to “design around” the patent. Parties may dispute whether the redesigned product still infringes. In such cases, the patent holder will often return to the court, seeking a finding that the infringer is in contempt for having violated the injunction and an order enjoining production and sale of the redesigned product. “[A] judgment of contempt against an enjoined party for violation of an injunction against patent infringement by the making, using or selling of a modified device [requires] a finding that the modified device falls within the admitted or adjudicated scope of the claims and is, therefore, an infringement.” *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530 (Fed. Cir. 1985). Accordingly,

[b]efore entering a finding of contempt of an injunction in a patent infringement case, a district court must address two separate questions. The first is whether a contempt hearing is an appropriate forum in which to determine whether a redesigned device infringes, or whether the issue of infringement should be resolved in a separate infringement action. That decision turns on a comparison between the original infringing product and the redesigned device. If the differences are such that “substantial open issues” of infringement are raised by the new device, then contempt proceedings are inappropriate. If contempt proceedings are appropriate, the second question the district court must resolve is whether the new accused device infringes the claims of the patent. Within those

general constraints, the district court has broad discretion to determine how best to enforce its injunctive decrees.

*Additive Controls & Measurement Sys., Inc. v. Flowdata, Inc.*, 154 F.3d 1345, 1349 (Fed. Cir. 1998) (citing *KSM*, 776 F.2d at 1530-32) (internal citations omitted).

Because expert testimony is often required to resolve the question of whether a redesign (or “workaround”) still infringes, the Federal Circuit has advised that contempt proceedings are usually inappropriate as the mechanism to address adequacy of the design-around effort. *Id.* at 1349-50 (“[O]ur case law suggests that the need for expert testimony counsels against the use of contempt proceedings to try infringement . . .”); *see also KSM*, 776 F.2d at 1530 (“[P]roceedings by way of contempt should not go forward if there is more than a “colorable difference” in the accused and adjudged devices.”). However, some cases are not so close. Where a redesign is found to be a “mere colorable variation” that raises “no substantial open question of infringement,” a contempt proceeding may be adequate. *Additive Controls*, 154 F.3d at 1349 (affirming district court’s resolution of redesign dispute through contempt proceeding and explaining that “the district court satisfied the procedural requirements of *KSM* by separately analyzing the questions whether contempt proceedings were appropriate and whether the redesigned device infringed the patent”).

## **Appendix 3.1**

### **Template for Order Granting a Preliminary Injunction**

#### **A. Introduction and Background**

Describe the parties, patents and technology at issue. Include relevant excerpts from the patents in suit.

#### **B. Claim Construction**

Perform preliminary construction of key claim terms. Include any intrinsic or extrinsic evidence relied upon for the preliminary construction.

#### **C. Likelihood of Success on the Merits**

##### **1. Infringement**

Analyze whether the accused devices have every element of any asserted claim under the court's construction.

##### **2. Validity**

Analyze asserted invalidity contentions.

##### **3. Enforceability**

Analyze asserted inequitable conduct arguments and/or other unenforceability arguments.

##### **4. Conclusion**

Decide whether movant has shown it will likely prevail in showing infringement and in countering opponent's invalidity and/or unenforceability arguments.

#### **D. Irreparable Harm**

Given that the status of the presumption of irreparable harm is presently uncertain, a court's order granting a PI should include analysis of this factor beyond a recitation of the presumption.

#### **E. Balance of Harms**

#### **F. Public Interest**

#### **G. Scope of Injunction**

#### **H. Amount of Bond**

## Chapter 4

### Discovery

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- 4.1 Controlling Law and Standard of Review
  - 4.2 Scope of Patent Discovery
    - 4.2.1 Initial Disclosures
    - 4.2.2 Requests for Production of Documents
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Discovery in patent cases can be exhaustive and exhausting for a variety of structural reasons. First, patent claims and defenses are commonly broad, justifying deep inquiry into product development and financial records. This aspect is only magnified by the emerging emphasis on electronic discovery. Not surprisingly, many technology companies make extensive use of digital technology. Second, patent litigation comes freighted with special issues such as willfulness and inequitable conduct, where concerns over privilege and work product complicate these already difficult matters. Third, the potentially consequential but unpredictable outcome—large damage awards, the possibility of an injunction—leads counsel to demand every piece of data and sometimes to avoid compromise in discovery disputes.

Discovery in patent cases should be managed carefully to promote effective dispute resolution. This chapter reviews the typical categories of information sought, explains the forces underlying discovery controversies, and notes recent developments in and approaches to electronic discovery. We examine most common points of dispute and analyze ways of resolving them. We conclude by discussing the most common discovery motions, with particular emphasis on the court's range of discretion and suggested best practices for resolving disagreements.

## 4.1 Controlling Law and Standard of Review

Where issues of patent law control disposition of a discovery dispute, Federal Circuit law will apply. *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999). But in the vast majority of discovery matters, courts should rely on the decisions of their regional circuit interpreting the Federal Rules of Civil Procedure. As in other types of federal civil litigation, discovery rulings are reviewed under an abuse of discretion standard.

## 4.2 Scope of Patent Discovery

Issues unique to patent cases will drive much of the discovery effort. For example, a patentee will typically seek information about development of the accused product or process, marketing and sales by the defendant, including cost and profit margins, and license fees paid by the defendant for comparable technology rights. These categories typically include highly confidential commercial and technical information, kept as trade secrets by the litigants and third parties. The sensitive nature of the information can lead to discovery disputes. Moreover, because patentees usually seek to prove that infringement was willful, they will inquire into defendants' knowledge of the patents, efforts to "design around" them, and opinions of counsel about infringement (if the defendants decide to assert advice of counsel as a defense to a willfulness charge; see §§ 4.6.7-4.6.9).

An accused infringer in turn will focus on trying to invalidate the patent, gathering information about conception and reduction to practice of the invention, and pre-filing offers for sale. Inequitable conduct claims motivate inquiry into the record of prosecution of the patent. Finally, in the search for prior art, the defense may pursue discovery from third parties, often located in other districts or countries.

Thus patent litigation discovery tends to be broad and demanding, touches highly sensitive information, and is extremely expensive. This can lead to highly contentious, unproductive friction between counsel. To assist courts in de-escalating these tensions, we begin with some general suggestions for management of the basic discovery tools in patent litigation.

### 4.2.1 Initial Disclosures

Rule 26 disclosures present few issues unique to patent cases. At the resulting Rule 16(b) conference, competing proposals may be made regarding the number of interrogatories and depositions. Keep in mind that patent cases in general require more extensive use of discovery tools; for example, it is the unusual patent case that results in fewer than ten depositions.

As noted in Chapter 2, many districts have enacted special local rules for patent cases that require early disclosure by the patentee of infringement contentions, and by the defendant of invalidity contentions. This approach, which can be adopted and adapted by other courts for particular cases, has the advantage of collapsing into one procedure a major aspect of the “after you; no, after you” discovery impasse that otherwise occurs in patent litigation. That is not to say that requiring exchange of contentions is a panacea; the parties frequently contest the specificity of the other side’s disclosure, for example. But it focuses the parties on the core issues, in particular on preparation for claim construction.

Rule 26(a)(1)(C) requires disclosure of a computation of any category of damages claimed, the documents or other evidence supporting the computation, and materials bearing on the nature and extent of injuries suffered. However, in patent cases, a plaintiff will rarely have access to this information in advance of discovery. As discussed in § 11.4.3.2, patent damages are based on profits made by an infringer or, at a minimum, the reasonable royalty that the infringer would have paid to license the patented technology. Thus, much of the evidence as to the patentee’s damages resides in the hands of the accused infringer. Accordingly, initial disclosures as to damages typically yield only a rough computation and necessarily defer disclosure of documents and other evidence to a date after discovery has been completed. In the past, such minimal disclosures were not normally considered to be deficient.

Recently, however, Courts have begun requiring the parties to provide more specificity earlier in the case. As discussed more fully in Section 2.6.4, *supra*, an early disclosure of damages theories can, among other things, help promote settlement and can flag potential legal issues that may prompt early Daubert motions and early motions for summary judgment. Furthermore, the identification of specific damages theories early in the case may help identify areas for discovery. *See, e.g.*, §4.6.10.1. Such early disclosures are increasingly important, as developing damages-law standards and heightened judicial scrutiny of damages theories and expert testimony have led in recent years to an increase in the volume of challenges to damages theories and evidence that are raised, invariably, right before trial. Of course, as discussed in Section 2.6.4., requiring the patentee to provide an early damages disclosure is likely to be effective only if the accused infringer is also required to provide an even earlier disclosure of damages-related information. This ensures that the patentee’s disclosure can take into account information held only by the accused infringer. By requiring parties to exchange damages

contentions, and perhaps by taking other measures, such as a shortened damages-related discovery period aimed at accelerating timelines for damages-related issues, courts can frontload more of these disputes and thereby provide themselves with a wider range of practical options for resolving them.

#### **4.2.2 Requests for Production of Documents**

Reflecting the broad scope of activities relevant to patent cases, it is common for litigants to propound 100 or more document requests. Document requests typically reach into nearly every facet of a party's business, including product research and development, customer service and support, sales, marketing, accounting, and legal affairs. Indeed, for a smaller company that offers a single product line accused of infringing a patent, the document requests may well encompass the vast majority of records ever created in the course of the company's business. The documents must be collected in hard copy form from custodians in nearly every department and in electronic form from both the company's active computer files and all readily accessible archives.

The costs of document production include legal fees for collecting and processing the documents and reviewing them both for privilege and to provide confidentiality designations to protect the party's trade secrets and other confidential information. These fees can rapidly escalate into the millions of dollars for medium to large companies.

Document production also disrupts businesses. It may take several months for counsel working with document custodians and literally hundreds of temporary employees to identify responsive documents. Hard copy documents must then be removed from the custodians for a period of time for copying. Electronic documents in the company's active computer system may be more readily copied once they are identified, but the effort to pinpoint the relevant documents and copy them distracts the company's information technology (IT) personnel from their ordinary duties. Documents in a company's archives require substantially more time from IT personnel. Identification of responsive documents first requires retrieval of archival tapes or drives, loading the drives, possibly reading the drives using obsolete software, and often searching for responsive documents in file systems created by personnel no longer at the company. In addition, companies often have stores of electronic information that are not centrally maintained—laptop hard drives, for example—that may be difficult to locate or may have been lost before litigation began. An inventor's laptop may have been provisioned to another employee when the inventor upgraded to a new machine; yet relevant data may still exist on a currently unused portion of the laptop's hard drive, unknown to anyone. It can be very expensive in absolute terms to find and produce such data, and the ultimate value of the data to the litigation may not justify that cost.

The difference in patent litigants' cost/benefit positions often spurs discovery disputes.

In addition, patent litigation often requires the production of technical information that is highly sensitive and difficult to reproduce for production. Some technical information, such as semiconductor schematics, can only be reviewed in native format using proprietary software that is itself valuable and sensitive. Such information may need to be reviewed on-site on the producing parties' computers. Computer source code is also highly sensitive and may need to be reviewed in native format. Often it is produced on a stand-alone computer, unconnected to the internet and in a secure location, and with limitations imposed on the number of pages that may be printed.

Financial information related to damages is also viewed as highly sensitive and can be difficult to produce. Often in lieu of the underlying financial documents (such as numerous invoices), companies produce reports from their financial databases, and must agree on which categories of information will be produced from these databases, or come to terms with the fact that some categories of information cannot be generated by such systems.

Third party confidential documents, such as patent licenses, are also usually relevant to the damages case, and third party technical documents can be relevant to the liability case (for example, if a third party makes the accused chip). The production of these documents often requires permission from third parties, the negotiation of protective orders, or even compulsory process and motions practice.

In short, document production can be extremely painful and costly for patent litigants. It is the unusual patent case that does not generate multiple motions to compel and/or motions for protective orders arising out of the document requests. Courts can facilitate more effective document collection processes by:

- reviewing the parties' electronic discovery plan at the case management conference as required by Rule 26.
- Requiring the parties to meet and confer to narrow document requests and to document their efforts in any motion to compel.
- Requiring the parties to file a letter brief seeking permission to file a motion to compel or requiring a pre-motion telephonic conference with the Court or with a magistrate or special master prior to the filing of a motion to compel.
- Placing a limitation on the number of document requests permitted per side.

### **4.2.3 Interrogatories**

The Federal Rules of Civil Procedure have a default 25-interrogatory limit per party. In their joint case management statement, parties often make a joint request

for additional interrogatories. These requests should typically be granted as the scope of subject matter in patent litigation is quite broad. Because patent litigation often includes multiple plaintiffs and defendants, however, courts should consider imposing an interrogatory limit per side, rather than per party.

The case-focusing benefit of interrogatories can often be swamped by premature use of contention interrogatories that waste the parties' efforts before meaningful responses can be developed based on completion of fact and expert discovery. See, e.g., *In re Convergent Techs. Sec. Litig.*, 108 F.R.D. 328, 337 (N.D. Cal. 1985) (observing that "there is substantial reason to believe that the *early* knee jerk filing of sets of contention interrogatories that systematically track all the allegations in an opposing party's pleadings is a serious form of discovery abuse. Such comprehensive sets of contention interrogatories can be almost mindlessly generated, can be used to impose great burdens on opponents, and can generate a great deal of counterproductive friction between parties and counsel."). Conversely, however, appropriately-timed contention interrogatories (i.e., after a meaningful opportunity for discovery) can help streamline discovery and flag potential disputes early enough to seek judicial resolution well before trial. This is particularly true in districts that have not adopted patent local rules requiring exchanges of infringement and invalidity contentions. In addition, contention interrogatories provide another vehicle for courts to require parties to disclose their damages theories early enough in the case that fundamental disputes about the viability or legality of damages theories are not relegated to the eve of trial (i.e., during fact discovery) – provided, of course, that responses are not required so early that the answering party has not yet obtained damages-related fact discovery from the opposing party. As discussed further below, answering contention interrogatories should typically be postponed until the late stages of fact discovery. The parties also should be given leave to supplement their contention interrogatory responses at a date after the completion of expert discovery. A court can prevent the all-too-common disputes as to when contention interrogatories should be answered by setting a date in the case management order after close of fact discovery for the exchange of responses to these interrogatories. Section 4.6.3 discusses motion practice relating to contention interrogatories.

#### **4.2.4 Depositions**

Fed. R. Civ. P. 30(a)(2)(A) limits to ten the number of depositions that may be taken by a party without leave of court. Again, however, as a result of the breadth of discovery in patent cases, and in spite of the more extensive mandatory disclosure requirements imposed by Patent Local Rules, litigants often seek to take in excess of twenty depositions to develop their case, and may legitimately need more than the ten depositions allowed under Rule 30. The court should strongly encourage the parties to reach mutual agreement in their Rule 26(f) proposed dis-

covery plan regarding the number of depositions, or cumulative hours, that will be allowed without court order. Absent agreement, a limit should be set in order to promote the parties' efficient use of the depositions. A limit of fifteen to twenty depositions per side, or about 100 hours, typically provides the parties with plenty of opportunity to cover the major issues in a case. Many judges set significantly lower presumptive limits (e.g., 40 hours per side), allowing the parties to petition for more time where justified. The most common practice is to apply these limits to fact discovery, since expert depositions tend to be self-regulating and don't involve inconvenience to the parties themselves.

The one-person/one-day limitation of Rule 30(d)(1) should presumptively apply in the absence of a showing of real need for more time (for example, if an inventor also has a role in the business). The 30(b)(6) depositions of parties in patent litigation are, however, often critical to the case. Typically, these depositions may encompass highly technical and/or detailed information spanning the course of years or even decades. It is often effective to allow 30(b)(6) depositions to continue for more than a single day. However, to prevent runaway 30(b)(6) depositions, the court can also require that each day of 30(b)(6) deposition counts as a separate deposition for purposes of the per-side deposition limit.

Often, in noticing a 30(b)(6) deposition, a party will seek testimony on its opponent's contentions on issues of infringement and invalidity. Courts are split as to whether such information can be gathered by deposition or is best left to interrogatory responses. *Compare B & H Mfg., Inc. v. Foster-Forbes Glass Co.*, 23 U.S.P.Q.2d 1397 (N.D. Ind. 1992), with *McCormick-Morgan, Inc. v. Teledyne Indus., Inc.*, 21 U.S.P.Q.2d 1412 (N.D. Cal. 1991). Given that a party's contentions on infringement and invalidity issues are often in flux until after claim construction and expert discovery, objections to depositions on these issues are usually well-founded. The better course of action is to address a party's contentions through interrogatory responses while limiting deposition testimony to factual matters underlying a party's contentions.

#### **4.2.5 Protective Orders—Handling of Confidential Documents**

As noted in § 2.1.2, most patent cases involve important trade secrets requiring the early entry of a protective order. As we explored there, many districts have developed default protective orders that go into effect immediately upon the filing of a patent case or soon thereafter upon a motion of a party. These rules enable the discovery process to begin promptly.

The default protective orders contained in Appendix 2.2 provide a range of balanced alternatives for protecting trade secrets while enabling discovery to proceed. Most sophisticated parties will typically want to customize the protective order and will generally come to agreement relatively quickly on an agreement

best tailored to their particular circumstances. The expectation that the court will enter a default protective order often facilitates consensus among the parties.

The following sections address common disputes that arise with respect to protective orders: (1) over-designation of confidential documents; (2) claw-back provisions; and (3) prosecution bars.

#### **4.2.5.1 Over-Designation of Confidential Documents**

Disputes can arise over restrictions on access by particular party representatives. For example, one party may wish to have certain technical information available to an employed engineer or scientist, and to provide financial data to one of its financial officers. Exercising discretion in these disputes will require the court to weigh several considerations, such as the current sensitivity of the data, the difficulty of detecting any misuse, and the level of direct competition that might be put at risk. In addition, the court may want to consider practical issues such as the number of non-lawyers that are proposed to have access and the administrative challenge of keeping track of who has had access to what information.

On the other hand, parties often over-designate confidential information – that is, documents that do not require protection are designated as confidential or highly confidential. This sometimes occurs because the producing party faces a significant challenge in reviewing hundreds of thousands of pages of documents not just for privilege but also to make a judgment call on the level of appropriate access. In an effort to be cost-effective and efficient, parties often “block designate” files from a particular source as highly confidential. For example, files collected from a lead research engineer’s file labeled “Strategy for Development of New XYZ Product” might reasonably be assumed to be of a highly confidential nature and might be block designated as such. Inevitably, however, this will result in some over-designation, such as for articles included in the files or e-mails setting up meetings. In such cases, de-designation of specific documents upon reasonable request of the receiving party is the best and simplest solution.

In cases where designation disputes arise, parties should be strongly encouraged to resolve them without court intervention. Requiring a motion to focus on particular documents is one way to prompt parties to reach their own solution. It is the rare document that absolutely must be provided to an executive of a party’s adversary (not just outside counsel) in order for that executive to make a decision about settlement, and yet would cause irreparable harm to the producing party if its adversary’s executive had access to it. If parties are required to justify their positions on a document-by-document basis, one side or the other will often see that the dispute does not warrant court intervention. If the parties persist, referral to a special master or magistrate judge, depending on local practice, may be appropriate.

ate. In extreme cases, a party's overzealous confidentiality designations may warrant sanctions. *See In re Violation of Rule 28(d)*, 635 F.3d 1352, 1355-56 (Fed. Cir. 2011) (sanctioning parties for, in briefing before the Federal Circuit, having designated as confidential case citations, legal arguments, and quotations from publicly-available opinions; noting public policy of access to court proceedings).

#### 4.2.5.2 Claw-Back Provisions For Privileged Documents

Another common consequence of the voluminous document discovery in patent litigation is inadvertent production of documents protected by attorney-client privilege and/or work-product doctrine. Such inadvertent production may occur despite diligent efforts by a party to prevent it. For example, large teams of attorneys, including contract attorneys unfamiliar with the actors in a case, may be used to complete document processing in a timely manner. In such cases, a document may be inadvertently produced because the attorney reviewing it did not understand that it was generated by or at the direction of a party's counsel.

Fed. R. Civ. P. 26(b)(5)(B) addresses this situation. A party that believes it has unintentionally produced privileged information may give notice to the receiving party, who must then “promptly return, sequester, or destroy the specified information and any copies it has” and “take reasonable steps to retrieve” any information it has already distributed or disclosed to others. Fed. R. Civ. P. 26(b)(5)(B). Until the claim of inadvertent production is resolved, the producing party is required to preserve the information and the receiving party may not use or disclose it.

Courts should consider including in their protective orders a so-called claw-back provision, which provides some procedural structure to the substantive command of Rule 26. Such provisions often require that a receiving party promptly return or destroy, rather than sequester, allegedly inadvertently produced privileged documents. If a receiving party disputes the privileged nature of the document, it may then make a motion to compel its production.

Of course, Rule 26(b)(5)(B) does not change the substantive law that determines whether privilege was waived by the production. *See* Fed. R. Civ. P. 26(b)(5) (2006 advisory committee notes). Although the principles by which courts decide questions of inadvertent waiver may vary from circuit to circuit, *compare United States ex. rel. Bagley v. TRW, Inc.*, 204 F.R.D. 170, 177 (C.D. Cal. 2001), *with Helman vs. Murry's Steaks, Inc.*, 728 F. Supp. 1099, 1104 (D. Del. 1990), the Advisory Committee reminds courts that they may include parties' agreements regarding issues of privilege and waiver in an order under Rule 16(b)(6), and that such agreements and orders may be considered when deciding whether a waiver has occurred in a particular instance. Fed. R. Civ. P. 26(b)(5) (2006 advisory committee notes).

#### 4.2.5.3 Prosecution Bars

Sometimes a party's litigation counsel also represented—and continues to represent—that party in preparing and prosecuting patent applications in the PTO. In such cases, a protective order that restricts access to sensitive documents to “litigation counsel” offers faint protection to the other party, whose sensitive information might be used—unintentionally—to the competitor's advantage in prosecuting on-going patent applications. To address this concern, courts often include in the protective order a “prosecution bar” that prohibits any attorney prosecuting patents for a party from viewing the confidential information of the party's opponents. Similarly, courts often bar any attorney who has viewed a party's confidential information from preparing or prosecuting patent applications that use or otherwise benefit from the attorney's having viewed the information or from prosecuting applications for a period of years that are related to the same technological subject matter of the patent dispute. Section 4.6.9 discusses motion practice relating to prosecution bars.

The Federal Circuit recently addressed the standard that lower courts should apply in determining when an unacceptable risk of inadvertent disclosure of highly confidential information arises. In doing so the Federal Circuit returned to the guiding principles of prosecution bars enunciated in *U.S. Steel Corp. v. United States*, 730 F. 2d 1465 (Fed. Cir. 1984).

In *In re Deutsche Bank*, 605 F.3d 1373 (Fed. Cir. 2010), the Federal Circuit considered whether a trial counsel who also routinely prosecuted patent applications for his client should be exempted from a prosecution bar. The lower court permitted the lead trial counsel to view highly confidential documents and exempted him from the prosecution bar. The Federal Circuit held that the parties must make specific showings regarding the scope of the bar and any exceptions to be made to the bar. The party seeking imposition of the bar must show a nexus between the scope of the bar and the risk of inadvertent disclosure. The party seeking an exemption from the bar must show on a counsel-by-counsel basis: (1) that counsel's representation of the client in matters before the PTO does not and is not likely to implicate competitive decision making related to the subject matter of the litigation so as to give rise to a risk of inadvertent use of confidential information learned in litigation, and (2) that the potential injury to the moving party from restrictions imposed on its choice of litigation and prosecution counsel outweighs the potential injury to the opposing party caused by such inadvertent use. 605 F.3d at 1381.

Recently, several courts have followed the practice of refusing to extend prosecution bars to prosecution activities during reexamination proceedings. *Document Generation Corp. v. Allscripts, LLC et al.*, 2009 U.S. Dist. LEXIS 52874 (E.D.Tx. 2009); *Kenexa Brassring Inc. v. Taleo Corp.*, U.S. Dist. LEXIS 12002 (D. Del. 2009). These courts reason that reexamination does not pose the same risks as other types of prosecution because patent claims may only be narrowed during

reexamination. These decisions may not reflect the realities of some reexamination practices. Although patent claims may not be broadened during reexamination proceedings, an attorney with knowledge of a competitor's highly sensitive information may use that information (perhaps inadvertently) to fashion the narrower claims in a way to avoid key prior art while capturing a competitor's product (or future product). Thus, as this example illustrates, reexamination proceedings are not immune from the pitfalls of competitive decision making inherent in patent prosecution. In light of the Federal Circuit's *In re Deutsche Bank* ruling, a more thorough approach for determining whether reexamination activities should be included within a prosecution bar would be to apply the standard set forth by the Federal Circuit for each attorney who might participate in the reexamination activity.

#### 4.2.6 Foreign Discovery Issues

It is becoming increasingly common for foreign discovery issues to arise in patent litigation. In part this is because of globalization—not only manufacturing but also research and development are now increasingly performed abroad—and in part this is because the American patent system is perceived to offer advantages that other jurisdictions do not, including strong protection for intellectual property and the availability of broad discovery.

Of course, when a foreign entity is a party to the litigation, discovery may be had through Fed. R. Civ. P. 33-36, just as with any other party. But frequently the party will be a subsidiary of a foreign entity that is not a party, perhaps because of jurisdictional issues. The issue then arises of whether the documents, information, and witnesses of the foreign parent are within the “possession, custody, and control” of the subsidiary. Under the “control” prong, courts may find that documents in the possession of a foreign parent, subsidiary, or affiliate company are in the “control” of the party. For example, a party has been found to “control” the documents at issue when it can ordinarily obtain them in the usual course of its business from the foreign entity. *See, e.g., Alcan Int'l Ltd. v. S.A. Day Mfg. Co., Inc.*, 176 F.R.D. 75, 79 (W.D.N.Y. 1996); *Afros S.P.A. v. Krauss-Maffei Corp.*, 113 F.R.D. 127, 129-32 (D. Del. 1986).

If a foreign entity is not a party, discovery may still be sought through a letter rogatory, or a letter of request to a foreign or international tribunal, under 28 U.S.C. § 1781. International treaties, such as the Hague Convention on Taking of Evidence Abroad in Civil or Commercial Matters, or the Inter-American Convention on Letters Rogatory, provide a procedure whereby the district court can request the assistance of a foreign tribunal. Not every country is a treaty signatory and many signatory countries have taken advantage of the ability to “opt-out” of the requirement to provide certain types of discovery. Article 23 of the Hague Convention permits signatory countries to make a declaration or a reservation

that they “will not execute Letters of Request issued for the purpose of obtaining pre-trial discovery of documents as known in Common Law countries.”

The Federal Rules and treaties such as the Hague Convention are not mutually exclusive, but courts should be mindful of principles of international comity and take a supervisory role in foreign discovery disputes. See *Société Nationale Industrielle Aerospatiale v. United States Dist. Ct.*, 482 U.S. 522, 546 (1987). A number of countries (e.g., the United Kingdom, Canada, and France) have enacted “blocking” statutes, which prohibit compliance with foreign discovery orders for the production of evidence located within the blocking state’s territory. Blocking statutes often include a penal sanction for violations. Nevertheless, “[i]t is well settled that [foreign “blocking”] statutes do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence even though the act of production may violate that statute.” *Id.* at 544 n.29. Accordingly, in considering whether to compel discovery, courts must balance a variety of factors, including whether compliance with the request would undermine important interests of the state where the information is located. *Id.* at 544 n.28.

### 4.3 Claim Construction and Discovery

Since claim construction is considered an issue of law and is focused on the fixed, textual language of the patent in suit, one might reasonably ask what discovery can possibly have to do with it. There are two principal answers. First, as the Supreme Court pointed out in the *Markman* decision, claim construction mixes law with fact, the latter consisting of the perspective of one of ordinary skill in the art. In order to decide how such a person would view the claims in light of the intrinsic evidence, the court has to determine the point of view of that person. Discovery can aid in that process. For example, depositions of inventors—whose views on what claim terms mean are of attenuated relevance—may be quite helpful to the process of claim construction by illuminating relevant aspects of the prosecution history or by describing the technology or the state of the art. *Voice Techs. Group, Inc. v. VMC Sys., Inc.*, 164 F.3d 605, 615 (Fed. Cir. 1999).

Second, discovery can reveal the parties’ contentions regarding infringement and validity, informing the choice of claim terms requiring construction. This is very important as a practical matter, since many patents contain dozens of claims with hundreds of words or phrases that could potentially be candidates for interpretation. By allowing the parties to conduct sufficient discovery to understand what products are accused of infringement (and why) and what prior art might be asserted against the patent, the court can effectively reduce the number of disputed claim terms that would otherwise be presented for interpretation.

In light of the special utility of this early discovery, courts might consider allowing the parties to phase their discovery efforts, for example by allowing the de-

pendant to take a preliminary deposition of the inventor in aid of claim construction, reserving additional time for other issues.

## 4.4 Electronic Discovery

A significant portion of discovery in patent litigation is electronic discovery. Although electronic discovery in patent litigation presents similar issues as electronic discovery in other complex litigation, certain unique challenges arise more frequently in patent cases.

### 4.4.1 Overview of Electronic Discovery

In 2006 the Federal Rules of Civil Procedure were amended to provide rules for discovery of electronically stored information (ESI). These amendments modified Rules 16, 26, 33, 34, 37, and 45 in an effort to clarify the law on electronic discovery. Although a complete analysis of all the Rules relating to electronic discovery is beyond the scope of this Section, it is beneficial to review some of the major features of electronic discovery.

The Federal Rules require consideration of electronic discovery at the beginning of a case. Pursuant to FRCP 26(f)(2) the parties must “discuss any issues about preserving discoverable information; and develop a proposed discovery plan.” The discovery plan produced under Rule 26 must address “any issues about disclosure or discovery of electronically stored information, including the form or forms in which it should be produced.” FRCP 26(f)(3)(C). Additionally, each party’s initial disclosures under rule 26(a) must identify any ESI that it intends to use to support its case.

The nature of ESI is such that some types of documents are more accessible than others. The *Zubulake* decision outlines five categories of discoverable electronic data in order of decreasing accessibility: (1) active, online data; (2) near-line data; (3) offline storage and archives; (4) backup tapes; and (5) erased, fragmented, or damaged data. *Zubulake v. UBS Warburg, LLC*, 217 F.R.D. 309 (S.D.N.Y. 2003). Inasmuch as the last 2 categories contain “inaccessible” data, classification of data can be important in cost-shifting analysis. Under the Federal Rules, ESI is presumptively not discoverable if it comes from a source that is “not reasonably accessible because of undue burden or cost.” In order to raise the presumption, the responding party to a discovery request must identify the sources that are “not reasonably accessible” that it will not search or produce. In response, the requesting party may challenge the designation by moving to compel, whereupon the burden shifts to the responding party to show that the information is not reasonably accessible. The court may then hold that the information is not reasonably accessible and so is presumptively not discoverable. Even if the requesting

party shows “good cause” to obtain production, the court may specify conditions on the production, such as cost-shifting.

The Seventh Circuit has adopted a pilot program for electronic discovery that, among other things, provides greater specificity on what categories of ESI are discoverable. Under this program, “deleted,” “slack,” “fragmented,” and “unallocated” data on hard drives, random access memory (RAM), on-line access data, and data in metadata fields that are frequently updated automatically is generally deemed not accessible. Additionally, other forms of ESI whose preservation requires extraordinary affirmative measures that are not utilized in the ordinary course of business are not accessible. See *7th Circuit Electronic Discovery Pilot Program*, available at <http://www.ilcd.uscourts.gov/Statement%20-%20Phase%20One.pdf>.

Spoliation is more complicated in the context of electronic discovery. Freezing corporate documents in the electronic age is difficult, if not impossible, and documents are often destroyed automatically by computer systems rather than at the instruction of a human being. Computer data is in an almost constant state of fluctuation, being altered, overwritten, and otherwise changed. Attempting to arrest this process could prove disastrous for many systems and/or result in enormous costs to the preserving party. Recognizing this fact, Rule 37 states that “Absent exceptional circumstances, a court may not impose sanctions under these rules on a party for failing to provide electronically stored information lost as a result of the routine, good-faith operation of an electronic information system.” This provision, while providing a safe harbor, does require good faith on the part of litigants. Thus, routine operations of data deletion may not be coopted to intentionally deprive the opposing party of docs believed to be relevant to the litigation and, in some circumstances, may need to be suspended during the litigation.

Furthermore, sanctions for spoliation in the context of electronic discovery are fraught with uncertainty. Indeed, there is no uniform standard governing when the duty to preserve commences, the scope of that duty, what conduct justifies sanctions, or the nature and severity of appropriate sanctions. In *Victor Stanley, Inc. v. Creative Pipe, Inc.*, the court provides a comprehensive table showing how each circuit handles these questions. *Victor Stanley, Inc. v. Creative Pipe, Inc.*, 269 F.R.D. 497, 542 (D. Md. 2010). A copy of this table is included as Appendix 4.1.

#### **4.4.2 Electronic Discovery in Patent Cases**

In principle, patent cases present the same electronic discovery issues as do other types of litigation. Document requests in patent cases typically call for enormous and costly exchanges of documents. This is not different from antitrust or employment discrimination litigation. But in practice, some factual situations in patent cases pose distinctive challenges.

First, in a patent case, relevant documents can often be much older than they are in other cases. Damages for past infringement can be sought even after a patent has expired—in such a case, documentation of the invention’s conception and reduction to practice can be more than twenty years old. Determination of a reasonable royalty is done at the time of first infringement, which likewise can reach back more than six years. Thus patent discovery is directed to a potentially larger and older set of documents, which can dramatically increase the complexity and costs.

Second, because they are often technology companies, parties in patent cases tend to have adopted new communication techniques earlier than others. As a result, they can have a greater percentage of critical records that are electronic instead of paper. Moreover, because they began using electronic communication programs earlier, the communication programs have been through more product cycles on average, which means more documents tend to be either lost or inaccessible. In general, the corporate e-mail systems that were used in the mid-1990s are no longer in use today, and resurrecting the systems to recover data can be prohibitively expensive. And an inventor’s computer may have been replaced or upgraded several times, losing some information each time.

Third, patent cases tend to involve a much higher burden of discovery than other cases. Patent cases typically involve high stakes, with companies risking entire product lines or the company itself. Discovery for patent cases can implicate the entire operations of companies, including design, manufacturing, marketing, sales, and more. Thus, the cost to comply with discovery requests can be quite high. This is especially salient in cases where patent holding companies that make no products (“non-practicing entities”) bring suit against companies making an allegedly infringing product. In these cases, the heavy burden of discovery is borne almost exclusively by the defendant and this asymmetry allows the plaintiff to use discovery as a tool to coerce a favorable settlement.

As an acknowledgement of the high costs and unique burdens of e-discovery in patent cases, the Federal Circuit Advisory Council recently convened an eDiscovery Committee, headed by Chief Judge Randall Rader. In November 2011, the Council adopted the Committee’s recommended *Model Order Regarding E-Discovery in Patent Cases*, reproduced here at Appendix 4.2 and available online at [http://www.cafc.uscourts.gov/images/stories/the-court/Ediscovery\\_Model\\_Order.pdf](http://www.cafc.uscourts.gov/images/stories/the-court/Ediscovery_Model_Order.pdf). The order attempts to streamline e-discovery and provides for a tiered approach under which parties exchange core documentation regarding the at-issue technology before producing any emails. Further, the Model Order limits email production requests to five custodians and five search terms. Litigants around the country have already begun to propose the order to district courts. Moreover, in March 2012, the Eastern District of Texas promulgated a model e-discovery order that sets guidelines for the collection and production of electronic data in patent cases and, for example, limits production

of email to eight custodians per party based on fifteen search terms per custodian, absent a court order. *See* E.D. Texas Local Rules, Appendix P. Given the current attention to reducing the cost and complexity of electronic discovery in patent cases, it is likely that other districts will evaluate similar ways of cabining electronic discovery in the years to come.

Although there is much wisdom in the effort mentioned above to reduce the costs of e-discovery, there is likely no one-size-fits-all solution and greater experience in managing the scope of electronic discovery will likely result in evolution of the specific guidelines discussed above. For example, in many cases, the most expensive ESI to collect is not e-mail, which is often stored on relatively accessible central servers, but rather contents of the computer hard drives of individual users, which must be copied or “imaged” one-by-one to collect and produce the users’ working documents. Parties could look to their FRCP 26(a) initial disclosures to determine whose computers should be imaged. As another example, courts are likely to face situations in which a witness whose electronic documents were not gathered for the a party’s production (i.e., the witness was not one of the designated custodians) is called by that party to testify at trial. Courts may adopt a general rule, for example requiring that the witness’s documents be produced in every case (as has the Eastern District of Texas), or address the situation where it arises to allow for a response tailored to the particular circumstances. Either way, courts will have to balance the equities carefully to ensure that parties have a fair opportunity to obtain discovery, but also that the exceptions to e-discovery management do not swallow the rule.

As technology improves, new search techniques based on a document’s relationship to other documents (such as having senders or recipients in common, being close in time, being stored in the same location, and the like) are beginning to supplant “search terms” that only select documents based on particular key words being present in a document. However they are done, parties can be encouraged to work together to test their searches to ensure that they are likely to discover relevant information. This can involve an iterative meet and confer process between the parties, whereby the party seeking documents proposes a set of search terms which are then tested by the producing party to determine whether the terms result in an unwieldy number of documents being produced such that the terms should be renegotiated.

Ultimately, because courts generally depend on the parties for the information needed to decide e-discovery-related disputes, courts must impress upon the parties and their counsel the need to educate themselves about their electronic stored information, so that they can effectively carry out their obligations under FRCP 26(f)(3)(C), resolve issues without judicial intervention to the greatest extent possible, and be prepared to provide the necessary context for the court to decide any contested issues.

#### 4.4.2.1 Spoliation in Patent Cases

Given the unique issues facing patent litigants in completing electronic discovery, spoliation issues—or at least accusations—often arise in patent cases. Parties may find it difficult to understand what documents they have; few have a central repository where all records, especially the oldest, may be found. Increasingly, these problems lead to spoliation motions by the party seeking discovery. A thorough understanding of the litigants’ technological challenges is key to determining whether spoliation has occurred. There is a difference, of course, between searching diligently for electronic records and not finding everything that used to exist, and only searching the most immediately accessible locations and ignoring the rest.

Spoliation depends critically upon the duty to preserve records. “A party can only be sanctioned for destroying evidence if it had a duty to preserve it.” *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212, 216 (S.D.N.Y.2003). The duty to preserve evidence begins when litigation is “pending or reasonably foreseeable.” *Silvestri v. General Motors Corp.*, 271 F.3d 583, 590 (4th Cir.2001). The Federal Circuit held in *Micron Technology, Inc. v. Rambus Inc.*, 645 F.3d 1311 (Fed. Cir. 2011) that Rambus engaged in spoliation of evidence because it continued to destroy documents after litigation became “reasonably foreseeable.” *Id.* at 1320-26. The court observed that “[w]hen litigation is ‘reasonably foreseeable’ is a flexible fact-specific standard that allows a district court to exercise the discretion necessary to confront the myriad factual situations inherent in the spoliation inquiry. *Fujitsu Ltd. v. Fed. Express Corp.*, 247 F.3d 423, 436 (2d Cir. 2001). This standard does not trigger the duty to preserve documents from the mere existence of a potential claim or the distant possibility of litigation. *See, e.g., Trask–Morton v. Motel 6 Operating L.P.*, 534 F.3d 672, 681–82 (7th Cir.2008). However, it is not so inflexible as to require that litigation be ‘imminent, or probable without significant contingencies . . . ’” *Id.* at 1320; *see also Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1336 (Fed. Cir. 2011).

#### 4.4.3 Issues with Specific File Types in Electronic Discovery

In electronic discovery, and particularly in patent cases, questions arise concerning unique file types. In patent cases, some file types may be proprietary to one party, or require a program that the other party does not have (for example, source code or semiconductor schematics). Although rule 34(b) requires that documents be produced in a “reasonably usable form”, there is little guidance as to what satisfies this requirement. Under both the Seventh Circuit pilot program, the parties must make a good faith effort to agree on a production format at the Rule 26(f) conference. If they are unable to resolve a production format issue, that issue should be raised before the court. Under this program, the requesting party

is responsible for the incremental cost of creating its copy of the requested information, and the parties are encouraged to discuss cost sharing for optical character recognition (OCR) or other upgrades of non-text-searchable electronic images. The Seventh Circuit program thus conforms to the existing case law that requires balancing the need of one party for the data in its requested form versus the hardship to the other to produce it. *See e.g., Zubulake*, 217 F.R.D. 309 (S.D.N.Y. 2003).

The District of Delaware also recently adopted default standards for handling electronic discovery. *See Default Standard for Discovery, Including Discovery of Electronically Stored Information* (“ESI”), District of Delaware, available at <http://www.ded.uscourts.gov/SLR/Misc/Electronic-Standard-for-Discovery.pdf>.

Like the Seventh Circuit program, Delaware’s standard includes a Rule 26(f) conference. *Id.* At the conference, the parties must discuss “issues, claims and defenses . . . that define the scope of discovery,” “technical information, and “the categories of ESI that should be preserved.” *Id.* The Delaware standard also provides that parties produce ESI and non-ESI as “text searchable image files (e.g., PDF or TIFF),” but must produce in native (or original) file format any “files not easily converted to image format, such as Excel and Access files.” In either case, parties must preserve the integrity of the underlying ESI (i.e., its formatting and metadata).

Source code is computer program information in a format that humans can read (before the code is “compiled” into a format a computer can read), and it poses unique discovery challenges. A thorough discussion of electronically stored information in many patent cases should address conditions for the production of source code. Given the highly-sensitive nature of source code and the lengths to which companies go to protect it during the normal course of business, parties commonly negotiate a more restrained production of source code than for other highly-confidential documents. An example of additional security measures that may be appropriate for the production of source code are producing source code on a stand alone (non-networked computer) for review in a secure facility. *SKF Condition Monitoring, Inc. v. Invensys Sys. Inc.*, 2010 U.S. Dist. LEXIS 35130 (S.D. Cal. April 9, 2010); *Leader Techs. Inc. v. Facebook Inc.*, 2009 U.S. Dist. LEXIS 93807 (D. Del. Sept. 4, 2009). The District of Delaware recently adopted a default standard for the production of source code. *See Default Standard for Access to Source Code*, available at [www.ded.uscourts.gov/SLR/Misc/DefStdAccess.pdf](http://www.ded.uscourts.gov/SLR/Misc/DefStdAccess.pdf). The standard, which applies absent agreement of the parties, provides for the production of source code on a stand-alone computer to which two outside counsel and two experts may have access.

The new Federal Rules dealing with ESI guide courts and parties in dealing with costly electronic discovery issues in patent cases. Additional and more specific guidance in the form of default orders or committee reports has been provided by many individual districts, such as the District of Delaware (<http://www.ded.uscourts.gov/SLR/Misc/Electronic-Standard-for-Discovery.pdf>)

and the District of Kansas (<http://www.ksd.uscourts.gov/guidelines/electronicdiscoveryguidelines.pdf>). In practice, default orders tend to encourage parties to agree to any necessary case-specific electronic discovery procedures. The Sedona Conference is also a good resource, providing electronic discovery principles courts and litigants have relied upon. See [http://www.thesedonaconference.org/content/miscFiles/publications\\_html](http://www.thesedonaconference.org/content/miscFiles/publications_html).

## 4.5 Management of Discovery Disputes

Given the high stakes of patent litigation, lawyers frequently get mired in contentious discovery battles. Effective case management requires that the court discourage this tendency, reserving intervention for only those disputes that matter and that remained unresolved after good faith negotiations between the parties. One way to accomplish this objective is to encourage self-regulation by keeping calendar dates firm so as to avoid the kind of foot-dragging that can occur if extensions of time are easily available. Many judges issue special warnings to counsel in patent cases, threatening to call in principals of the parties if discovery becomes too contentious. Some courts set a presumptive limit on the number of discovery motions that will be heard (e.g., three), after which a discovery special master will be appointed. An increasingly common procedure requires the parties to submit a letter (not to exceed two pages) in advance of a telephone conference, asking for permission to file a motion; typically the issues are resolved on the conference call. In general, courts should emphasize to counsel the importance of the meet and confer process, requiring in-person meetings where necessary. Where the court deems it necessary to impose sanctions, experience shows that progressive penalties (from mild to severe, including issue and evidence preclusion or default) are effective at controlling discovery abuses in patent cases.

Referrals to magistrate judges for discovery issues are commonplace in many courts. The advantage of referring discovery issues is that it frees the district judge for other work, while keeping responsibility for discovery helps the district judge remain aware of the case and coordinate discovery and scheduling issues. Moreover, there is a certain *in terrorem* effect at work when the district court hears discovery disputes. Litigants may be less likely to raise as many disputes and will likely be more conciliatory if the judge deciding the case has a greater opportunity to assess whether counsel are being unreasonable. Where referral is the common practice, experienced counsel soon learn the tendencies of the magistrate judges on particular issues, resulting in fewer motions. If this doesn't happen, or if the case otherwise appears likely to generate a disproportionate level of discovery controversy, courts may require the parties to engage a special master under Rule 53. When the master brings substantial experience with patent litigation, the resulting

process, although sometimes costly, can be substantially more efficient and effective overall.

## 4.6 Common Discovery Motions

What follows is a list of the most common discovery motions that raise patent-specific issues, with recommended approaches or outcomes.

### 4.6.1 Discovery Regarding Patentee's Pre-Filing Investigation

The accused infringer may challenge the basis for the patentee's having filed suit. Normally this would happen in the context of a Rule 11 motion. The Federal Circuit has laid out guidelines for patent cases describing a minimum investigation, including preparation of a claim chart that matches elements of the patent claims to the accused product. *See Antonious v. Spalding & Evenflo Cos., Inc.*, 275 F.3d 1066, 1073-74 (Fed. Cir. 2002); *View Eng'g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 986 (Fed. Cir. 2000). Generally speaking, the requirements for a pre-filing investigation are much more stringent than the Rule 8 notice pleading standard. *See McZeal v. Sprint Nextel Corp.*, 501 F.3d 1354, 1356-57 (Fed. Cir. 2007); *see also id.* at 1359-60 (Dyk, J., dissenting in part). The patentee may submit its records of investigation for *in camera* review, in order to meet the challenge while still preserving work-product protection. *See, e.g., Centillion Data Sys., LLC v. Convergys Corp.*, 2006 U.S. Dist. LEXIS 846, at \*3 n.1 (S.D. Ind. Jan. 4, 2006); *see also* Fed. R. Civ. P. 11 advisory committee notes (1983 Amendment).

Occasionally, the issue arises outside of the Rule 11 context, where a dispute over infringement contentions, for example, leads a defendant to request discovery of the patentee's pre-filing investigation. In the absence of waiver, the best practice is to deny such discovery. However, the patentee should be required early in the proceeding, either through traditional contention discovery or as a result of Patent Local Rules, to describe its infringement position, without revealing what it did to analyze the accused product before filing. *See, e.g., O2 Micro Int'l, Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1365-66 (Fed. Cir. 2006); *Nova Measuring Instruments Ltd. v. Nanometrics, Inc.*, 417 F. Supp. 2d 1121, 1123 (N.D. Cal. 2006).

### 4.6.2 Production of Information About Products

The patentee may make an early request for production of the accused product by inspection, samples, or (in the case of software or a circuit, for example) copies. The defendant may resist on the grounds that the information is a trade secret and that the patentee should already have met its obligations under Rule 11 to investigate and compare the patent claims to the accused product. This posi-

tion, however, assumes that the product could have been available to the patentee outside of the discovery process. Some products, such as software or processes, cannot reasonably be accessed before filing litigation, and the patentee must rely on indirect evidence such as marketing materials in making its analysis. *See, e.g., Intamin Ltd. v. Magnetar Techs. Corp.*, 483 F.3d 1328, 1338 (Fed. Cir. 2007). In that event, best practice dictates that the product or copies be made available to the patentee in discovery, subject to the terms of a protective order to maintain confidentiality.

Each side in patent litigation may seek information about the other’s “unannounced” products still in development. This is relevant for the patentee because it wants protection against future infringement and because pending changes in the accused products can be probative of willfulness. It is also a legitimate inquiry for accused infringers, because the use by the patentee of its claimed invention can have a bearing on damages. This bears, for example, on the issue of whether the patentee was obligated to mark its products in order to obtain damages. This inquiry is also relevant to whether the patentee is entitled to lost profits. Finally, the patentee’s use of its invention can evidence whether the patented invention enjoys or lacks commercial success, which is relevant to non-obviousness and can be relevant to reasonable royalty damages. As with early production relating to the accused product, the best approach is to allow discovery, subject to orders that maintain security of the confidential data.

#### **4.6.3 Contentions About Infringement, Invalidity, and Unenforceability**

In courts without Patent Local Rules, early discovery disputes are likely to focus on contentions, as the accused infringer challenges the patentee to articulate its arguments on infringement while the patentee tries to force the accused infringer to explain why it doesn’t infringe and why it thinks the patent is invalid. Indeed, it was the frequency of such disputes that motivated the adoption of special patent rules. The key to solving this problem lies in understanding the parties’ respective burdens and how positions naturally evolve in patent litigation.

As noted previously, patentees are expected to comply with their Rule 11 obligations by carefully comparing the patent claims to the accused product. Therefore, one would assume that any patentee would have a precise sense of its infringement theory at the outset. However, there are two major issues that can make that expectation unrealistic. First, the patentee may not have been able to get access to the necessary information because it is hidden from view (for example, source code); or the product is unavailable (for example, because of tightly controlled distribution); or because the target is a process that is only used behind closed doors. In these circumstances, a patentee has to make an educated guess about infringement from the information that is publicly available and rely on

early discovery to illuminate the details. Second, because the claim construction process lies ahead, the patentee will be reluctant to commit to a position that depends on particular interpretations of the claim language.

The defendant is in a comparable situation at the outset of the case, since it needs to know what the claims mean before it can have a clear view of why it does not infringe. In the same vein, the defendant's invalidity contentions, in particular defenses like inadequate written description under § 112, may depend on the outcome of claim construction. And as for defenses under §§ 102 and 103, these contentions require time for investigation of the prior art and discovery of the plaintiff's invention and sales records.

Best practice in this environment requires a combination of flexibility (to accommodate the reasonable constraints faced by each party) and pressure (to force movement and expressions of position that can later be refined). Frequently district courts have imposed a process that draws from the experience of Patent Local Rules, setting a schedule for preliminary contentions, followed by a more committed position following issuance of a claim construction order.

Unenforceability (inequitable conduct) raises a separate but related concern. Because this defense basically asserts fraud on the PTO, the particularity requirements of Rule 9 require that the accused infringer be quite specific about the underlying basis for the charge. *Ferguson Beauregard/Logic Controls, Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1344 (Fed. Cir. 2003). However, as in other kinds of fraud, the detailed facts, especially those related to materiality and intent, will require substantial discovery before the proponent can be expected to provide a full explanation of the charge.

As noted in Sections 2.6.4, 4.2.1 and 4.2.2, courts should find opportunities to encourage or require parties to disclose their damages contentions and supporting evidence during the fact discovery period. Requiring parties to provide fulsome responses to contention interrogatories concerning damages (and not to simply incorporate by reference expert reports that have not yet been served, as is customary) can be effective in prodding such disclosures, provided that the responding party has had a meaningful opportunity to take damages-related discovery.

#### **4.6.4 Bifurcation or Stay of Discovery Pending Reexamination of Patent**

As described in § 13.2.6.4, anyone can request that the PTO institute a “reexamination” proceeding to take a second look at the validity of a patent. Such requests are increasingly common in general and occur more often in the shadow of patent litigation. Often such requests are attended by a motion to the district court to stay discovery or even the entire litigation pending the outcome of the PTO proceedings.

#### 4.6.4.1 Overview of the Reexamination Process and New Review Procedures Created by the AIA

As a result of the substantial increase in reexamination requests, the Patent Office created a “Central Reexamination Unit” (CRU) to provide for faster processing of reexamination requests. Upon the filing of a reexamination request the CRU determines whether or not the requestor has identified a “substantial new question of patentability” with respect to the patent at issue. If a substantial new question of patentability is present the CRU grants the request. The grant of a reexamination request is virtually automatic, occurring in 96% of the requests. Robert Greene Sterne et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 10 Sedona Conf. J. 115 (2009). How the reexamination proceeds after it is granted varies depending on the type of reexamination request: *inter partes* or *ex parte*.

*Inter partes* reexamination requests are available only for patents issued on patent applications filed after November 11, 1999. Reexamination requests for patents prior to this date must be *ex parte*. The primary differences between *ex parte* and *inter partes* request is the degree to which the requestor participates in the reexamination proceeding. In an *ex parte* reexamination the requestor’s interaction with the Patent Office is generally limited to filing the request. The requestor is not permitted to participate in the reexamination proceed after it files the request with very limited exceptions. *Inter partes* requests, by contrast, allow the requestor to participate throughout the reexamination process. There are two primary consequences of the requestor’s continued participation in the reexamination proceeding. First, *inter partes* reexaminations tend to take longer to resolve than *ex parte* reexaminations. The average pendency for *inter partes* reexaminations is 34 months while the average pendency for *ex partes* reexaminations is 25 months. *See id.* Second, because the requestor is permitted to participate in the proceeding, the requestor is barred from later raising invalidity arguments in litigation that could have been raised in the reexamination. This bar does not impact the requestor’s ability to raise §112 arguments at a later date because those cannot be raised in a reexamination.

Generally, within two or three months after the request is made, the PTO will decide whether the application presents a “substantial new question of patentability,” and if so will proceed with the reexamination. The outcome can range from no change, to substantial narrowing amendments to the claims, to outright rejection of all the claims. These outcomes can also vary greatly between *inter partes* and *ex partes* reexaminations. For *inter partes* reexaminations, only 7% of certificates issue with all claims confirmed, while 73% issue with claims changed and 20% cancel all claims. For *ex partes* reexaminations, 25% of certificates issue with all claims confirmed, 64% with claims changed, and only 11% cancel all claims. *See id.*

The America Invents Act (“AIA”) passed September 16, 2011, creating several new PTO procedures. The two primary new procedures are: post-grant review and *inter partes* review. Together these two procedures will replace the *inter partes* reexamination procedure as of September 16, 2012. *Ex parte* reexamination will remain unchanged.

While the regulations governing each of these procedures have yet to be issued as of the printing date of this guide, the AIA provides certain high-level details, which are instructive as to the anticipated interplay between them and co-pending district court actions.

Perhaps the most important aspect of these new proceedings in the context of whether a district court should consider staying a co-pending litigation in favor of the PTO procedure is that the AIA provides that petitioners in post-grant reviews and *inter partes* reviews are subject to an estoppel on any ground that they raised or reasonably could have raised during the proceeding. This estoppel is effective as of the date of the final written decision of the Patent Trial and Appeal Board (PTAB). The estoppel applies to further PTO, district court, and ITC proceedings. This estoppel is different from that of *inter partes* reexamination in that it is triggered upon the written decision of the PTAB, instead of a final determination of validity (which could have included multiple appeals). With respect to the post-grant review procedure only, a district court may not stay a motion for preliminary injunction filed by the patentee within the first three months of the issue date of the patent on the basis that a petition for post-grant review has been filed or that a post-grant review has been instituted.

Both the post-grant review and *inter partes* review procedures are “effective” beginning September 16, 2012, but in reality the Post-Grant Review process will not be used for some time after that because it can only be used with patents that have an effective filing date of March 16, 2013 or later. Post-Grant Review is only available as against patents within the first nine months after they issue. Unlike prior reexamination proceedings, the petitioner in a post-grant review may challenge the validity of a patent on the basis of generally every ground it could raise during litigation (including ineligible subject matter (§101) and the defenses available under 35 U.S.C. §112. In contrast, *inter partes* review is available any time after the first nine months after a patent issues (no matter the effective filing date) and in it the petitioner may only raise §§102 and 103 defenses that are based on printed prior art patents or publications. Both post-grant review and *inter partes* review will permit the parties to take some discovery during the proceeding. The forthcoming regulations will clarify the extent of the discovery allowed in each proceeding.

Finally, both the post-grant review process and the *inter partes* review process provide for an automatic stay of any civil litigation seeking declaratory judgment of invalidity of a patent where the declaratory judgment plaintiff has already filed a petition on the same patent. That automatic stay is in effect until the patentee

moves the court to lift the stay, the patentee counterclaims for infringement or files another action alleging that the petitioner infringed the patent, or the petitioner moves to dismiss the action.

#### **4.6.4.2 Considerations in Bifurcating or Staying Discovery Pending Reexamination or AIA Review Procedures**

Given that the validity or final form of some or all patent claims at issue can be determined at these PTO proceedings, it can make sense for a district court to stay an action pending reexamination in order to avoid wasted efforts. A jury trial is very burdensome on the court, the citizens called to jury duty, and the parties. It would be a waste if the case is tried to a jury, only to have the PTO declare the patent invalid after judgment is rendered. Courts should not disregard Congress's intent that reexamination "permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation." H.R. Rep. No. 96-1307, pt. 1, at 3-4 (1980). We do not yet know how the new review procedures created by the AIA will be implemented or how frequently litigants will resort to them, but it seems likely that stay considerations will remain largely consistent with those for reexamination. One important distinction, however, is the trigger of the estoppel effect of the decision in a post-grant review or an *inter partes* review, which (as of now) looks likely to be faster than the *inter partes* reexamination procedure has been.<sup>1</sup>

Courts vary widely in deciding whether or not to stay a case pending reexamination. The large number of stay motions pending reexamination has prompted certain courts to formulate detailed analyses regarding the situations in which a stay will be granted. Most notably, Judge Selna in the Central District of California has issued numerous nuanced decisions identifying factors that support granting or denying a motion to stay pending reexamination. Those factors are:

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<sup>1</sup> With respect to the newly created transition post-grant review for covered business method patents, §18 of AIA also provides the litigants with a right of take an immediate interlocutory appeal from a district court's decision regarding whether to stay a patent litigation pending a transitional post-grant review for covered business method patents. AIA §18(b)(2). This section also notes that the review of the decision "may be de novo." *Id.*

<b>Factors Supporting Grant of a Stay</b>	<b>Factors Supporting Denial of a Stay</b>
Prior art presented to the Court will have been considered by the PTO, with its particular expertise.	Delay and changing market conditions over time may dramatically lower the value of injunctive relief.
If the PTO invalidates the patent-in-suit, the case will likely be dismissed.	A delay may grant a tactical advantage to the moving party.
The outcome of the reexamination may encourage settlement.	The reexamination outcome might not affect the civil litigation .
The record of reexamination will likely be entered at trial, thereby reducing the complexity and length of the litigation.	The reexamination is limited in the types of prior art it may consider (generally limited to printed publications). May not therefore resolve validity.
Substantial expense and time invested might be wasted litigating unnecessary issues.	The moving party has the ability to institute serial reexaminations.
Issues, defenses, and evidence will be more easily limited in pre-trial conferences after the reexamination.	Reexaminations often take two or more years to complete.

*Allergan Inc. v. Cayman Chem. Co.*, 07cv01316, Docket No. 288 (C.D. Cal. Apr. 9, 2009) (denying a motion to stay pending reexamination primarily because the parties were competitors and the delay in decision from the PTO would “prejudice Allergan’s rights to exclusive use of its patented technology and would cause it irreparable harm.”).

Furthermore, the timing of the reexamination request may prompt a court to proceed toward trial during reexamination. Specifically, if the request is made late in the litigation, it is more likely to represent a tactical move for delay. *See, e.g., Telemac Corp. v. Teledigital, Inc.*, 450 F. Supp. 2d 1107, 1111 (N.D. Cal. 2006). Keep in mind that the reexamination process can take two years or more, and the best resolution for the parties may come from keeping the case on track for trial. Second, because reexamination is limited to consideration of printed publications and patents, there may be other validity issues that can only be addressed by a court, such as the “on-sale bar” or questions of enablement, best mode, and written description. Where it appears likely that these other issues will dominate the validity inquiry, it makes less sense to stay the entire action in favor of a pending reexamination.

Instead of simply granting or denying a motion to stay pending reexamination, the court may grant the motion subject to certain caveats. *See, e.g., QPSX Dev. v. Ciena Corp.*, Case No. 2:07-CV-118-CE (E.D. Tex. Aug. 27, 2009) (requiring the defendant to forego defenses on the merits of prior art considered in reex-

amination or submitted to reexamination unless combined with new art); *Riparius Ventures LLC v. Skype Technologies, S.A.*, Case No. 07-cv-00812 (N.D.Ill. June 6, 2009) (requiring non-requesting defendants to agree to be bound by *inter partes* estoppel).

Another critical issue is whether discovery should be stayed pending reexamination. Where there would be substantial overlap in that discovery with what may still be going on in the case following invalidation of the re-examined claims, it may well be more efficient and equitable to allow some discovery to proceed.

A partial stay of discovery in a patent case, however, is very difficult to enforce, since there are no bright-line borders for relevance. What may appear as a time-saving hold on some issues may actually result in more time spent resolving disputes over the boundaries of the discovery stay.

There are advantages in staying the entire litigation pending reexamination, above and beyond the chance that all asserted patent claims are cancelled. The reexamination process usually requires a patent owner to make claim amendments in order to answer rejections made by the PTO. These amendments may be helpful to a court deciding issues of claim construction and infringement under the doctrine of equivalents. For this reason, it may seem inequitable to allow a patent owner to proceed to trial on a particular infringement theory and then later make arguments in the reexamination that are inconsistent with that theory. A stay (even a partial stay) would prevent such strategic behavior.

Strategic behavior may exist on the other side as well. An accused infringer can request reexamination multiple times, slowing the process (though the PTO has changed its practices to make this tactic much less effective). A defendant could also request reexamination of the plaintiff's patent even as it files a patent infringement claim of its own, in the same court or a different court. If stay is granted pending re-exam, the defendant's patent counterclaim might well wind up going ahead of the plaintiff's patent claims, even if the plaintiff also seeks reexamination of the defendant's patent. So it is important for a court to have information about all the disputes between the parties, not just the court's case.

Something of a middle ground is a wait-and-see approach—allowing a case to proceed towards trial, but leaving for the end of the case the decision to conduct a trial. By the time the parties finish discovery or substantive motion practice, there may have been some significant events in the reexamination that provide a grounded basis for deciding that trial should be postponed until the conclusion of the reexamination proceeding. In this way, a court need not make a decision solely on the statistics argued by the parties at the outset (e.g., the average duration of reexaminations or what percentage of reexaminations end with all claims cancelled). Instead, the decision whether to stay the case can be based on particularized considerations (e.g., when this reexamination is likely to finish or whether the PTO has accepted or rejected the patent owner's arguments).

In deciding whether to stay a case, courts can also look to considerations analogous to those considered in association with injunctions. Has the patent owner shown that it will be unduly prejudiced (or irreparably harmed) by being deprived, longer than necessary, of the right to exclude others from making, using, or selling the patented invention? Has the patent challenger shown the patent owner will be sufficiently compensated by money damages if the infringement claim is ultimately successful?

The decision to stay is discretionary, and given the many factors to be considered there should be no default rule. Instead, each decision to stay is best judged on a case-by-case basis. It should be clear from the foregoing, however, that courts need not limit their analysis to a consideration of whatever current reexamination statistics are presented to them.

#### **4.6.5 Bifurcation or Stay of Discovery Pending Early Dispositive Motion**

Sometimes a case presents obvious issues for early termination, and in patent cases this could arise from a jurisdictional challenge (e.g., personal jurisdiction, ownership), *see, e.g., Mullally v. Jones*, 2007 U.S. Dist. LEXIS 30283, at \*6-7 (D. Nev. Apr. 20, 2007), or from a challenge to infringement that depends entirely on a specific question of claim construction, *see, e.g., Cornell Research Found., Inc. v. Hewlett Packard Co.*, 223 F.R.D. 55, 58 (N.D.N.Y. 2003). In these situations, it may be appropriate to limit discovery to the single issue to enable the parties to prepare a dispositive motion. Although some questions may arise about whether specific discovery is within the bounds set by the court, the amount of time necessary to resolve that sort of controversy is generally more than offset by the potential savings through early termination.

#### **4.6.6 Bifurcation or Stay of Discovery on Issues Bifurcated for Trial**

District courts sometimes bifurcate issues for trial in patent cases. Most common are a counterclaim for antitrust based on an allegation that the patent complaint is a sham, *In re Innotron Diagnostics*, 800 F.2d 1077 (Fed. Cir. 1986), the defense of inequitable conduct, *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209 (Fed. Cir. 1987), and a plaintiff's assertion of willfulness, *Medpointe Healthcare, Inc. v. Hi-Tech Pharmacal Co., Inc.*, 2007 U.S. Dist. LEXIS 4652, at \*17 (D. N.J. Jan. 22, 2007). We address the risks and potential rewards of this discretionary decision to divide up the trial in section 8.1.1.

But having made or entertained the idea of trial bifurcation, courts will also need to consider whether discovery should go forward on the bifurcated issue. Here, unless a primary driver of the decision to bifurcate is to save time and other

complications in discovery (as is often true in bifurcating willfulness, for example), the best practice is to presume that discovery should go forward on all issues. See, e.g., *Ecrix Corp. v. Exabyte Corp.*, 191 F.R.D. 611, 614 (D. Colo. 2000). In this way, the parties will be prepared to proceed immediately with trial on the bifurcated issue if it becomes relevant, the court will be spared the difficulty of drawing lines about what is relevant for discovery, and the parties will be fully informed on all the issues for purposes of settlement discussions. On the other hand, when an essential element of a claim is related to the outcome of another claim in the suit, as in a sham litigation antitrust counterclaim, it may make more sense to stay the one claim in its entirety (including discovery) until the underlying claim is adjudicated. See *Prof. Real Estate Investors, Inc. v. Columbia Pictures, Inc.*, 508 U.S. 49, 60 (1993) (affirming grant of summary judgment against antitrust counterclaim, though further discovery into anticompetitive intent had been denied by the district court, holding that “[o]nly if challenged litigation is objectively meritless may a court examine the litigant’s subjective motivation.”). After all, a “winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham.” *Id.* at 60 n.5.

#### **4.6.7 Privilege Waiver Based on Defendant’s Election to Rely on Advice of Counsel**

Although it seemed that motion practice regarding privilege waiver scope has been increasing in recent years, the Federal Circuit’s recent en banc decision in *Seagate* may reduce that problem. *In re Seagate Tech. LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc). The Federal Circuit now holds that disclosing an opinion of counsel to support an advice-of-counsel defense does not extend the waiver to trial counsel. *Id.* at 1372-75. The same rationale applies to the work-product doctrine as well, protecting from discovery the sometimes voluminous and provocative thoughts and strategies of litigation counsel. *Id.* at 1375-76. The Federal Circuit left unanswered the question of what to do when opinion counsel and trial counsel are from the same firm, or even the same person. The *Seagate* decision depends in part upon a change in the Federal Circuit’s willfulness jurisprudence, to bring it in line with recent Supreme Court opinions with respect to punitive damages. See *Safeco Ins. Co. of Am. v. Burr*, 551 U.S. 47, 127 S. Ct. 2201, 2209, 2214-15, 2216 n.20 (2007); *McLaughlin v. Richland Shoe Co.*, 486 U.S. 128, 133 (1988); *Smith v. Wade*, 461 U.S. 30, 39-49 (1983); *In re Seagate Tech. LLC*, 497 F.3d at 1370-71. This is an area of the law that will continue to evolve as trial courts explore the subtleties of the new course set in *Seagate*.

#### 4.6.8 Discovery from Patent Prosecution Counsel

A claim of patent infringement by itself does not usually require taking discovery from the lawyer who prosecuted the application before the PTO. Whatever happened in prosecution is a matter of record, and claim construction issues are decided based on that “intrinsic” record. *See* § 5.2.2. For example, if the defendant asserts that a statement by the patentee to the PTO should be considered as a “disclaimer” of claim scope, normally the court would not hear testimony from the patent lawyer to explain what was said or why it was said. Therefore, while inventor testimony is almost always taken during discovery, the same is not true of the patent lawyer.

That is not to say, however, that patent prosecutors are never or even seldom deposed. In many cases the defense of unenforceability will be asserted based on allegations of inequitable conduct in the procurement of the patent. Most often this consists of a failure to disclose certain prior art, but it can also involve mischaracterization of the art that was submitted, or other misstatements made to the PTO. In those cases, the patent attorney is almost always deposed.

As in other areas of the law, attorney testimony raises issues of work-product protection and privilege. In the patent prosecution context, the general rule is that the attorney-client privilege applies to communications between the inventor and the prosecuting attorney, but there is no protection against discovery of communications, whether written or oral, between the patent prosecutor and the PTO. *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800 (Fed. Cir. 2000); *Winbond Elecs. Corp. v. ITC*, 2001 U.S. App. LEXIS 25113, at \*30-31 (Fed. Cir. Aug. 22, 2001). Courts generally find that work performed by an attorney to prepare and prosecute a patent application does not fall within the parameters of the work-product protection because it is usually part of a non-adversarial, ex parte proceeding. *See, e.g., In re Minebea Co.*, 143 F.R.D. 494, 499 (S.D.N.Y. 1992). Accordingly, work done to that end is not usually “in anticipation of” or “concerning” litigation. Discovery disputes in this context often test the application of this rule. *See, e.g., Rowe Int’l Corp. v. Ecast, Inc.*, 241 F.R.D. 296, 300-01 (N.D. Ill. 2007); *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 237 F.R.D. 618, 623-25 (N.D. Cal. 2006). Indeed, the work-product doctrine can protect work performed to prosecute a patent application if it was *also* performed in anticipation of or concerning litigation. *Minebea*, 143 F.R.D. at 499.

In practice, discovery taken from patent prosecutors may not be very helpful, either because memories have lapsed with the passage of time, or because many prosecutors’ typical practice is to purge their files of all non-essential papers (such as drafts) once the patent has issued. There is nothing intrinsically wrong with this practice, but of course it is inconsistent with a later assertion of work-product protection. If litigation was indeed anticipated, a patent prosecutor was duty-bound to preserve potential evidence, and nothing should have been discarded.

Occasionally the lawyer who prosecuted the patent application also serves as counsel of record in the litigation. Here, the lawyer's choice to act as both advocate and witness is necessarily awkward, but the authority that bars taking deposition of trial counsel will usually not apply. *See, e.g., Plymouth Indus., LLC v. Sioux Steel Co.*, 2006 U.S. Dist. LEXIS 14706, at \*14-15 (D. Neb. Mar. 17, 2006); *Genal Strap, Inc. v. Dar*, 2006 U.S. Dist. LEXIS 11474, at \*6-10 (E.D.N.Y. Mar 3, 2006); *aaiPharma, Inc. v. Kremers Urban Dev. Co.*, 361 F. Supp. 2d 770, 774-75 (N.D. Ill. 2005); *Alcon Labs., Inc. v. Pharmacia Corp.*, 225 F. Supp. 2d 340, 344 (S.D.N.Y. 2002); *Amicus Commc'ns, L.P. v. Hewlett-Packard Co.*, 1999 U.S. Dist. LEXIS 20901, at \*4-5 (D.D.C. Dec. 3, 1999); *Environ Prods. v. Total Containment*, 41 U.S.P.Q.2d (BNA) 1302, at \*11-14 (E.D. Pa. Aug. 21, 1996). In general, the prosecutor should receive no special dispensation from discovery merely because of the decision to also act as litigation counsel, but privilege and work product protections will normally apply to communications made and information developed in the context of litigation rather than prosecution. To resolve such contextual issues, the court may have to examine relevant material in camera. *See Quantum Corp. v. Tandon Corp.*, 940 F.2d 642, 644 (Fed. Cir. 1991). Whether the prosecutor as litigator requires disqualification is a matter of the ethics rules of a particular jurisdiction. *See, e.g., Gen. Elec. Co. v. Industria Prods., Inc.*, 683 F. Supp. 1254, 1258 (N.D. Ind. 1988).

#### **4.6.9 Access to Confidential Information by Patent Prosecution Counsel**

In settling on the form of an umbrella protective order, a dispute may arise over whether a party's patent prosecution lawyers may appear as counsel of record in the litigation and therefore have access to attorneys-only information. The advantage to the requesting party is easy to understand: its patent attorneys already have experience with the technology and their participation on the litigation team will enhance efficiency. This perceived advantage, as well as the natural deference owed to a party's choice of counsel, must be weighed against the risk that such access might pose to the other side.

Much of the risk arises from the fact that a single patent can spawn a family of later patents on the same subject. These "continuation" applications seek to fashion better claims based on the same original disclosure. Indeed, it is common and acceptable for a patentee to draft later claims that precisely target the products of a competitor. *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988). But the fairness of that practice presumes that such claims are drafted based on *public* information. When a patent prosecutor gets access to attorneys-only information in litigation, this can open a door into the details of secret projects and provide an unfair advantage. Because of this concern, a number of courts have imposed a "prosecution bar" as part of the normal discovery pro-

protective order. In its most typical form, the provision bars any lawyer having access to designated information from participating in prosecution of patents in a particular subject during the pendency of the litigation and a year after its termination. If it appears that a prosecution bar is appropriate, the dispute may devolve to the subject matter restriction, with the proponent of the bar arguing for a broad area, and the resisting party proposing only the particular patent family being prosecuted on behalf of that party. *See, e.g., Cummins-Allison Corp. v. Glory Ltd.*, 2003 U.S. Dist. LEXIS 23653, at \*31-33 (N.D. Ill. Dec. 31, 2003).

The decision on whether to impose a prosecution bar, and its conditions, should be informed by such factors as (a) the level of competition and sensitivity of the data; (b) the attorney's role in ongoing prosecution; (c) the size of the attorney's firm and effectiveness of any proposed ethical walls; (d) the availability of other counsel to handle the litigation; and (e) whether the attorney participated in prosecution of the patent in suit and therefore may be called as a witness. *See, e.g., In re Deutsche Bank*, 605 F.3d 1373 (Fed. Cir. 2010) (granting writ of mandamus to vacate a protective order and remanding with instructions to apply the new standard regarding the scope of prosecution bars); *Commissariat a L'Energie Atomique v. Dell Computer Corp.*, 2004 U.S. Dist. LEXIS 12782 (D. Del. 2004); *Motorola, Inc. v. Interdigital Tech. Corp.*, 1994 U.S. Dist. LEXIS 20714 (D. Del. 1994); *see also U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984).

#### **4.6.10 License Agreements and Other Third-Party Confidential Information**

Damage calculations in a patent case depend on assessment of a number of factors, including licenses entered into by either party for the relevant technology or for comparable intellectual property. *See Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). Many of these agreements are confidential and competitively sensitive, sometimes involving rights of third parties. Therefore, a common area of dispute is the discoverability of proprietary license agreements. The resisting party may argue that they are not sufficiently comparable to provide relevant information or that they interfere with obligations of confidentiality to a non-party. A court's decision should be guided not only by resolving those arguments as factual predicates, but also by the terms of any protective order that might diminish the risk of harm from production. *See, e.g., Rates Tech., Inc. v. Cablevision Sys. Corp.*, 2006 U.S. Dist. LEXIS 19668, at \*5 (E.D.N.Y. Apr. 14, 2006); *Anchor Plastics Co. v. Dynex Indus. Plastics Corp.*, 184 U.S.P.Q. (BNA) 482 (D.N.J. 1974). Discovery is normally allowed and use at trial is decided later with a fuller record on relatedness.

Other common ways that third party interests arise in patent litigation include product development, prior art, and users of an accused device. In the first category, third parties may have been involved, through a joint venture or other col-

laborative relationship, in the discovery of the claimed invention; and the circumstances may lead to questions about ownership, standing, or other matters bearing on validity. In the second category are companies or individuals believed to have published or practiced the relevant technology before the patentee claims to have conceived of it. The third category comprises users of the accused product whose use of it (for example, combining it into a bigger product that itself infringes) may be relevant to proving contributory infringement or inducement, or demonstrating commercial success. All of these third parties may resist discovery because it is claimed to be unduly burdensome; and indeed their status as outsiders to the dispute is entitled to some consideration. *See, e.g., Katz v. Batavia Marine & Sporting Supplies, Inc.*, 984 F.2d 422, 424 (Fed. Cir. 1993). Third parties may also object because the requested information is extremely sensitive and should not be made available to an arch-competitor. These objections, while legitimate, are usually met by the terms of a protective order that appropriately limits access and use of the information. However, sometimes the information, while relevant and protectable in the abstract, may be sought in ways that inappropriately threaten damage to customer relationships. In such circumstances, the court may issue a protective order requiring a heightened showing of need before the discovery goes forward. *See, e.g., Joy Techs, Inc. v. Flakt, Inc.*, 722 F. Supp. 842 (D. Del. 1991).

#### **4.6.10.1 Discovery Regarding Prior License and Settlement Negotiations**

Recent patent cases have refocused the inquiry regarding the appropriate measure of damages in patent cases. *See Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009); *ResQNet.Com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010); *Wordtech Sys. v. Integrated Network Solutions, Inc.*, 609 F.3d 1308 (Fed. Cir. 2010); *IP Innovation LLC v. Red Hat, Inc.*, Case No. 2:07-cv-447, 2010 U.S. Dist. LEXIS 28372 (E.D. Tex. Mar. 2, 2010) (Rader, J., Circuit Judge, sitting by designation). Under these cases, the damages inquiry, at all times, “must concentrate on compensation for the economic harm caused by infringement of the claimed inventions,” and proof of damages must be tied carefully to “the claimed invention’s footprint in the market place.” *ResQNet*, 594 F.3d at 869. The key inquiry is whether the claims describe features that create market demand. The amount of damages must closely reflect the economic value of the patented feature in relation to the accused product. *See, e.g., Lucent Technologies*, 580 F.3d at 1332-1333.

Under these new decisions, prior license agreements gain heightened importance. In many cases, one party would like to argue that a prior license is not a fair representation of the actual market value, but instead reflects an idiosyncratic negotiation. In these situations, parties will seek discovery regarding the negotia-

tion that resulted in the license. See *Clear With Computers, LLC v. Hyundai Motor America, Inc.*, 753 F. Supp. 2d 662 (E.D. Tex. 2010).

Despite these recent decisions, some parties have attempted to block discovery into negotiation documents by claiming that they are protected from disclosure by a so-called “settlement privilege” that encompasses not only internal documents of one party to the agreement or proposed agreement, but also documents exchanged between the parties. The Federal Circuit closed the door on this alleged privilege in *In re MSTG*, 675 F.3d 1337 (Fed. Cir. 2012). First, the Court held that the determination about whether a “settlement privilege” bars discovery of negotiation documents, which have relevance to the determination of a reasonable royalty, is a matter of Federal Circuit, rather than regional circuit, law. *Id.* at 1341. Next, the Court held that, as a matter of Federal Circuit law, “settlement negotiations related to reasonable royalty and damage calculations are not protected by a settlement negotiation privilege.” *Id.* at 1348. In so holding, it observed that Federal Rule of Evidence 408, which was adopted with Congressional approval, includes exceptions that contemplate the discovery of such materials (e.g., the rule permits use of settlement materials to impeach a witness’s credibility). *Id.* at 1343-45. The Court also observed that a “settlement privilege” has been recognized by no states and by only one of its twelve sister circuits (the 6<sup>th</sup> Circuit). *Id.* at 1342. And a “new privilege” is not necessary to foster settlement, of course, because “disputes are routinely settled without the benefit of a settlement privilege.” *Id.* at 1345. Finally, the Court noted that, to prevent abuse of the discovery process, courts have the power to restrict the discoverability or use of information, such as by “limit[ing] discovery of material that is not itself admissible and that was not utilized by the opposing party” in appropriate circumstances. *Id.* at 1346-48.

The purported “settlement privilege” having been rejected outright, future attempts to shield discovery of negotiation materials in patent cases are most likely to focus on this last observation. Indeed, the Court expressly “reserve[d] for another day the issue of what limits can appropriately be placed on discovery of settlement negotiations.” *Id.* at 1347. One such area left untouched, at least explicitly, by *MSTG* is the discoverability or non-discoverability of materials generated as part of a court-mandated mediation process. But, with respect to materials that were not generated as part of court-mandated mediation, even this language in *MSTG* seems unlikely to yield substantial protection in view of the recent Federal Circuit holdings permitting the use of settlement agreements in factoring damages. As one example, because a patentee’s agreements concerning the patents-in-suit are themselves typically discoverable and admissible, its damages expert has little practical choice but to consider them – in this example, if she does not, she would have no ability to respond if the opposing party’s damages expert relies upon them in rebutting the patentee’s damages opinions. In this example, once such agreements are considered, discovery of negotiation documents concerning

those agreements seems naturally to follow, if for no other reason than to enable the opposing party to determine whether the patentee's damages expert can be impeached. Of course, this is but one example of the myriad fact patterns from which a dispute of this nature could be presented to a district court, and, general observations about likely outcomes notwithstanding, courts should consider the specific facts of each such dispute carefully.

#### **Appendix 4.1**

#### **Table, Circuit Court's Approach to Sanctions for Spoliation**

*Reprinted from Victor Stanley, Inc. v. Creative Pipe, Inc.*, 269 F.R.D. 497, 542 (D. Md. 2010).

## Appendix 4-1

### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>First</b>	It is a duty to preserve potentially relevant evidence a party owns or controls and also a duty to notify the opposing party of evidence in the hands of third parties. Velez v. Marriott PR Mgmt, Inc. 590 F. Supp. 2d 235, 258 (D.P.R. 2008).	This specific issue has not been addressed.	<p>The measure of the appropriate sanctions will depend on the severity of the prejudice suffered Velez v. Marriott PR Mgmt, Inc. 590 F. Supp. 2d 235, 259 (D.P.R. 2008).</p> <p>“[C]arelessness is enough for a district court to consider imposing sanctions.” Driggin v. Am. Sec. Alarm Co., 141 F. Supp. 2d 113, 123 (D. Me. 2000).</p>	“severe prejudice or egregious conduct” Driggin v. Am. Sec. Alarm Co., 141 F. Supp. 2d 113, 123 (D. Me. 2000).	“does not require bad faith or comparable bad motive” Trull v. Volkswagon of Am., Inc. 187 F. 3d 88, 95 (1 <sup>st</sup> Cir. 1999); Oxley v. Penobscot County, No. CV-09-21-JAW, 2010 WL 3154975 (D. Me. 2010).	Whether relevance can be presumed has not been addressed.	When spoliation denies a party the ability to support or defend the claim. Velez v. Marriott PR Mgmt, Inc. 590 F. Supp. 2d 235, 259 (D.P.R. 2008).	<p>Intentional spoliation; permissive adverse inference if the jury finds that the spoliator knew of the lawsuit and the documents’ relevance when it destroyed them.</p> <p>Testa v. Wal-Mart Stores, Inc. 144 F. 3d 173, 178 (1<sup>st</sup> Cir. 1998).</p>

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<b>Second</b>	<p>Documents that are potentially relevant to likely litigation “are considered to be under a party’s control,” such that the party has a duty to preserve them “when that party has the right, authority, or practical ability to obtain the documents from a non-party to the action.” in re NTI, Inc. Sec. Litig, 244 F.R.D. 179, 195 (S.D.N.Y. 2007).</p> <p>The duty extends to key players. Zubatake v. UBS Warburg LLC. 220 F.R.D 212, 217 (S.D.N.Y. 2003).</p>	<p>Yes, specific actions, such as the failure “to issue a written litigation hold,” constitute gross negligence <i>per se</i>. Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. , 685 F. Supp. 2d 456, 471 (S.D.N.Y 2010).</p>	<p>“[D]iscovery sanctions... may be imposed upon a party that has breached a discovery obligation not only through bad faith or gross negligence, but also through ordinary negligence.” Residential Funding Corp. v. DeGeorge Fin. Corp., 306 F. 3d 99, 113 (2d Cir. 2002).</p>	<p>“ ‘willfulness, bad faith, or fault on the part of the sanctioned party’ ” Dahoda v. John Deere Co., 216 Fed. App’x 124, 125, 2007 WL 491846 at *1 (2d Cir. 2007) (quoting West v. Goodyear Tire and Rubber Co., 167 F. 3d 776,779 (2d Cir 1999).</p>	<p>Gross negligence Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. , 685 F. Supp. 2d 456, 478-79 (S.D.N.Y 2010).</p> <p>Negligence Residential Funding Corp. v. DeGeorge Fin. Corp., 306 F. 3d 99, 108 (2d Cir. 2002).</p> <p>Intentional conduct in re Terrorist Bombings of U.S. Embassies in East Africa, 552 F. 3d 93, 148 (2d Cir. 2008).</p>	<p>Bad faith or gross negligence Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. , 685 F. Supp. 2d 456, 467 (S.D.N.Y 2010).</p>	<p>When spoliation substantially denies a party the ability to support or defend the claim. Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. , 685 F. Supp. 2d 456, 479 (S.D.N.Y 2010).</p>	<p>Grossly negligent conduct; permissible inference of “the relevance of the missing documents and resulting prejudice to the... Defendants, subject to the plaintiffs’ ability to rebut the presumption to the satisfaction of the trier of fact.” Pension Comm. Of the Univ. of Montreal Pension Plan v. Banc of Am. Sec. , 685 F. Supp. 2d 456, 478 (S.D.N.Y 2010).</p>

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### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Third</b>	Potentially relevant evidence: “‘it is essential that the evidence in question be within the party’s control.’” Canton v. Kmart Corp., No. 1-05-CV-143, 2009 WL 2058908, at *2 (D.V.I. July 13, 2009) (quoting Brewer v. Quaker State Oil Refining Corp., 72 F. 3d 326, 334 (3d Cir. 1995).	No; conduct is culpable if “party [with] notice that evidence is relevant to an action... either proceeds to destroy that evidence of allows it to be destroyed by failing to take <i>reasonable</i> precautions.” Canton v. Kmart Corp., No. 1-05-CV-143, 2009 WL 2058908, at *3 (D.V.I. July 13, 2009 (quoting Mosaid Techs., Inc v. Samsung Elecs. Co., 348 F. Supp. 2d 332, 338 (D.N.J. 2004) (emphasis added).	Bad faith Bensel v. Allied Pilots Ass’n, 263 F.R.D. 150, 152 (D.N.J. 2009).	The degree of fault is considered, and dispositive sanctions “should only be imposed in the most extraordinary of circumstances,” see Mosaid Techs., Inc v. Samsung Elecs. Co., 348 F. Supp. 2d 332, 335 (D.N.J. 2004), but a minimum degree of culpability has not been identified.	Negligence Canton v. Kmart Corp., No. 1-05-CV-143, 2009 WL 2058908, at *2-3 (D.V.I. July 13, 2009).  Intentional conduct Brewer v. Quaker State Oil Refining Corp., 72 F. 3d 326, 334 (3d Cir. 1995).	Whether relevance can be presumed has not been addressed.	Spoliation of evidence that would have helped a case. in re Hechinger Inv. Co. of Del., Inc., 489 F. 3d 568, 579 (3d Cir. 2007).	Intentional spoliation: permissible inference Mosaid Techs., Inc v. Samsung Elecs. Co., 348 F. Supp. 2d 332, 334 (D.N.J. 2004).

## Appendix 4-1 Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Fourth</b>	<p>Documents that are potentially relevant to likely litigation “are considered to be under a party’s control,” such that the party has a duty to preserve them, “when that party has ‘the right, authority, or practical ability to obtain the documents from a non-party to the action.’” Goodman v. Praxair Servs., Inc., 632 F Supp. 2d 494, 515 (D. Md. 2009) (citation omitted).</p> <p>It is also a duty to notify the opposing party of evidence in the hands of third parties. Silvestri v. Gen. Motors Corp., 271 F.3d 583, 590 (4<sup>th</sup> Cir. 2001).</p> <p>Duty extends to key players Goodman, 632 F. Supp. 2d at 512</p>	<p>The U.S. District Court for the District of Maryland has quoted Zubulake IV, 220 F.R.D. at 220 (“Once the duty to preserve attaches, any destruction of documents is, at a minimum, negligent.”) See Sampson v. City of Cambridge, No. WDQ-06-1819, 2008 WL 7514364 at *8 (D. Md. May 1, 2008) (finding defendant’s conduct grossly negligent); Pandora Jewelry, LLC v. Chamilia, LLC, No OCB-06-3041, 2008 WL 4533902, at *9 (D. Md. Sept. 30, 2008) (finding defendant’s conduct grossly</p>	<p>“only a showing of fault, with the degree of fault impacting the severity of sanctions” Sampson v. City of Cambridge, 251 F.R.D. 172, 179 (D. Md. 2008) (using “fault” to describe conduct ranging from bad faith destruction to ordinary negligence).</p>	<p>The court must “be able to conclude either (1) that the spoliator’s conduct was so egregious as to amount to a forfeiture of his claim, or (2) that the effect of the spoliator’s conduct was so prejudicial that it substantially denied the defendant the ability to defend the claim.” Silvestri v. Gen. Motors Corp., 271 F. 3d 583, 593 (4<sup>th</sup> Cir. 2001).</p>	<p>The court “must only find that spoliator acted willfully in the destruction of evidence.” Goodman v. Praxair Servs., Inc., 632 F Supp. 2d 494, 519 (D. Md. 2009)</p>	<p>Willful behavior Sampson v. City of Cambridge, 251 F.R.D. 172, 179 (D. Md. 2008)</p>	<p>When spoliator substantially denies a party the ability to support or defend the claim Goodman v. Praxair Servs., Inc., 632 F Supp. 2d 494, 519 (D. Md. 2009) Sampson v. City of Cambridge, 251 F.R.D. 172, 180 (D. Md. 2008)</p>	<p>Willful spoliation; adverse jury instruction, but not the “series of fact-specific adverse jury instructions” that the plaintiff requested Goodman v. Praxair Servs., Inc., 632 F Supp. 2d 494, 523(D. Md. 2009)</p>

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### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Fifth</b>	<p>Party with control over potentially relevant evidence has a duty to preserve it, scope includes evidence in possession of “employees likely to have relevant information, i.e., ‘the key players’”</p> <p>Tango Transp., LLC v. Transp. Int’l Pool, Inc., No. 5:08-CV-0559, 2009 WL 3254882, at *3 (W.D. Ill. Oct. 8, 2009).</p>	<p>No: “Whether preservation or discovery conduct is acceptable in a case depends on what is reasonable and that in turn depends on whether what was done-or not done-was proportional to that case and consistent with clearly established applicable standards.”</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 613 (S.D. Tex. 2010).</p>	<p>“some degree of culpability”</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 613 (S.D. Tex. 2010).</p>	<p>Bad faith (and prejudice)</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 614 (S.D. Tex. 2010).</p>	<p>Bad Faith</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 617 (S.D. Tex. 2010).</p>	<p>“The Fifth Circuit has not explicitly addressed whether even bad-faith destruction of evidence allows a court to presume that the destroyed evidence was relevant or its loss prejudicial.”</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 617-18 (S.D. Tex. 2010).</p>	<p>When spoliation substantially denies a party the ability to support or defend the claim</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 613 (S.D. Tex. 2010).</p>	<p>Willful spoliation, jury instruction would “ask the jury to decide whether the defendants intentionally deleted emails and attachments to prevent their use in litigation.”</p> <p>Rimkus Consulting Group, Inc. v. Commarara, 688 F. Supp. 2d 598, 620, 646 (S.D. Tex. 2010).</p>

## Appendix 4-1 Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Sixth</b>	<p>It is a duty to preserve potentially relevant evidence that a party owns or controls and to notify the opposing party of evidence in the hands of third parties. Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL 711328 at *2 (W.D. Tenn. Feb. 25, 2010).</p> <p>Duty extends to key players In re Nat'l Century Fin. Enters., Inc. Fin. Inv. Litig., No. 2:03-md-1565, 2009 WL 2169174, at *11 (S.D. Ohio July 16, 2009).</p>	<p>This specific issue has not been addressed. In BancorpSouth Bank v. Herter, 643 F. Supp. 2d 1041, 1061 (W.D. Tenn. 2009), the court quoted Zubulake IV, 220 F.R.D. at 220 (“Once the duty to preserve attaches, any destruction of documents is, at a minimum, negligent”), but it also analyzed the defendant’s conduct to make the finding that it was “more than negligent.”</p>	<p>Bad faith (intentional) destruction. Gross negligence, or ordinary negligence In re Global Technovations, Inc., 431 B.R. 739, 780 (Bankr. E.D. Mich. 2010) (equating intentional and bad faith conduct).</p>	<p>willfulness, bad faith, or fault In re Global Technovations, Inc., 431 B.R. 739, 779 (Bankr. E.D. Mich. 2010) (using “fault” to describe conduct ranging from intentional conduct to ordinary negligence).</p> <p>Other cases in circuit define “fault” as “objectively unreasonable behavior.” E.g., BancorpSouth Bank v. Herter, 643 F. Supp. 2d 1041, 1060 (W.D. Tenn. 2009) Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL</p>	<p>Bad faith In re Global Technovations, Inc., 431 B.R. 739, 782 (Bankr. E.D. Mich. 2010)</p> <p>Bad faith not required Miller v. Home Depot USA, Inc., No. 3-08-0281, 2010 WL 373860 at *1 (M.D. Tenn. Jan. 28, 2010).</p> <p>Ordinary negligence Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL 711328 at *3 (W.D. Tenn. Feb. 25, 2010); Forest Labs., Inc. v. Caraco Pharm. Labs., Ltd., No. 06-CV-13143, 2009 WL 998402, at *5-6 (E.D. Mich. Apr. 14, 2009).</p>	<p>“The spoliating party bears the burden of establishing lack of prejudice to the opposing party, a burden the Sixth Circuit has described as “an uphill battle.” Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL 711328 at *2 (W.D. Tenn. Feb. 25, 2010).</p>	<p>When spoliation substantially denies a party the ability to support or defend the claim Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL 711328 at *4 (W.D. Tenn. Feb. 25, 2010).</p>	<p>Unintentional conduct; permissible inference Jain v. Memphis Shelby Airport Auth. No. 08-2119-STA-dkv, 2010 WL 711328 at *4-5 (W.D. Tenn. Feb. 25, 2010).</p>

## Appendix 4-1 Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Seventh</b>	Duty to preserve potentially relevant evidence party has control over Jones v. Bremen High Sch. Dist. 228, No. 08-C-3548, 2010 WL 2106640, at *5 (N.D. Ill. May 25, 2010).	No. Breach is failure to act reasonably under the circumstances Jones v. Bremen High Sch. Dist. 228, No. 08-C-3548, 2010 WL 2106640, at *6-7 (N.D. Ill. May 25, 2010).  “The failure to institute a document retention policy, in the form of a litigation hold, is relevant to the court’s consideration, but it is not per se evidence of sanctionable conduct.” Haynes v. Dart, No. 08 C 4834, 2010 WL 140387, at *4 (N.D. Ill. Jan. 11, 2010).	Willfulness, bad faith, or fault Jones v. Bremen High Sch. Dist. 228, No. 08-C-3548, 2010 WL 2106640, at *5 (N.D. Ill. May 25, 2010) (stating that fault is based on the reasonableness of the party’s conduct).  Bad faith BP Amoco Chemical Co. v. Flint Hills Resources, LLC, No. 05 C 6. 2010 WL 1131660, at *24 (N.D. Ill. Mar. 25, 2010).	Willfulness, bad faith, or fault In re Kmart Corp., 371 B.R. 823, 840 (Bankr. N.D. Ill. 2007) (noting that fault, while based on reasonableness, is more than a “slight error in judgement”) (citation omitted)	Bad faith Paas v. Sears, Roebuck & Co., 532 F. 3d 633, 644 (7 <sup>th</sup> Cir. 2008).	Unintentional conduct is insufficient for presumption of relevance In re Kmart Corp., 371 B.R. 823, 853-54 (Bankr. N.D. Ill. 2007) .	When spoliation substantially denies a party the ability to support or defend the claim Krumweide v. Brighton Assocs., L.L.C., No. 05-C-3003, 2006 WL 1308629, at *10 (N.D. Ill. May 8, 2006).  When spoliation substantially denies a party the ability to support or defend the claim OR delays production of evidence Jones v. Bremen High Sch. Dist. 228, No. 08-C-	Grossly negligent conduct; jury instruction to inform the jury of the defendant’s duty and breach thereof Jones v. Bremen High Sch. Dist. 228, No. 08-C-3548, 2010 WL 2106640, at *10 (N.D. Ill. May 25, 2010).

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### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Eighth</b>	Duty to preserve potentially relevant documents in party's possession Dillon v. Nissan Motor Co., 986 F. 2d 263, 267 (8 <sup>th</sup> Cir. 1993).	Courts in the Eighth Circuit have not found conduct culpable without analyzing the facts, although reasonableness is not discussed.	Bad faith Wright v. City of Salisbury, No. 2:07CV0056 AGF, 2010 WL 126011, at *2 (E.D. Mo. Apr. 6, 2010).	Bad Faith Johnson v. Avco Corp., No. 4-07CV 1695 CDP, 2010 WL 1329361, at *13 (E.D. Mo. 2010); Menz v. New Holland N. Am., Inc., 440 F. 3d 1002, 1006 (8 <sup>th</sup> Cir. 2006).	Bad faith Greyhound Lines, Inc. v. Wade, 485 F. 3d 1032, 1035 (8 <sup>th</sup> Cir. 2007); Menz v. New Holland N. Am., Inc., 440 F. 3d 1002, 1006 (8 <sup>th</sup> Cir. 2006), Stevenson v. Union Pac. RR, 354 F. 3d 739, 747 (8 <sup>th</sup> Cir. 2004) (bad faith required if spoliation happens pre-litigation)  Bad faith is not required to sanction for “the ongoing destruction of records <b>during litigation</b> and discovery.” Stevenson, 354 F. 3d at 750; MeccaTech, Inc. v. Kiser, 2008 WL 6010937, at *8 (D. Neb. 2008)	This issue has not been addressed, but it has been stated that there is no presumption of irrelevance of intentionally destroyed documents. Alexander v. Nat’l Farmers Org., 687 F. 2d 1173, 1205 (8 <sup>th</sup> Cir. 1982).	Destruction of evidence that “may have [been] helpful” Dillon v. Nissan Motor Co., 986 F. 2d 263, 268 (8 <sup>th</sup> Cir. 1993).  “irreparable injury to plaintiffs’ claims” Monsanto Co. v. Woods, 250 F.R.D. 411, 414 (E.D. Mo. 2008).	“destruction was not ‘willful or malicious,’ ” but plaintiffs’ counsel should have known to preserve the evidence; jury was instructed that “an adverse inference maybe drawn from plaintiffs’ failure to preserve the vehicle” Bass v. Gen. Motors Corp., 929 F. Supp. 1287, 1290 (W.D. Mo. 1996). aff’d on this ground, 150 F. 3d 842, 851 (8 <sup>th</sup> Cir. 1998).

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### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Ninth</b>	<p>Duty to preserve potentially relevant evidence in party's possession Lenn v. IDX Systems Corp., 2004 WL 5571412, at *3 (W.D. Wash. 2004). aff'd, 464 F. 3d 951 (9<sup>th</sup> Cir. 2006).</p> <p>Duty extends to key players Hous. Rights Ctr. V. Sterling, 2005 WL 3320739, at *3 (C.D. Cal. Mar. 2, 2005).</p>	<p>In Hous. Rights Ctr. V. Sterling, 2005 WL 3320739, at *3 (C.D. Cal. Mar. 2, 2005), the court quoted Zubulake IV, 220 F.R.D. at 220 ("Once the duty to preserve attaches, any destruction of documents is, at a minimum, negligent."), and found that defendants' "[d]estruction of documents during ongoing litigation was, at a minimum, negligent."</p>	<p>Bad faith not required Dae Kon Kwon v. Coscto Wholesale Corp., No. CIV 08-360 IMSBMK, 2010 WL 571941, at *2 (D. Hawai'i 2010); Carl Zeiss Vision Intern. GmbH v. Signet Armorlite, Inc., No. 07CV0894 DMS(POR) 2010 WL 743792, at *15 (S.D. Cal. Mar. 1, 2010). amended on other grounds, 2010 WL 1626071 (S.D. Cal. Apr. 21, 2010).</p>	<p>Willfulness, bad faith or fault Dae Kon Kwon v. Coscto Wholesale Corp., No. CIV 08-360 IMSBMK, 2010 WL 571941, at *2 (D. Hawai'i 2010) (requiring that party "engaged deliberately in deceptive practices") "[D]isobedient conduct not shown to be outside the control of the litigant' is all that is required to demonstrate willfulness, bad faith, or fault." Henry v. Gill Indus., 983 F. 2d 943,948 (9<sup>th</sup> Cir. 1993).</p>	<p>Bad faith or gross negligence Karnazes v. County of San Mateo, No. 09-0767 MMC (MEJ), 2010 WL 2672003, at *2 (N.D. Cal. July 2, 2010).</p> <p>Bad faith not required Otsuka v. Polo Ralph Lauren Corp., No. C 07-02780 SI, 2010 WL 366653, at *3 (N.D. Cal. Jan 25, 2010).</p>	<p>This issue has not been addressed.</p>	<p>When spoliation substantially denies a party the ability to support or defend the claim Henry v. Gill Indus., 983 F. 2d 943,948 (9<sup>th</sup> Cir. 1993).</p>	<p>The Court's research has not located case in which the court granted an adverse inference instruction and stated what the instruction would be.</p>

## Appendix 4-1 Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Tenth</b>	<p>Duty extends to key players Pinstripe, Inc. v. Manpower, Inc., No. 07-CV-620-GKF-PIC, 2009 WL 2252131, at *1 (N.D. Okla. July 29, 2009).</p> <p>A party with possession of potentially relevant evidence has a duty to preserve it; even if the party relinquishes ownership of custody, it must contact the new custodian to preserve the evidence. Jordan F. Miller Corp. v. Mid-Continent Aircraft Serv., 139 F. 3d 912, 1998 WL 68879, at *5-6 (10<sup>th</sup> Cir. 1998).</p>	<p>No. Proctor &amp; Gamble Co. v. Haugen, 427 F. 3d 727, 739 n.8 (10<sup>th</sup> Cir. 2005) (stating that district court must consider Rule 26(b)(2)(C)00, which requires the court to limit discovery if “the burden or expense of the proposed discovery outweighs its likely benefit”).</p>	<p>Bad faith not required Harfield v. Wal-Mart Stores, Inc., 335 Fed. App’x 796, 804 (10<sup>th</sup> Cir. 2009).</p> <p>Negligence Pipes v. UPS, Inc., No. CIV.A.07-1762, 2009 WL 2214990, at *1 (W.D. La. July 22, 2009).</p>	<p>“willfulness, bad faith, or [some] fault” Proctor and Gamble Co. v. Haugen, 427 F. 3d 727, 738 n.8 (10<sup>th</sup> Cir. 2005) (using language originally in Societe Internationale v. Rogers, 357 U.S. 197, 212 (1958), which distinguished “fault” from a party’s inability to act otherwise).</p>	<p>Bad faith Turner v. Pub. Serv. Co. of Colo., 563 F. 3d 1136, 1149 (10<sup>th</sup> Cir. 2009).</p> <p>Neither bad faith nor intentionality required Harfield v. Wal-Mart Stores, Inc., 335 Fed. App’x 796, 804 (10<sup>th</sup> Cir. 2009); Schrieber v. Fed. Ex. Corp., No. 09-CV-128-JHP-PJC, 2010 WL 1078463 (N.D. Okla. March 18, 2010).</p>	<p>Although this specific issue has not been addressed, the court declined to “create a presumption in favor of spoliation whenever a moving party can prove that records that might have contained relevant evidence have been destroyed” in Crandall v. City &amp; County of Denver, Colo., No. 05-CV-00242-MSK-MEH. 2006 WL 2683754, at *2 (D. Colo. Sept. 19, 2006).</p>	<p>Spoliation that impairs a party’s ability to support a claim or defense. Pinstripe, Inc. v. Manpower, Inc., No. 07-CV-620-GKF-PIC, 2009 WL 2252131, at *2 (N.D. Okla. July 29, 2009).</p>	<p>Bad faith: Adverse inference instruction Smith v. Slifer Smith &amp; Frampton/Vail Assocs. Real estate, LLC, No. CIVA 06CV02206-JLK. 2009 WL 482603, at *13 (D. Colo. Feb. 25, 2009).</p>

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### Spoliation Sanctions by Circuit

<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>Eleventh</b>	Duty to preserve potentially relevant evidence that party has “access to and control over” Nat’l Grange Mat. Ins. Co. v. Hearth & Home, Inc., No. CIVA 2806CV54WCO. 2006 WL 5157694, at *5 (N.D. Ga. Dec. 19, 2006).	Courts in the Eleventh Circuit have not found conduct culpable without analyzing the facts, although reasonableness is not discussed.	<p>Bad faith Managed Care Solutions, Inc. v. Essent Healthcare, Inc., No. 09-60351-CIV. 2010 WL 3368654, at *4 (S.D. Fla. Aug. 23, 2010).</p> <p>Degree of culpability is weighed against prejudice caused by spoliation Flery v. Daimler Chrysler Corp., 427 F. 3d 939, 945 (11<sup>th</sup> Cir. 2005); Brown v. Chertoff, 563 F. Supp 2d 1372, 1381 (S.D. Ga. 2008).</p>	Bad faith Managed Care Solutions, Inc. v. Essent Healthcare, Inc., No. 09-60351-CIV. 2010 WL 3368654, at *12 (S.D. Fla. Aug. 23, 2010).	Bad faith Penalty Kick Mgmt. Ltd. v. Coca Cola Co., 318 F. 3d 1284, 1294 (11 <sup>th</sup> Cir. 2003); Managed Care Solutions, Inc. v. Essent Healthcare, Inc., No. 09-60351-CIV. 2010 WL 3368654, at *13 (S.D. Fla. Aug. 23, 2010).	This issue has not been addressed.	Spoliation of evidence that was not just relevant but “crucial” to a claim or defense Managed Care Solutions, Inc. v. Essent Healthcare, Inc., No. 09-60351-CIV. 2010 WL 3368654, at *8 (S.D. Fla. Aug. 23, 2010).	Negligence: jury to be instructed that the destruction raises a rebuttable inference that the evidence supported plaintiff’s claim Brown v. Chertoff, 563 F. Supp 2d 1372, 1381 (S.D. Ga. 2008) (but other courts in Eleventh Circuit will not order any sanctions without bad faith)

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<i>Circuit</i>	<i>Scope of Duty to Preserve</i>	<i>Can conduct be culpable per se without consideration of reasonableness</i>	<i>for sanctions in general</i>	<i>for dispositive sanctions</i>	<i>for adverse inference instruction</i>	<i>for a rebuttable presumption of relevance</i>	<i>What constitutes prejudice</i>	<i>Culpability and corresponding jury instructions</i>
<b>D.C.</b>	Duty to preserve potentially relevant evidence “within the ability of the defendant to produce it” Friends for All Children v. Lockheed Aircraft Corp., 587 F Supp. 180, 189 (D.D.C.), modified, 593 F. Supp. 388 (D.D.C.), aff’d, 746 F. 2d 816 (D.C. Civ 1984).	Courts in the D.C. Circuit have not found conduct culpable without analyzing the facts, although reasonableness is not discussed.	Case Law addresses specific sanctions, rather than sanctions generally.	Bad faith Shepard v. Am. Broad. Cos., 62 F. 3d 1469, 1477 (D.C. Cir. 1995); D’Onofrio v. SFX Sports Group, Inc., No. 06-687 (JDB/JMF), 2010 WL 3324964, at *5 (D.D.C. Aug. 24, 2010).	Negligent or deliberate Mazloam v. D.C. Metro. Police Dep’t, 530 F. Supp. 2d 282, 292 (D.D.C. 2008); More v. Snow, 480 F. Supp. 2d 257, 274-75 (D.D.C. 2007); D’Onofrio v. SFX Sports Group, Inc., No. 06-687 (JDB/JMF), 2010 WL 3324964, at *10 (D.D.C. Aug. 24, 2010) (not for mere negligence unless “the interests in righting the evidentiary balance and in the deterring of others trumps the lacuna that a logician would detect in the logic of giving such an instruction”).	This issue has not been addressed.	Case law states that the spoliated evidence must have been relevant, i.e., information that would have supported a claim or defense, but it does not address prejudice.	“[A]ny adverse inference instruction grounded in negligence would be considerably weaker in both language and probative force than an instruction regarding deliberate destruction” Mazloam v. D.C. Metro. Police Dep’t, 530 F. Supp. 2d 282, 293 (D.D.C. 2008).

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### Spoliation Sanctions by Circuit

Federal	<p>“in reviewing sanction orders, [the Federal Circuit] applies the law of the regional circuit from which the case arose.” <i>Monsanto Co. v. Ralph</i>, 382 F. 3d 1374, 1380 (Fed. Cir. 2004). In <i>Consolidated Edison Co. of N.Y., Inc. v. United States</i>, 90 Fed. Cl. 228, 255 n. 20 (Fed. Cl. 2009), the United States Court of Federal Claims observed that “the United States Court of Appeals for the Federal Circuit has not definitively addressed whether a finding of bad faith is required before a court can find spoliation or impose an adverse inference or other sanction. Because many of the spoliation cases decided to date by the Federal Circuit have been patent cases in which the Federal Circuit applies the law of the relevant regional circuit, the Federal Circuit has not had the opportunity to announce a position binding on this court as to a possible ‘bad faith’ or other standard to trigger a spoliation of evidence sanction. Consequently, judges of the United States Court of Federal Claims have taken differing positions on the ‘bad faith’ requirement. Compare [<i>United Med. Supply Co. v. United States</i>, 77 Fed. Cl. 257, 268 (2007)] ([A]n injured party need not demonstrate bad faith in order for the court to impose, under its inherent authority, spoliation sanctions.’), with <i>Columbia First Bank, FSB v. United States</i>, 54 Fed. Cl. 693, 703 (2002) (noting findings of bad faith are required before the court can determine there was spoliation).” (Citation omitted.)</p>
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**Appendix 4.2**  
**Model Order Regarding E-Discovery in Patent Cases**

# AN E-DISCOVERY MODEL ORDER

## INTRODUCTION

Since becoming a staple of American civil litigation, e-discovery has been the subject of extensive review, study, and commentary. *See The Sedona Principles: Best Practices, Recommendations & Principles for Addressing Electronic Document Production* (2d ed. June 2007). In view of the growing concern about e-discovery, the Federal Rules of Civil Procedure were amended in 2006 to more fully address e-discovery. Likewise, several district courts have adopted local e-discovery rules.<sup>1</sup>

Despite these amendments, e-discovery continues to present a broad spectrum of challenges, such as preservation obligations, production format, and the disproportionate cost of e-discovery.<sup>2</sup> Patent cases, in particular, tend to suffer from disproportionately high discovery expenses. *See* Emery G. Lee III & Thomas E. Willging, *Litigation Costs in Civil Cases: Multivariate Analysis* 8 (Fed. Judicial Ctr. 2010) (“Intellectual Property cases had costs almost 62% higher, all else equal, than the baseline ‘Other’ category.”); *see also* Thomas E. Willging et al., *Discovery and Disclosure Practice, Problems, and Proposals for Change: A Case-*

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<sup>1</sup> District Courts in Delaware, Kansas and Maryland have adopted e-discovery local rules. The Seventh Circuit has adopted an e-discovery pilot program.

<sup>2</sup> The following are the main cost areas for e-discovery:

**Collection:** Forensically sound (*e.g.*, preserving the document date) collection can require a trained specialist. Costs will include vendor fees and/or licensing fees, and media related charges. Inactive data requires restoration and software licensing fees.

**Processing:** Requires use of licensed assessment or review tools (more than 1 tool are often used for this process). Expenses will include data and text extraction, de-duplication, imaging fees, project management time and potential hosting fees. Frequently includes narrowing or broadening the scope of collection based on results.

**Review:** Requires continued hosting and licensing fees. Project management time is necessary for database setup and management, additional keyword filtering/assessment and searching. If human review is involved, this is the largest area of cost.

**Production:** Requires any additional data and image conversion, text extraction and/or appropriate language OCR generation. Tech time will include dealing with problematic files (*e.g.*, Excel). Also requires endorsement and control numbering. Costs will also be incurred for project management/tech time and media related charges.

**Post Production:** Project management and load time for importing productions into production review tool or index. Additional costs for associating native files to records.

*Based National Survey of Counsel in Closed Federal Civil Cases* 38-39 (Fed. Judicial Ctr. 1997) (finding that patent cases “stood out for their high discovery expenses”). Such expenses are compounded when attorneys use discovery tools as tactical weapons, which hinders the “just, speedy, and inexpensive determination of every action and proceeding.” Fed. R. Civ. P. 1.

In recent years, the exponential growth of and reliance on electronic documents and communications has exacerbated such discovery abuses. Excessive e-discovery, including disproportionate, overbroad email production requests, carry staggering time and production costs that have a debilitating effect on litigation. Routine requests seeking all categories of Electronically Stored Information often result in mass productions of marginally relevant and cumulative documents. Generally, the production burden of these expansive requests outweighs the minimal benefits of such broad disclosure.

Most discovery in patent litigation centers on what the patent states, how the accused products work, what the prior art discloses, and the proper calculation of damages. These topics are normally the most consequential in patent cases. Thus, far reaching e-discovery, such as mass email searches, is often tangential to adjudicating these issues.

As technology and knowledge play an increasingly important role in our economy, the courts must not become an intolerably expensive way to resolve patent disputes. Specifically, litigation costs should not be permitted to unduly interfere with the availability of the court to those who seek to vindicate their patent rights—the enforcement of such rights is both an obligation of the legal system and important to innovation. Likewise, disproportionate expense should not be permitted to force those accused of infringement to acquiesce to non-meritorious claims. This only serves as an unhealthy tax on legitimate commerce.

Fortunately, district courts have inherent power to control their dockets to further “economy of time and effort for itself, for counsel and for litigants.” *Landis v. North Am. Co.*, 299 U.S. 248, 254 (1936). Our objective is thus narrow, but important. The accompanying Model Order Limiting E-Discovery in Patent Cases is intended to be a helpful starting point for district courts to use in requiring the responsible, targeted use of e-discovery in patent cases. The goal of this Model Order is to promote economic and judicial efficiency by streamlining e-discovery, particularly email production, and requiring litigants to focus on the proper purpose of discovery—the gathering of material information—rather than permitting unlimited fishing expeditions. It is further intended to encourage

discussion and public commentary by judges, litigants, and other interested parties regarding e-discovery problems and potential solutions.

## **DISCUSSION OF THE MODEL ORDER**

Hard-worn experience in patent cases and recent commentary teach that efforts to identify comprehensively the discovery issues or to produce all “relevant” documents at once at the outset of the case can result in the vastly overbroad production of e-discovery. Indeed, the practice of gathering huge amounts of information at the front of a case and running broad key searches as the issues emerge has come under increasing question. The recently published *Judges’ Guide to Cost-Effective E-Discovery* critiqued this practice sharply:

Some argue that e-discovery is best accomplished by taking large amounts of data from clients and then applying keyword or other searches or filters. While, in some rare cases, this method might be the only option, it is also apt to be the most expensive. In fact, keyword searching against large volumes of data to find relevant information is a challenging, costly, and imperfect process.

Anne Kershaw & Joe Howie, *Judges’ Guide to Cost-Effective E-Discovery* 4 (Fed. Judicial Ctr. 2010).

Hence, this Model Order requires a discovery process whereby the parties exchange core documentation concerning the patent, the accused product, the prior art, and the finances before making email production requests. Moreover, email production requests should be focused on a particular issue for which that type of discovery is warranted. Much as Federal Rule of Civil Procedure 30 presumptively limits cases to ten depositions and seven hours per deposition,<sup>3</sup> this Model Order presumptively limits the number of custodians and search terms for all email production requests. However, the parties may jointly agree to modify these limits or request court modification for good cause.

This is not to say a discovering party should be precluded from obtaining more e-discovery than agreed upon by the parties or allowed by the court. Rather, the discovering party shall bear all reasonable costs of discovery that exceeds these

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<sup>3</sup> Such limits have reformed deposition practice, making it more efficient. See Fed. R. Civ. P. 30(a), 1993 Advisory Committee Notes (explaining that Rule 30 limits the number of depositions a party may take in order to “to emphasize that counsel have a professional obligation to develop a mutual cost-effective plan for discovery in the case”).

limits. This will help ensure that discovery requests are being made with a true eye on the balance between the value of the discovery and its cost.

A large source of e-discovery cost is the pre-production review of documents by attorneys or other human reviewers. Even with clawback provisions, this pre-production review is often undertaken to avoid the disclosure of privileged or other sensitive documents to adversaries. Accordingly, this Model Order addresses concerns regarding waiver of attorney-client privilege and work product protection in order to minimize human pre-production review.

### **E-Discovery Committee**

Chief Judge James Ware (ND Cal)  
Judge Virginia Kendall (ND Ill)  
Magistrate Judge Chad Everingham (ED Tex)  
Chief Judge Randall Rader (Fed. Cir.)  
Tina Chappell  
Richard “Chip” Lutton  
Joe Re  
Edward Reines  
Steve Susman  
John Whealan

Addendum: Discovery Model Order

	Plaintiff,	
v.		
	Defendant.	Case No.

**[MODEL] ORDER REGARDING E-DISCOVERY IN PATENT CASES**

The Court ORDERS as follows:

1. This Order supplements all other discovery rules and orders. It streamlines Electronically Stored Information (“ESI”) production to promote a “just, speedy, and inexpensive determination” of this action, as required by Federal Rule of Civil Procedure 1.

2. This Order may be modified for good cause. The parties shall jointly submit any proposed modifications within 30 days after the Federal Rule of Civil Procedure 16 conference. If the parties cannot resolve their disagreements regarding these modifications, the parties shall submit their competing proposals and a summary of their dispute.

3. Costs will be shifted for disproportionate ESI production requests pursuant to Federal Rule of Civil Procedure 26. Likewise, a party’s nonresponsive or dilatory discovery tactics will be cost-shifting considerations.

4. A party’s meaningful compliance with this Order and efforts to promote efficiency and reduce costs will be considered in cost-shifting determinations.

5. General ESI production requests under Federal Rules of Civil Procedure 34 and 45 shall not include metadata absent a showing of good cause. However, fields showing the date and time that the document was sent and received, as well as the complete distribution list, shall generally be included in the production.

6. General ESI production requests under Federal Rules of Civil Procedure 34 and 45 shall not include email or other forms of electronic correspondence (collectively “email”). To obtain email parties must propound specific email production requests.

7. Email production requests shall only be propounded for specific issues, rather than general discovery of a product or business.

8. Email production requests shall be phased to occur after the parties have

exchanged initial disclosures and basic documentation about the patents, the prior art, the accused instrumentalities, and the relevant finances. While this provision does not require the production of such information, the Court encourages prompt and early production of this information to promote efficient and economical streamlining of the case.

9. Email production requests shall identify the custodian, search terms, and time frame. The parties shall cooperate to identify the proper custodians, proper search terms and proper timeframe.

10. Each requesting party shall limit its email production requests to a total of five custodians per producing party for all such requests. The parties may jointly agree to modify this limit without the Court's leave. The Court shall consider contested requests for up to five additional custodians per producing party, upon showing a distinct need based on the size, complexity, and issues of this specific case. Should a party serve email production requests for additional custodians beyond the limits agreed to by the parties or granted by the Court pursuant to this paragraph, the requesting party shall bear all reasonable costs caused by such additional discovery.

11. Each requesting party shall limit its email production requests to a total of five search terms per custodian per party. The parties may jointly agree to modify this limit without the Court's leave. The Court shall consider contested requests for up to five additional search terms per custodian, upon showing a distinct need based on the size, complexity, and issues of this specific case. The search terms shall be narrowly tailored to particular issues. Indiscriminate terms, such as the producing company's name or its product name, are inappropriate unless combined with narrowing search criteria that sufficiently reduce the risk of overproduction. A conjunctive combination of multiple words or phrases (*e.g.*, "computer" and

“system”) narrows the search and shall count as a single search term. A disjunctive combination of multiple words or phrases (*e.g.*, “computer” or “system”) broadens the search, and thus each word or phrase shall count as a separate search term unless they are variants of the same word. Use of narrowing search criteria (*e.g.*, “and,” “but not,” “w/x”) is encouraged to limit the production and shall be considered when determining whether to shift costs for disproportionate discovery. Should a party serve email production requests with search terms beyond the limits agreed to by the parties or granted by the Court pursuant to this paragraph, the requesting party shall bear all reasonable costs caused by such additional discovery.

12. The receiving party shall not use ESI that the producing party asserts is attorney-client privileged or work product protected to challenge the privilege or protection.

13. Pursuant to Federal Rule of Evidence 502(d), the inadvertent production of a privileged or work product protected ESI is not a waiver in the pending case or in any other federal or state proceeding.

14. The mere production of ESI in a litigation as part of a mass production shall not itself constitute a waiver for any purpose.

# Chapter 5

## Claim Construction

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The construction of patent claims plays a critical role in nearly every patent case. It is central to evaluation of infringement and validity, and can affect or determine the outcome of other significant issues such as unenforceability, enablement, and remedies. The process by which courts interpret patent claims represents one of the most distinctive aspects of patent litigation. This chapter explores the procedural and substantive aspects of claim construction.

It will be useful to have some historical and jurisprudential context for claim construction in place before delving into the details. With the growing resort to the use of juries in patent cases since 1980, the issue emerged of whether the judge or the jury should construe the terms of patent claims. Until 1996, it was common in jury trials for courts to include claim construction as part of the jury’s charge. Resolving the scope of patent claims in this manner, however, significantly increased the complexity and uncertainty of trials. The question of who should have responsibility to determine the meaning of patent claims came before the Supreme Court in the seminal case of *Markman v. Westview Instruments*, 517 U.S. 370 (1996), resulting in the term *Markman* hearing.

In *Markman*, Markman sued Westview Instruments for infringement of its patent on a system for tracking articles of clothing in a dry-cleaning operation. After a jury found infringement, Westview Instruments moved for judgment as a matter of law on the ground that the patent and its prosecution history made clear that the patent claims at issue did not extend to the defendant’s accused device. The trial court granted the motion based on its examination of the relevant documentation. On appeal, the patentee asserted that the trial court’s judgment violated its Seventh Amendment right to a jury trial on claim construction. Markman called attention to the fact that it had introduced expert testimony on the issue. Based largely on functional considerations, the Supreme Court held that claim construction is a matter for the court and hence beyond the province of the jury. The Court emphasized that judges are better equipped than juries to construe the meaning of patent claim terms given their training and experience interpreting written instruments (such as contracts and statutes). And even though

cases may arise in which the credibility of competing experts affects the determination of claim meaning, “in the main” the Court anticipated that claim construction determinations will be “subsumed within the necessarily sophisticated analysis of the whole document, required by the standard construction rule that a term can be defined only in a way that comports with the instrument as a whole.” *Id.* at 389. The Court also emphasized that judges are better able to promote uniformity and certainty in claim construction. The Court specifically noted that treating claim construction as a “purely legal” issue would serve stare decisis principles as courts are better situated to give due weight to decisions of other courts that have previously ruled on the same issues.

Although resolving an important issue for patent litigation, *Markman* spawned a complex set of procedural and substantive questions regarding when and how patent claims should be construed. This chapter begins with the procedural matters relating to claim construction and then presents the framework and substantive rules governing claim interpretation.

## **5.1 Timing and Procedure**

In the years since *Markman*, courts have experimented with different approaches to the claim construction process. This section presents and discusses the main lessons learned for:

- determining when to hold the *Markman* hearing;
- streamlining the pre-*Markman* process;
- the use of tutorials, experts, and advisors in claim construction;
- conducting a *Markman* hearing efficiently and effectively;
- rendering a *Markman* ruling; and
- integrating the *Markman* ruling into trial.

We identify issues that commonly arise in the claim construction process (from the commencement of the case through trial), explain the pros and cons associated with the different approaches to handling these matters, characterize best practices, and suggest tools to address specific situations.

### **5.1.1 Timing of *Markman* Hearings**

Perhaps the most important case-management decision relating to the *Markman* process is its timing. More than fifteen years of practice has taught important lessons on when to hold the *Markman* hearing and has shown the need for flexibility to accommodate the needs of different cases.

Early *Markman* hearings (i.e., within about five months of the case-management conference) may be appropriate in some contexts. In cases that ap-

pear to present a well-crystallized question of claim construction that may resolve liability without the need for extensive discovery, an early *Markman* hearing may be advantageous. Providing parties with an early ruling on key claim construction issues can promote settlement and avoid the cost and burden of lengthy discovery. However, in practice, these advantages are often outweighed by several disadvantages. Knowing what issues to present at a *Markman* hearing frequently requires extensive discovery into the nature of the accused device and of the prior art. Thus, an early *Markman* ruling often will need revisiting when new issues emerge.

A majority of courts have found that the most opportune time to hold the *Markman* hearing is midway through, or before the close of, fact discovery, and prior to expert discovery. This timing is advantageous in that it affords the parties sufficient discovery in advance of the claim construction hearing to gain an understanding of the liability issues and accurately identify the terms needing construction. It also leaves time for the parties to finish fact discovery and to focus expert discovery after the court has issued its claim construction ruling. This timing avoids the potential that an expert will have to base his or her opinions on alternative claim constructions or possibly be required to do a new report if the court does not adopt either party's construction and comes up with its own. See, e.g., *Magarl, L.L.C. vs Crane Co.*, 2004 U.S. Dist. LEXIS 24283, at \*44 (S.D. Ind. 2004) (encouraging holding *Markman* hearings in advance of summary judgment briefing, because a "claim construction which precedes summary judgment could avoid unnecessary alternative briefing and evidentiary submissions, including expert witness testimony addressed to or based on rejected claim constructions.")

If, however, a particular claim construction will be case or claim dispositive, it is recommended that the court hold a joint claim construction/summary judgment hearing on case dispositive terms. Although this may result in the experts having to address different possible claim constructions, the benefits of efficiency and cost savings outweigh the additional burden. See §§ 6.1.2 - 6.1.3.4.

Some courts have deferred *Markman* hearings until the completion of expert discovery and resolved the disputes in conjunction with summary motions made shortly before trial or at trial when jury instructions are settled. Although there may be some advantages to holding a *Markman* hearing at or near the end of a case, in practice, this approach has been found to have too many drawbacks. Holding a late *Markman* hearing may upset the experts' positions, inject new issues in the case especially where the court comes up with its own construction that does not square with either party's, or deprive litigants of enough time to settle the case before trial.

### **5.1.2 Pre-*Markman* Procedures**

In order to promote efficient and effective *Markman* hearings, courts will want to address the procedures and ground rules for such proceedings at a relatively early stage in case management. As discussed in Chapter 2, Patent Local Rules place particular emphasis on timely and orderly identification of disputed claim terms. We begin this section with further discussion of best practices to bring those disputes and the parties' arguments to the surface prior to the *Markman* hearing. Depending on the complexity of the technology at issue, it is often useful to plan for technology tutorials in conjunction with the *Markman* proceeding. We discuss several practical issues relating to the timing, form, and conduct of such tutorials and the use of court-appointed experts to assist in claim construction.

#### **5.1.2.1 Mandatory Disclosure of Positions**

The primary goals of the procedures before a *Markman* hearing are to: (1) ensure that the parties' claim construction positions are squarely joined, reducing false and hidden disputes; and (2) resolve any disputes about how the *Markman* hearing should be conducted so the hearing itself is efficient, helpful to the court, and without procedural disarray.

The following steps have proven especially effective in accomplishing these objectives.

##### **5.1.2.1.1 Early Disclosure of Infringement and Invalidity Contentions**

Requiring disclosure of infringement contentions at the start of the case is a proven way to focus at least some of the disputes at issue for the *Markman* hearing. Early disclosure of infringement contentions is a feature of the Patent Local Rules discussed in Chapter 2. *See* Appendix D (listing jurisdictions with Patent Local Rules). In jurisdictions that have not adopted Patent Local Rules, courts are free to build these disclosure requirements into their scheduling orders. These infringement contentions require the patentee to specify, among other things, each claim of each patent in suit that is allegedly infringed; each instrumentality that allegedly infringes each asserted claim; and a claim chart detailing where each element of an asserted claim is found in each accused instrumentality. *See, e.g.*, Northern District of California Patent Local Rule 3-1; Eastern District of Texas Patent Rule 3-1.

With its infringement contentions, the party must produce, among other things, all documents evidencing the conception and reduction to practice of each

asserted claim, along with documents sufficient to show the disclosure of the claimed inventions to others prior to filing of the patent application. Similarly, the court can help focus *Markman* issues by requiring the alleged infringer to disclose invalidity contentions after receipt of the infringement contentions. This requires the alleged infringer to specify, among other things, the identity of each item of prior art that allegedly anticipates each asserted claim or renders it obvious, and any grounds for invalidity due to indefiniteness, enablement, or written description. See § 112. With its invalidity contentions, the accused infringer must produce all prior art not already of record, as well as documents sufficient to show the operation of the accused devices.

These disclosures force parties to crystallize their theories early in the case, and thereby to identify the matters that need to be resolved through the *Markman* hearing. They also help streamline discovery by mandating the disclosures that are core to patent cases, thus reducing the need for interrogatories, document requests, and contention depositions. Early infringement contentions can, however, lead to more discovery because they may occur before parties fully understand their own positions.

#### **5.1.2.1.2 Disclosure of Claims to Construe and Proposed Constructions**

A widespread problem in patent cases is that the parties' *Markman* briefing may not effectively join the issues to be litigated at the *Markman* hearing, or may not confront claim construction issues that will ultimately be litigated at trial. To avoid this problem, it is advisable that the court set a meet-and-confer schedule in its scheduling order to require parties to identify terms that need construction. These procedures help to ensure that the issues for the *Markman* hearing be specified in advance of the briefing cycle, as opposed to having issues disclosed for the first time in briefing. Ordering a meet-and-confer process also helps to ensure that the parties' briefing is not wastefully directed to false or merely hypothetical disputes. Ordering parties to disclose their claim construction positions also discourages "hidden" disputes that may otherwise arise at trial. This structured meet-and-confer process is part of the Patent Local Rules of the Northern District of California, the Eastern District of Texas, and growing number of district courts, and is required within ten days of service of the invalidity contentions. See Northern District of California Patent Local Rules 4-1 to 4-3; Eastern District of Texas Patent Rules 4-1 to 4-3.

As part of this process, the court's scheduling order should set a date for the parties to exchange proposed constructions of the identified terms. Setting this date approximately twenty days after exchanging lists of terms is appropriate. As

part of this disclosure, some jurisdictions also require that the parties disclose their supporting evidence, including whether they will be relying on expert witnesses.

### **5.1.2.1.3 Mechanisms for Limiting the Number of Claim Terms to Construe**

Cases commonly involve multiple patents, dozens or even hundreds of claims, and multitudes of claim terms that may need construction. If left unmanaged, the sheer complexity of this tangle of terms can overwhelm the merits of a lawsuit. Courts should exercise their inherent case-management authority to limit the number of claims and claim terms at issue, as appropriate.

At the *Markman* phase, courts have wide discretion to limit the number of claim terms at issue. Restricting the scope of the *Markman* hearing may have the benefit of focusing the court's attention on the key issues (which may dispose of the case), and of allowing a more prompt and well-reasoned ruling on the central matters in the case. Courts have experimented widely with various approaches to managing the scope of *Markman* hearings. By contrast, asking the parties to brief all the potential claim construction disputes invites false or inconsequential disputes, particularly because parties reflexively seek to avoid the risk of a waiver finding if they refrain from raising peripheral disputes.

As a means for focusing patent litigation on the most salient issues, the Northern District of California revised its Patent Local Rules to require the parties to jointly identify ten terms “likely to be most significant to resolving the parties’ dispute, including those terms for which construction may be case or claim dispositive.” See N.D. Cal. Patent L.R. 1.2; see also N.D. Ill. LPR 4.1(b) (requiring parties to limit terms submitted for construction to ten absent a showing of good cause). The ten-term limit is a default that can be adjusted upwards or downwards depending on the circumstances of the case.

There are several factors that may influence whether to increase the number of terms to be construed, such as the number of patents in dispute and the extent to which means-plus-function claims (§ 112 ¶ 6) are present. Ten can be high for single patent cases, but low for multi-patent cases. See N.D. Ill. LPR 4.1(b) (noting that the “assertion of multiple non-related patents shall, in an appropriate case, constitute good cause”). Means-plus-function claims generally must be construed in order to identify the corresponding structure in the specification. Hence, where multiple such claim claims are present, courts may need to adjust term ceiling upward.

The parties are generally required to meet and confer to identify the ten most significant terms in dispute. In addition to any terms that the parties mutually

agree upon as being the most significant, the parties are allocated half of the remaining terms of the ten, and can identify additional terms they wish to have construed under this allocation. See N.D. Ill. LPR 4.1(b) (stating that “[i]f the parties are unable to agree upon ten terms, then five shall be allocated to all plaintiffs and five to all defendants”).

The ten-term limit does not fix the total number of terms that can be construed before trial. Parties may seek to construe additional terms at later phases in the case. However, for purposes of the principal *Markman* hearing, this channeling of the most significant terms allows courts to most efficiently resolve the key disputes in the case.

The ten-term default rule has generally worked well. It has focused the parties on the terms that are most likely to be outcome determinative. See N.D. Ill LPR 4.1 (requiring the parties to certify whether a term identified for construction is potentially outcome-determinative); *id.* (Comment) (noting that the ten-term limit is intended to require the parties to focus upon outcome-determinative or otherwise significant disputes”). The ten-term default rule has not been challenged in any reported decision.

Nonetheless, courts should be sensitive to gamesmanship that may arise in selecting the ten terms. Often, one party will be less interested in having terms construed than the other party, so may list terms of little consequence to the case, which has the effect of “burning” half the terms that the court will actually hear. Typically, the defendant is the party with a greater interest in having claims construed, and it may be prejudicial to the defendant to limit its ability to only have ten claim terms construed (particularly where the plaintiff has asserted a large number of claims). For this reason, the equal division of the ten-term limit where the parties cannot agree on term needing construction can be overly rigid. By insisting that parties explain why they are seeking construction of the terms they propose, as discussed in § 5.1.2.1.4, courts can reduce this prospect for abuse. Furthermore, a claim phrase may reappear in different claims with slightly different wording, giving rise to the argument that each particular instance of the term must be counted against the 10-word limit. Because the same underlying factors will typically drive the proper construction of similarly-worded terms (although they might not be exactly the same), courts should accommodate reasonable requests to have similar-worded terms grouped together in counting toward the ten-term limit.

Other mechanisms for managing the scope of *Markman* proceedings include page limits on briefing, and time restrictions at the *Markman* hearing. Parties will naturally allocate limited presentation times (written or oral) to the key disputes, and limits on briefing or oral argument will have some effect at streamlining the *Markman* proceedings. However, when parties feel that they could be faced with a waiver situation if all disputed terms are not addressed at the *Markman* proceed-

ings, there will inherently be a tendency to cram additional arguments into the written or oral presentations. Ultimately, this is a less helpful mechanism than limiting the number of terms that the court will address in the main *Markman* proceeding.

Courts risk upsetting trial dates and may invite reversal if they overly constrain or defer the *Markman* process. Ultimately, all material claim construction disputes must be ruled upon by the court for cases that go to trial. See *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351, 1360-61 (Fed. Cir. 2008). It is legal error for the court to allow the parties to argue competing claim construction positions to the jury, however, and as discussed in Section 5.1.4.3, the Court may properly resolve the claim construction dispute with reference to a “plain meaning” construction. See *CytoLogix Corp. v. Ventana Med. Sys., Inc.*, 424 F.3d 1168, 1172 (Fed. Cir. 2005) (“[B]y agreement the parties also presented expert witnesses who testified before the jury regarding claim construction, and counsel argued conflicting claim constructions to the jury. This was improper, and the district court should have refused to allow such testimony despite the agreement of the parties.”); *Every Penny Counts, Inc. v. American Express Co.*, 563 F.3d 1378, 1383 (Fed. Cir. 2009) (“[T]he court’s obligation is to ensure that questions of the scope of the patent claims are not left to the jury. In order to fulfill this obligation, the court must see to it that disputes concerning the scope of the patent claims are fully resolved.”) (internal citation omitted). The more that outstanding claim construction issues are deferred until the late phases of litigation, or are not resolved until trial, the greater the likelihood of legal error and that trial will be a game of surprise. Resolving the material claim construction disputes well in advance of trial will prevent procedural aberrations from overwhelming the merits of a case and minimize the risk of reversal and the need for retrial.

#### **5.1.2.1.3.1 Severance Versus Postponement**

Courts faced with a case involving many patents, frequently with diverse technologies, have struggled to find ways to reduce the case to a manageable size that the court and a jury can handle in one trial.

District courts typically have addressed this issue in the context of multi-patent disputes in one of two ways: (1) limiting the total number of disputed terms to be construed, and hoping that those terms will resolve the dispute; or (2) allowing the parties to select a limited subset of patents to be tried in the first instance, and severing the remaining patents for a subsequent trial if needed. The primary risk in the first approach is that the chosen terms will not resolve the dispute, in which case the court will be faced with two unattractive options: either doing claim construction hurriedly at the end of the pretrial schedule, which disrupts expert reports, summary judgment, and other pretrial scheduling, or post-

poning the trial for another round of claim construction. The Federal Circuit has made clear that the district court may not proceed to trial without resolving any remaining claim construction disputes. See *O2 Micro Int'l*, 521 F.3d at 1360-63. To preclude improper invitation of jurors to define terms, the Federal Circuit has permitted courts to modify and further construe terms at trial. See, e.g., *Pressure Products Med. Supplies, Inc. v. Greatbatch Ltd.*, 599 F.3d 1309, 1315-1316 (Fed. Cir. 2010) (“As this court has recognized, ‘district courts may engage in a rolling claim construction, which the court revisits and alters its interpretation of the claim terms as its understanding of the technology evolves.’”). In general, courts have gravitated toward the severance and stay option, and have found that the subsequent trials are not needed. Some courts require some limitation of the number of asserted patent claims prior to claim construction, with a further limitation required after claim construction, and yet a further limitation before trial. This step-wise approach allows the plaintiff to refine its theories as the case progresses through discovery, claim construction, and dispositive motions.

The Federal Circuit has ruled that the district court’s case management prerogatives can trump a patentee’s alleged right to try all the patent claims it asserts, even when the additional claims would have been tried in a severed action. In a particularly large, multidistrict litigation involving 25 separate actions, with 1,975 asserted claims from 31 patents, against 50 groups of related defendants, the district court sharply limited the number of claims that the patentee could try. See *In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303 (Fed. Cir. 2011). The court ordered the patentee to limit its claims to a total of 64 claims (including no more than 40 claims per defendant group, to be narrowed to 16 claims per group after discovery), and included a proviso that the patentee could add new claims if they “raise[d] issues of infringement/validity that [were] not duplicative” of previously selected claims. *Id.* at 1309. The patentee then moved to sever and stay the litigation as to the unselected claims, reasoning that absent a severance there would be preclusive effect as to the unselected claims. The district court refused to sever, and the Federal Circuit affirmed, finding no violation of the patentee’s right to due process. Particularly important in the court’s ruling was that the patentee had failed to state why the unselected claims were not duplicative of those already set for trial. The Federal Circuit’s approval of the district court’s approach was limited, indicating that if the court had not allowed to patentee to show why the unselected claims presented unique issues, the refusal to sever those claims would have been reversed. *Id.* at 1312-13. Understandably for patentees, making such a showing (as to why the subset of claims to be tried are insufficient) could be an awkward submission, possibly explaining why it was not done in *Katz*.

#### **5.1.2.1.4 Recommended Approach: Mandatory Disclosure of Impact of Proposed Constructions**

One technique that should be a useful case-management tool is to require parties to state the intended impact of their proposed constructions on the merits of the case. This approach is introduced in Chapter 2, regarding early case management, and flows from the fact that many infringement and invalidity disputes hinge on legal questions of claim interpretation and can be properly resolved on summary judgment. The Northern District of California requires parties to specify in their Joint Claim Construction Statement any term whose construction will be case or claim dispositive in order to provide context to the claim construction disputes. See N.D. Cal. Patent L.R. 4-3(c).

As outlined in § 6.1.2, courts should integrate the summary judgment process with claim construction by providing a framework for parties to specify how claim construction rulings would affect summary judgment. Chapter 6 outlines a dual-track summary judgment process, whereby claim-construction-driven motions are resolved in connection with the *Markman* process, and remaining motions are resolved at a separate stage in the case.

This integrated approach requires the parties to state the reasons for seeking construction of any terms that are litigated in the *Markman* process, regardless of whether they are being asserted for summary judgment purposes. It affords courts the context for making important rulings in the *Markman* process and also provides a useful tool for reducing disputes. In practice, parties are often unable to articulate why their definition is materially different from their opponent's, but may nonetheless adhere to it. Left unresolved, these less than meaningful discrepancies in wording may result in wasteful briefing and unnecessary consumption of the court's time. Requiring disclosure of *why* these terms need to be construed often reveals false disputes. Where there is not a meaningful dispute underlying a party's request for a construction, courts may be well within their authority to decline construing that term. See *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 803 (Fed. Cir. 1999) ("AS&E is correct that although the claims are construed objectively and without reference to the accused device, only those terms need be construed that are in controversy, and only to the extent necessary to resolve the controversy.").

Terms that are to be construed for summary judgment purposes should be specifically identified, along with a statement of which party (or both) would be seeking summary judgment on the basis of that term, and why. As an example of the form of disclosure recommended, Table 5.1 illustrates a sample claim chart showing a term to be construed ("steering wheel"), along with the defendant's reasons for seeking summary judgment.

**Table 5.1**  
**Summary Judgment Term: “steering wheel”**

	Plaintiff	Defendant
Proposed construction	any device for directing a vehicle	a circular device for directing a vehicle
Summary Judgment Context (noninfringement)		Accused device lacks a circular steering device, so summary judgment of no infringement is proper.
Summary Judgment Context (invalidity)		If plaintiff’s proposed construction prevails, then ABC reference anticipates the claims as a matter of law.

Many claim terms will not be the focus of summary judgment motions, but are the focus of claims or defenses that will be presented at trial. There may also be collateral reasons for parties to seek construction of terms, such as ensuring that a defendant’s future products will be safely outside the scope of an asserted patent. It is recommended that the court also require the parties to disclose why they are seeking constructions of these other terms.

It is recommended that the court hold a short telephone conference with the parties after they file the list of terms to be construed and the reasons for their submission, prior to the briefing cycle. During this call, the court can state which summary judgment motions it is willing to entertain in connection with the *Markman* proceedings. Moreover, forcing the parties to explain why they need to have terms construed would go a long way towards eliminating unnecessary disputes. Minor disputes over wording choices can also be resolved in this manner.

This process would formally integrate the summary judgment process along with *Markman*. The court may wish to schedule summary judgment briefing in tandem with claim construction briefing, or may wish to stagger summary judgment briefing to take place shortly after the *Markman* hearing. Of course, not all case-dispositive motions are ripe for determination before the completion of fact discovery. Accordingly, and in order to make sure that the Court’s ruling is able to comply with the applicable summary judgment standard (*i.e.*, no genuine issue of material fact), the Court should be guarded and limited in the types of case-dispositive motions it entertains at the *Markman* stage.

An open question is whether the courts could penalize a party for failing to take advantage of opportunities to bring summary judgment in connection with

the *Markman* process. We expect that parties would take advantage of a formalized summary judgment process in connection with *Markman*, and they should be encouraged to do so. However, there are many reasons why parties may legitimately want to defer filing a summary judgment motion until later in the case, even where a claim construction question is at the heart of the dispute. It may be difficult to craft a summary judgment position until the claim construction ruling issues. Also, it is frequently desirable to close out fact discovery before filing summary judgment motions to preclude unforeseen facts being “lobbed in” to defeat a summary judgment motion. Courts should address with care any efforts to penalize a party that does not file an early summary judgment motion in connection with the *Markman* process.

### 5.1.2.2 Educating the Court About Underlying Science and Technology

As discussed later, *see* §§ 5.2.1, 5.2.3.2.1, claim terms must be interpreted from the perspective of a person having ordinary skill in the art as of the time the invention was made. Thus, the parties will need to educate the court about the science, technology, and perspective of a person having ordinary skill in the art as of the time period of the invention. The most common vehicle for accomplishing this task is the use of technology tutorials typically done in connection with a *Markman* hearing. In addition, courts occasionally go a significant step further and appoint a technical advisor, special master, or expert for the court. Table 5.2 summarizes the principal characteristics of these educational aids.

**Table 5.2**  
**Educating the Court and Court-Appointed Experts**

Nature of Expert/Legal Authority	Process/Role	Procedural Safeguards
1. Tutorial Process	<ul style="list-style-type: none"> <li>presented by counsel, experts for each side, or agreed expert</li> <li>demonstratives often useful (e.g., PowerPoint presentation, simulation video, CD that can be reviewed later)</li> </ul>	<ul style="list-style-type: none"> <li>typically scheduled within two weeks of <i>Markman</i> hearing</li> <li>usually best to allow each side to make their own presentation, with court actively questioning</li> <li>advance disclosure (at least 48 hours) of demonstratives</li> <li>often useful to</li> </ul>

Nature of Expert/Legal Authority	Process/Role	Procedural Safeguards
		videotape proceedings for later review
<p>2. Technical Advisor</p> <ul style="list-style-type: none"> <li>• pursuant to inherent powers</li> <li>• <i>TechSearch v. Intel</i>, 286 F.3d 1360 (Fed. Cir. 2002) (approved for use in <i>Markman</i>)</li> </ul>	<ul style="list-style-type: none"> <li>• “sounding board” and tutor who aids the court in understanding “jargon and theory”</li> <li>• not analogous to law clerk because advisor’s superior technical knowledge can override judge’s prerogative</li> </ul>	<ul style="list-style-type: none"> <li>• fair and open procedure for appointment; address allegations of bias, lack of qualifications</li> <li>• court must clearly define and limit duties in writing</li> <li>• guard against ex parte communications; advisor cannot contribute evidence or conduct independent investigation</li> <li>• make explicit (perhaps through a report or record) the nature and content of the advisor’s tutelage concerning technology</li> </ul>
<p>3. Special Master</p> <ul style="list-style-type: none"> <li>• Fed. R. Civ. P. 53</li> </ul>	<ul style="list-style-type: none"> <li>• prepares report and recommendations (e.g., proposed claim construction)</li> <li>• court adopts, rejects, or modifies</li> </ul>	<ul style="list-style-type: none"> <li>• parties must be given opportunity to object</li> <li>• court may receive additional evidence</li> <li>• factual and legal issues decided de novo</li> <li>• procedural decisions reviewed for abuse of discretion</li> </ul>
<p>4. Expert witness</p> <ul style="list-style-type: none"> <li>• Fed. R. Evid. 706</li> </ul>	<ul style="list-style-type: none"> <li>• instructed by court in writing</li> <li>• provides findings to parties and court</li> <li>• court or any party may call expert as a witness</li> </ul>	<ul style="list-style-type: none"> <li>• court must allow parties to present views</li> <li>• may be deposed by any party</li> </ul>

#### 5.1.2.2.1 Technology Tutorials

Technology tutorials can be especially helpful in educating the court about the underlying technology. While tutorials will always be shaped by the issues the parties are litigating, the goal of the tutorial should be to give the court neutral, useful background information about the technology.

Cases vary widely on the need for technology tutorials. Some cases need little more than a brief introduction by the lawyers at the *Markman* hearing. Others may benefit from a lengthy, separate presentation with animations and live witnesses. A common practice is to schedule the technology tutorial within two weeks of the *Markman* hearing. It is often best to have the attorneys give the main presentations, with each side's technical expert in attendance for questioning. This approach recognizes that attorneys will generally be the most efficient at tailoring the background technology presentation to the issues the court will confront in *Markman* and throughout the remainder of the case. Having each side's expert in attendance allows the court to ask questions about the science, technical background, and technical terminology. Not all courts share this view, and some discourage attorneys from presenting the tutorial. See Standing Order for Patent Cases for Judge Armstrong (N.D. Cal.) ("The court prefers that someone other than counsel make the presentation."), available at <<http://www.cand.uscourts.gov/sbaorders>>. Several courts have successfully utilized what is referred to as the "hot tub" method, in which experts for each side engage in a dialogue, with the court moderating the discussion and probing to determine areas of agreement and disagreement.

The education process involving complex technologies can be improved through the use of video animations, which has the benefit of giving the court a tutorial that can be played at any time, including for newly-arrived law clerks. However, videos are a costly and time-consuming undertaking for the parties and may be less useful than allowing in-court presentations, with the opportunity for live questioning by the court. Some courts videotape in-court tutorials (or use a simple web-cam), to achieve the benefits of having a live presentation where the court's questions can be answered, and preserving a copy of the presentation for chambers' use (which captures more than a bare transcript might).

As discussed below, some courts appoint technical experts in patent cases. It is not recommended that the court use a court-appointed expert to deliver the tutorial. Preparing for these tutorials is a lengthy and expensive undertaking, typically with large investments in graphics and multimedia teaching tools. This function cannot be readily delegated to a court-appointed expert under a cost-sharing agreement by the parties, because the parties would never agree on what should be

taught, or how the message should be conveyed. Moreover, allowing a court-appointed expert to present the tutorial would inject substantial uncertainty into the proceedings, and would leave the parties to try to present their own views of the technology through cross-examination of the court-appointed expert (which Fed. R. Evid. 706 appears to allow), which would detract from the neutral presentation that these tutorials contemplate. It is better to allow each side to present their own view of the technology.

#### **5.1.2.2.1.1 Anticipating the Need for an Appellate Record**

It is important to bear in mind that the Federal Circuit faces comparable challenges as those encountered by the District Court in understanding the background technology in patent cases. The appellate court lacks the opportunity to hear from science and technology experts about the background of the technology. Therefore, it will be valuable to preserve valuable background information presented in a form that could be useful during appellate review. Concise tutorial videos prepared by the parties can be particularly valuable. In addition, transcripts of hearings and Powerpoint slides (in notebook and digital format if animated) can assist the Federal Circuit in comprehending the background science and more fully understanding the basis for the District Court's claim construction.

#### **5.1.2.2.2 Court-Appointed Experts**

Due to the challenges of understanding the technical issues in particularly complex patent cases, some courts have turned to the appointment of experts. As reflected in Table 5.2, there are three options: (1) technical advisor; (2) special master; and (3) expert witness. These roles vary significantly. In appointing such an expert, it is important that the Court specify the particular role that the expert would serve. See *In re Acacia Media Technologies Corp.*, 2010 WL 2179875, \*4 (N.D. Cal., 2010) (clarifying initial order which stated simultaneously that the expert was being appointed as an expert pursuant to Fed. R. Evid. 706 and as a consultant to the Court, and specifying that the expert was appointed only as “an advisor to assist it on technical matters,” and not as a Rule 706 expert).

##### **5.1.2.2.2.1 Technical Advisor**

One option that courts may consider for purposes of the *Markman* proceedings is to appoint a technical advisor. Given the demands of *Markman* proceedings to construe claims from the perspective of a person of ordinary skill in the

art, there can be an appropriate role for technically skilled persons to assist the court, particularly in technologically complex cases. *See generally* John Shepard Wiley, Jr., *Taming Patent: Six Steps For Surviving Scary Patent Cases*, 50 UCLA L. Rev. 1413 (2002). Appointing a technical advisor for *Markman* proceedings has been expressly approved by the Federal Circuit in *TechSearch LLP v. Intel Corp.*, 286 F.3d 1360 (Fed. Cir. 2002), although the court emphasized the need to establish “safeguards to prevent the technical advisor from introducing new evidence and to assure that the technical advisor does not influence the district court’s review of the factual disputes.” *Id.* at 1377. Applying Ninth Circuit law, the Federal Circuit noted the following guidelines for appointing a technical advisor: use a fair and open procedure for appointing a neutral technical advisor addressing any allegations of bias, partiality, or lack of qualifications; clearly define and limit the technical advisor’s duties in a writing disclosed to all parties; guard against extra-record information; and make explicit, perhaps through a report or record, the nature and content of the technical advisor’s tutelage concerning the technology. *Id.* at 1379 (citing *Ass’n of Mexican Am. Educators v. California*, 231 F.3d 572, 611 (9th Cir. 2000) (*en banc*)). The Federal Circuit cautioned, however, that “district courts should use this inherent authority sparingly and then only in exceptionally technically complicated cases.” *Id.* at 1378. (We discuss this option with regard to trial case management in § 8.1.2.4.).

The proper role of the advisor is to be a sounding board or tutor who aids the judge’s understanding of the technology. This includes explanation of the jargon used in the field, the underlying theory or science of the invention, or other technical aspects of the evidence being presented by the parties. The advisor can also assist the judge’s analysis by helping think through critical technical problems. In this latter function, case law admonishes that the court must be careful to assure that the decision making is not delegated to the advisor.

A common concern with the appointment of a technical adviser is that the judge’s role in applying the legal rules of claim construction may be surrendered to the technical expert, who could then have undue influence over the proceedings. Although in form the relationship between a judge and a technical advisor is much like the interaction between a judge and law clerk, the former relationship differs in that because of a judge’s knowledge of law, a clerk cannot usurp the judicial role. Unlike the judge’s law clerk, who may have undergraduate and possibly some graduate training in the relevant field and understands his or her role in assisting the judge through legal education and familiarity with the judicial system, a technical adviser will typically be a nationally or internationally known scientist or engineer with limited exposure to legal institutions. They are less likely to appreciate the nature of judicial decision making and the unique, constitutionally grounded authority of the court. Perhaps recognizing that parties often do not voluntarily raise these issues to the court, some judges are now including in their

standard scheduling order a date for parties to submit agreed-upon names of technical advisors.

A related concern with the use of court-appointed advisors for claim construction is that they distance the judge from some of the most important decisions relating to the case. It is essential for the court to be fully engaged in the interpretation of claim language as these determinations often play a decisive role in the litigation, may require adjustment or further analysis later in the case, and affect the conduct of the trial (e.g., relevance of expert testimony, jury instructions, what arguments can be made to the jury). For this reason, some experienced patent jurists have disavowed use of advisors in claim construction and caution against their use.

A third concern relates to the transparency of the technical advisor process. The *TechSearch* decision emphasizes the need to guard against extra-record information and make explicit the nature and content of the technical advisor's tutelage concerning the technology. These principles run counter to using the technical advisor in the same manner as a law clerk, in which the court has informal, off-the-record communication with a member of his or her staff. A technical advisor is not a member of the court's staff. One solution to this concern would be to have all interactions between the judge and the technical advisor in open court with counsel present. Such a procedure, however, could make use of the technical advisor so inconvenient and costly as to render it infeasible. An alternative approach is to have all interactions between the court and the technical advisor transcribed, along with a record made of all correspondence, documents reviewed, and other materials considered by the technical advisor and discussed with the court. A third variation on this alternative, used by at least one court, is to have transcripts of interaction between the court and the technical advisor sealed and released to the parties only after the trial court proceedings have concluded. This approach has the advantage of enabling the court some flexibility in use of the technical advisor while assuring that the parties will have a full opportunity to review that interaction prior to potential appeal.

#### **5.1.2.2.2 Special Master**

Some courts, pursuant to Fed. R. Civ. P. 53, have delegated initial consideration of claim construction to a special master. Such special masters often have general legal training as well as experience with patent law specifically. They might also be familiar with the technical field in question. The special master will typically conduct a claim construction process, with briefing and argument. The special master will then prepare a formal report with recommendations regarding the construction of disputed claim terms. After the parties have had an opportunity to object to that report the court will often conduct a hearing at which the

court may receive additional evidence and then adopt, reject, or modify the recommended claim constructions. For example, a special master for claim construction was appointed at the parties' consent in *Paone v. Microsoft Corp.*, 771 F. Supp. 2d 224, 229 (E.D.N.Y. 2011) (appointing "experienced and well-regarded patent attorney" as special master for the limited purpose of conducting a *Markman* hearing and issuing a report and recommendation to the court on claim construction); *see also Technology Licensing Corp. v. Technicolor USA, Inc.*, 2010 WL 4292275, \*1 (E.D. Cal. 2010); *Philip M. Adams & Assocs LLC v. Dell Inc.*, 2010 WL 2733319, \*1 (D. Utah 2010) (appointing special master for claim construction over plaintiff's objection).

The use of a special master for the purpose of claim construction alleviates some of the due process concerns inherent in the use of a technical advisor. The special master does not engage in off-the-record communications with the court. On the other hand, the use of a special master runs an even greater risk of distancing the court from the details of claim construction. This limits the court's involvement in some of the most critical aspects of many patent cases and can create problems should claim construction require adjustment later in the case. It may limit the court's ability to gain command over the background science and technology, which could be important later in the case (for example, in addressing non-obviousness).

#### **5.1.2.2.3 Expert Witness**

A third option is the formal appointment of an expert pursuant to Fed. R. Evid. 706. This procedure is not usually appropriate for the *Markman* process. It is the court's responsibility to make the ultimate *Markman* determination (even if a special master is used). The parties have a significant stake in crafting their presentation of the issues, which is often related to the tutorial process. Furthermore, the process leading up to and the timing of *Markman* decisions caution against the use of a court-appointed expert witness. The list of disputed claim terms will evolve as the case moves to the *Markman* hearing. Selecting and instructing a court-appointed expert could complicate what is otherwise already an involved and rapidly evolving process. A court-appointed expert for the *Markman* hearing would also create significant redundancy since the parties will have their own experts to the extent such assistance is needed. The court can and should encourage the parties to identify a mutually agreeable expert to educate the court, although experience indicates that parties rarely agree on such a person.

### 5.1.3 Conduct of the *Markman* Hearing

As courts have experimented with *Markman* hearings, they have had to determine how such proceedings should be characterized and what rules apply.

#### 5.1.3.1 The “Evidentiary” Nature of *Markman* Hearings

The “evidentiary” nature of *Markman* hearings is a concept in flux. *Markman* hearings are referred to as “evidentiary hearings.” See, e.g., *EMI Group N. Am., Inc. v. Intel Corp.*, 157 F.3d 887, 891-92 (Fed. Cir. 1998). Nonetheless, the Federal Circuit has ruled that claim construction is strictly a matter of law. *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (1998) (*en banc*). This view, however, has increasingly been questioned. See § 5.2.2.2. A widely-held understanding has been that consideration of fact-intensive “extrinsic” evidence was generally taboo.<sup>1</sup> That line of authority (especially as articulated in *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576 (Fed. Cir. 1996)), has been repeatedly discredited and overruled by the Federal Circuit. See, e.g., *AFG Indus., Inc. v. Cardinal IG Co., Inc.*, 239 F.3d 1239 (Fed. Cir. 2001). In recent years the Federal Circuit has allowed consideration of extrinsic evidence, and *Phillips* should put to rest any doubt that extrinsic evidence is proper for consideration. See *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*). Indeed, several members of the Federal Circuit believe that

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1. “Intrinsic” evidence refers to the patent and its file history, including any reexaminations and reissues. Intrinsic evidence also includes related patents and their prosecution histories. In addition, the Federal Circuit generally treats as intrinsic evidence the prior art that is cited or incorporated by reference in the patent-in-suit and prosecution history. “Extrinsic evidence” refers to all other types of evidence, including inventor testimony, expert testimony, and documentary evidence of how the patentee and alleged infringer have used the claim terms. Dictionaries are considered to be “extrinsic” evidence. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1318 (Fed. Cir. 2005) (*en banc*).

the time is ripe to recognize the factual evidentiary nature of the claim construction process.

On several occasions, members of the Federal Circuit have indicated their willingness to overrule *Cybor* in view of the factual nature of claim construction. See *Retractable Tech. v. Becton, Dickinson & Co.*, 659 F.3d 1369, 1370 (Fed. Cir. 2011) (Moore and Rader, J, dissenting from denial for rehearing *en banc*) (acknowledging commentators' concern that claim construction appeals are "panel dependent" which leads to frustrating and unpredictable results for both the litigants and the trial court" and noting the Supreme Court's observation in *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 378, (1996), that claim construction is a "mongrel practice" and hence "is clearly a mixed question of law and fact and deference should be given to the factual parts" ); *id.* at 1373)(O'Malley, J., dissenting from denial of petition for rehearing *en banc*) (expressing a desire to overturn *Cybor*); *Phillips*, 415 F.3d at 1330 (Fed.Cir. 2005) (Lourie, J., dissenting) (proposing that the Federal Circuit "ought to lean toward affirmance of a claim construction in the absence of a strong conviction of error"); *Trading Tech., Int'l v. eSpeed, Inc.*, 595 F.3d 1340, 1350 (Fed. Cir. 2010) (noting with irony in the view of the factual nature of claim construction that "[t]his court's prior *en banc* decision requires a review of the district court's claim construction without the slightest iota of deference"); *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1041 (Fed. Cir. 2006) (Chief Judge Michel, joined by Judge Rader, dissenting from denial rehearing *en banc*). Relying on extrinsic evidence (especially by considering the parties' expert submissions and making credibility determinations as to their respective merit) may be a way of bolstering the "factual" nature of *Markman* rulings and improving chances of deferential review on appeal. See *Ortho-McNeil Pharm., Inc. v. Caraco Pharm.*, 476 F.3d 1321 (Fed. Cir. 2007) (affirming construction based in part on expert testimony that claim term "about 1:5" means "approximately 1:5, encompassing a range of ratios no greater than 1:3.6 to 1:7.1").

In light of the Supreme Court's characterization of claim construction as a "mongrel practice," *Markman*, 517 U.S. at 378, as well as the view of several members of the Federal Circuit that claim construction can involve factual elements, there would appear to be a sound basis for district courts to build a "factual" record to support their claim construction ruling when they believe such an evidentiary model will aid their decision. They can also make alternative findings that comport with the *Cybor* ruling by indicating that the "extrinsic evidence" educated them about the technology and/or the perspective of a person having ordinary skill in the art.

### 5.1.3.2 Application of the Federal Rules of Evidence

A frequent and related question is whether, and to what extent, courts should apply the Federal Rules of Evidence in *Markman* proceedings. The dominant and recommended approach is to apply the Federal Rules of Evidence loosely, in part because *Markman* hearings are not heard by a jury. Furthermore, requiring available witnesses to appear live at a *Markman* hearing and discovery to overcome hearsay and other objections would significantly increase the cost and burden of conducting the hearing. Thus, absent particular concerns about the unreliability of certain forms of proffered evidence, we recommend taking a liberal approach to applying the Federal Rules of Evidence in *Markman* proceedings, such as allowing use of depositions instead of live testimony and declarations (as long as there has been an opportunity for cross-examination) and freer use of documents without a foundational witness as long as there is not a dispute about the authenticity of the document.

### 5.1.3.3 Safeguards on Extrinsic Evidence

The court should provide safeguards to ensure that extrinsic evidence is reliable. Allowing depositions of experts prior to a *Markman* hearing reduces this risk and may eliminate the need to call witnesses at the *Markman* hearing. If expert testimony occurs, parties should be permitted to cross-examine any witnesses and allow examination into any sources of documentary evidence that may be proffered. Courts need to scrutinize expert submissions and should actively question the opinions of experts. Typically, experts are highly paid consultants and there is an inherent risk that their opinions will be biased and unreliable. Thus, while it may be extremely probative to hear from persons who are truly experts in the particular field of technology at issue, courts must actively guard against the risk of bias. Cross-examination will usually be a sufficient mechanism to expose bias and unreliability, and conversely, to confirm that an expert's opinions are sound. Courts may choose to apply a *Daubert* standard for qualifying expert witnesses to present expert opinions in a *Markman* hearing. Because *Markman* hearings are not heard by a jury, the need for applying *Daubert* is not as compelling as for a jury trial; however, it would be within the trial court's discretion to exclude any testimony of a witness whose proffered opinions lack the hallmarks of reliability and relevance mandated by *Daubert*.

### 5.1.3.4 Evidence of the Accused Device

Another common question is whether, and to what extent, the court should consider the accused device during the *Markman* hearing. In theory, the accused

device should have no role in the *Markman* process because the claims should be construed based on the patent language and relevant supporting documentation. Older *en banc* authority from the Federal Circuit holds that the accused device should not be considered during claim construction. See *SRI Int'l v. Matsushita Elec. of Am.*, 775 F.2d 1107, 1118 (Fed. Cir. 1985) (*en banc*) (“It is only *after* the claims have been *construed without reference to the accused device* that the claims, as so construed, are applied to the accused device to determine infringement.”). More recently, the Federal Circuit expressly approved consideration of the accused device during claim construction. *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006); *Pall Corp. v. Hemasure Inc.*, 181 F.3d 1305, 1308 (Fed. Cir. 1999) (“Although the construction of the claim is independent of the device charged with infringement, it is convenient for the court to concentrate on those aspects of the claim whose relation to the accused device is in dispute.”); see also *Every Penny Counts, Inc. v. American Express Co.*, 563 F.3d 1378, 1384 (Fed. Cir. 2009) quoting *Aero Prods. Int'l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1012 n. 6 (Fed. Cir. 2006) (“Although the court revealed an awareness of the accused device, the court's awareness of the accused device is permissible.”). As stressed by this more recent authority, it is often useful for trial courts to understand the context of the infringement dispute to know what it is that they are deciding when ruling on claim construction. Moreover, knowing the context of the infringement (or validity) dispute gives courts a better sense of whether they even need to construe a term, or if they can simply let the “plain meaning” of a term speak for itself. But the accused device has no relevance to how a person having ordinary skill in the art would interpret claim terms.

#### **5.1.3.5 Evidence of the Prior Art**

Relatedly, courts are free to consider the prior art when ruling on claim construction. Prior art may be directly relevant to claim construction, especially where the patent applicant's dialogue with the PTO concerning the prior art may have given rise to a disclaimer. Also, statements in the patent specification about the prior art may be important evidence for construing claim terms. Even apart from prior art recited in the patent and the prosecution history, it is important for trial courts to have the context of other prior art that will form the basis of an invalidity defense. Those prior art references may play as large a role in shaping the claim construction dispute as does the accused device.

### 5.1.3.6 The Need to Focus *Markman* Proceedings on Claim Interpretation

There are limits on the extent to which the court should consider the accused device and prior art during *Markman* proceedings. The *Markman* case seeks to establish distinct roles for the court and for the jury.<sup>2</sup> It is the court's job to perform the legal task of interpreting the scope of the claim terms to the extent possible based upon the patent document from the perspective of a person having ordinary skill in the art. It is the role of the factfinder (typically the jury) to apply these construed terms to the accused device (to determine infringement) and to the prior art (to determine validity). If the court prejudges infringement or validity in its *Markman* ruling, then the court is subject to reversal for having usurped the role of the jury.<sup>3</sup> See *American Piledriving Equipment, Inc. v. Geoquip, Inc.*, 637 F.3d 1324 (Fed. Cir. 2011) (“It is well settled that the role of a district court in construing claims is not to redefine claim recitations or to read limitations into the claims to obviate factual questions of infringement and validity but rather to give

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2. See *MacNeill Engin'g Co. v. Trisport, Ltd.*, 126 F. Supp. 2d 51, 54 n.1 (D. Mass. 2001) (“To open *Markman* hearings to detailed comparisons between the patented and allegedly infringing device creates the unacceptable risk of conflating claim construction (law teaching) with infringement (fact finding). Let's face it, when *Markman* hearings become miniature or full blown infringement trials, the actual *language* of the claim diminishes in importance relative to the *context* of the particular dispute, despite the Supreme Court's admonition that it was the judiciary's particular facility for construing *language* that warranted denoting claim construction as a legal, and hence judicial, function.”).

3. See *PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed. Cir. 1998) (“Claims are often drafted using terminology that is not as precise or specific as it might be . . . . That does not mean, however, that a court, under the rubric of claim construction, may give a claim whatever additional precision or specificity is necessary to facilitate a comparison between the claim and the accused product. Rather, after the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact.”).

meaning to the limitations actually contained in the claims, informed by the written description, the prosecution history if in evidence, and any relevant extrinsic evidence.”). As we see below, these roles can become blurred in the context of non-technical claim terms and terms of degree. *See* §§ 5.2.3.1.5.1-2. Following the *Markman* ruling, the court is free to entertain summary judgment motions that turn on claim construction. As discussed further in Chapter 6, we recommend that courts schedule summary judgment motions that can be resolved on the basis of claim construction simultaneously with claim construction hearings. Nonetheless, it will be important for the court to avoid trenching upon the jury’s role.

### 5.1.3.7 Sequence of Argument

Courts have broad discretion as to how they conduct *Markman* hearings. Some allocate multiple days to the hearing, while others determine claim construction on the papers. When there is an oral hearing, it may be appropriate to hear from the lawyers on a term-by-term basis. Particularly when there are many terms at issue, hearing each side’s positions for each term can help crystallize the dispute for each term. In other cases, it makes sense for each side to give its complete presentation. Allowing each party to do so may be a better way for appreciating the overall themes of a case. Hybrid approaches may work, as well, with the court hearing from each side on groups of terms.

It is highly recommended that courts allow the parties to make a visual presentation. Multimedia presentations, animations, and other visual aids can be highly instructive tools for teaching the technological concepts and claim construction principles that shape a dispute. They are also especially helpful in illustrating the particular issues in dispute. To the extent possible, the court should endeavor to preserve this record for appellate review.

Table 5.3 lists some questions that the court may want to ask of the parties during the course of the argument.

**Table 5.3**  
**Important Questions During *Markman* Hearing**

Why do I need to construe this term?
How is your proposal different than your opponent’s?
What is the source of ordinary meaning for this term?
Do I need to find an intentional disclaimer (if seeking narrowing construction)?
How is your extrinsic evidence anchored in the language of the patent?

### 5.1.3.8 Claim Construction In Multidefendant Disputes

Multidefendant disputes pose particular case management challenges. The defendants may be sued in the same proceeding, or in different proceedings, either before the same judge or in different jurisdictions. And the cases may track closely in time, or be staggered by years. Performing claim construction in a manner that fairly accommodates the interests of the plaintiff, the various defendants, and the court, is a case-dependent challenge.

This case management question is expected to become even more poignant with the recent passage of the American Invents Act. One aspect of those reforms is a new joinder rule, that prohibits joinder of multiple defendants in a single suit for trial unless the defendants are accused of exploiting the “same accused product or process.” 35 U.S.C. § 299. Plaintiffs must now sue defendants in separate actions absent a common accused product or process, and such matters may not be consolidated for trial. As a result, the courts are now seeing a proliferation of different cases being filed, whereas such multi-defendant matters used to be filed in a single matter. See *In re EMC*, \_\_\_ F.3d \_\_\_ (Fed. Cir. 2012) (holding that even under pre-AIA rules, joinder was inappropriate absent a finding that the defendants’ accused products “are the same in respects relevant to the patent”). As a result, the exercise of claim construction is likely to become increasingly distributed over multiple separate proceedings, each of which may involve resolving overlapping claim terms.

Currently, when a single judge is presiding over multiple cases involving the same patents, and if the cases are tracking close in time, it is common to hold a consolidated *Markman* hearing. This is permissible under Fed. R. Civ. Pro. 42(a)(1), which provides that “If actions before the court involve a common question of law or fact, the court may: (1) join for hearing or trial any or all matters at issue in the actions.” Pursuant to this rule, the court may allow the underlying cases to proceed separately, but hold a single *Markman* hearing if it presents common issues of law across all the cases. See, e.g., *ICHL, LLC v. LG Electronics, Inc.*, 2011 WL 3328706 (E.D. Tex. 2011) (holding consolidating *Markman* hearing for later-filed suit against three defendants along with two earlier-filed suits); *Armament Systems and Procedures, Inc. v. IQ Hong Kong Ltd.*, 546 F. Supp. 2d 646 (Fed. Cir. 2008) (noting that in district court, ASP filed four actions which were consolidated for claim construction and challenges to validity); *800 Adept, Inc. v. AT&T Mobility, LLC*, 2008 WL 4831093 (E.D. Tex. 2008) (consolidating cases for claim construction only); *Versata Software, Inc. v. SAP America, Inc.*, 2009 WL 1408520 (E.D. Tex. 2009) (holding consolidated claim construction with co-pending case).

Accordingly, when the related cases are pending in the same court, it is expected that the trend will continue to have a consolidated *Markman* hearing,

which remains permissible under the new joinder rules. Where the related cases are pending in different courts, invoking multidistrict litigation (MDL) proceedings is an appropriate mechanism for resolving *Markman* disputes. See *In re EMC*, 677 F.3d 1351 (Fed. Cir. 2012) (applying pre-AIA rules, and holding that “[c]ommon pretrial issues of claim construction and patent invalidity may also be adjudicated together through the multidistrict litigation procedures of 28 U.S.C. § 1407.”).

There are sound justifications for holding consolidated *Markman* hearings, particularly where the same patent is asserted against each of the defendants. The intrinsic and extrinsic evidence should be the same in all cases, as will be the universe of prior art that might bear on claim construction. The accused devices are generally irrelevant to claim construction. The plaintiff will generally want to conduct only a single *Markman* hearing, and often it will be in the court’s interest to hold a single hearing as well.

The defendants’ interests may range widely depending on the case. Although the accused devices are not directly relevant to claim scope, the nature of the accused devices certainly affects the terms to be disputed, as well as how the parties shape their proposed constructions. It may be advantageous for the various defendants to be present in a single, consolidated proceeding so that each may be heard when the court first engages in the dispute. Alternatively, having separate proceedings may be best for allowing each defendant to express the unique aspects of its own position. For a defendant in this latter scenario, the risk of going second is that the court may have already settled on a position developed in the earlier case, which the court may be reluctant to change in the later case, even if justified.

Particularly where cases are pending in separate courts, there may be benefits to holding separate *Markman* hearings, so that each court has its own opportunity to assess the claim construction. Claim construction is so foundational to the merits of a case that a court may be reluctant to cede control over the process to a multidistrict proceeding, particularly where different terms may be at issue in the different cases. On the other hand, litigating claim construction through a consolidated MDL proceeding promotes uniformity of claim interpretation across the various actions, which may be important for resolving the overall dispute between the parties and promoting settlement. Having different courts arriving at different constructions renders the disputes more complex, and may drag out the process for determining “who won” until the various conflicting constructions are eventually resolved on appeal. See, e.g., *American Piledriving Equipment, Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1326-27 (Fed. Cir. 2011) (appeal over seven underlying cases in several different jurisdictions, affirming some constructions and reversing others). Thus, whether or not to consolidate the claim construction through a single MDL proceeding is highly case-dependent, and courts have wide

discretion to approach consolidation of claim construction as the demands of the case dictate.

### **5.1.4 The *Markman* Ruling**

#### **5.1.4.1 Interrelationship to Jury Instructions**

The *Markman* ruling becomes the basis for the court's jury instructions. *AFG Industries, Inc. v. Cardinal IG Co., Inc.*, 239 F.3d 1239, 1247 (Fed. Cir. 2001) ("It is critical for trial courts to set forth an express construction of the material claim terms in dispute, in part because the claim construction becomes the basis of the jury instructions, should the case go to trial."). Parties often propose claim constructions that use technical and complex language. Although such proposals may constitute accurate constructions, they are not helpful if read to a jury. Parties should be required to propose constructions in the specific language they want the court to read to the jury. Courts should draft their *Markman* rulings with an eye towards making the claim terms understandable to the jury when the time comes for instructions. In this regard, it is highly recommended that courts include a conclusion section at the end of their *Markman* orders setting forth the exact construction that will be used in the jury instructions. Any lack of clarity in this regard invites further disputes in the midst of trial during the drafting of jury instructions.

#### **5.1.4.2 Basis for Appellate Review**

The court should provide a detailed explanation for the basis for its ruling. Although the Federal Circuit currently reviews claim construction rulings de novo, it is more likely to defer to the trial court's interpretation to the extent that the ruling is detailed and is accompanied by a detailed record. Furthermore, even if the Federal Circuit reaches a different interpretation, a fuller record might provide the basis for an alternative disposition short of remand and a second trial.

The district court should also scrutinize factual stipulations that underlie summary judgment motions following or in combination with claim construction. The parties may enter into such stipulations so as to obtain finality of the district court proceedings and secure appellate review (such as the patentee stipulating to non-infringement after receiving a narrow claim construction). If the stipulation is devoid of context, or overly vague and ambiguous, the Federal Circuit may lack the context it needs to properly resolve the appeal, including making decisions on whether to remand the case. Accordingly, the district court should be

vigilant to ensure that any such stipulations provide the necessary facts to justify the finality of the judgment below.<sup>4</sup>

#### **5.1.4.3 Not All Terms Require “Construction”**

There is no requirement for a court to construe a claim term when there is no genuine dispute as to its meaning. See *O2 Micro Intern. Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351, 1362 (Fed. Cir. 2008) (“[D]istrict courts are not (and should not be) required to construe every limitation present in a patent’s asserted claims”). The purposes of claim construction are to define the proper scope of the invention and to give meaning to claim language when the jury might otherwise misunderstand a claim term in the context of the patent and its file history. If a claim term is non-technical, is in plain English, and derives no special meaning from the patent and its prosecution history, then the court has no need to function as a thesaurus. See § 5.2.3.1. To do so could well encroach upon the fact-finder’s domain. The “ordinary” meaning of such terms should speak for itself, and the court should avoid merely paraphrasing claim language with less accurate terminology. See, e.g., *U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1568 (Fed. Cir. 1997) (“Claim construction is a matter of resolution of disputed meanings and technical scope, to clarify and when necessary to explain what the patentee covered by the claims, for use in the determination of infringement. It is not an obligatory exercise in redundancy.”); see also *Perfect Web Techs. v. InfoUSA*

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<sup>4</sup> Parties do not need to continue asserting their rejected claim construction, post-*Markman*, to preserve the issue for appeal. Rather, it is appropriate for a party to make its subsequent arguments, for example, during pre- or post-trial briefing, within the confines of the district court’s construction. See *O2 Micron Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1359 (Fed. Cir. 2008); *Smith & Nephew Inc. v. Arthrex Inc.*, 355 Fed. Appx. 384 (Fed. Cir. 2009). However, a stipulation of infringement that does not state that it is contingent on claim construction will be binding, and cannot be altered by a modified claim construction. See *Fresenius USA Inc. v. Baxter Int’l Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009).

*Inc.*, 587 F.3d 1324, 1332 (Fed. Cir. 2009) (“[A] district court need not construe *undisputed* claim terms prior to issuing a summary judgment of invalidity.”). By contrast, the terms most appropriate for construction are technical terms for which the jury may not appreciate an “ordinary” meaning. Likewise, when the parties present a fundamental dispute regarding the scope of a claim term, it is the court’s duty to resolve it. *Silicon Graphics, Inc. v. ATI Technologies, Inc.*, 607 F.3d 784, 798 (Fed. Cir. 2010) (quoting *O2 Micro*, 521 F.3d at 1362); *but see Finjan, Inc. v. Secure Computing Corp.*, 626 F.3d 1197, 1207 (Fed. Cir. 2010) (rejecting argument that district court “shirked its responsibility to construe a disputed claim term by adopting ‘plain and ordinary meaning,’” in part because court took measures to prevent jury from reconstructing the term). It is the role of the court to use the *Markman* process to understand the “ordinary” meaning that persons of skill would give to the claim terms in the context of the patent, and to construe the term in view of that ordinary meaning in light of the intrinsic and non-contradictory extrinsic evidence.

#### 5.1.4.4 The Court May Adopt Its Own Construction

The court is free to devise its own construction of claim terms rather than adopt a construction proposed by either of the parties. However, the consequence of issuing the court’s own construction is that it may upset the foundations of the parties’ expert reports and any pending motions before the court. This problem may be particularly acute in late-phase *Markman* hearings where the parties’ expert reports may have already been rendered based on the particular wording of the parties’ proposed constructions. In such circumstances, departing from the parties’ proposed construction may throw a case off track by requiring new expert reports and redrafting of case dispositive motions.

#### 5.1.4.5 Tentative Rulings Prior to the *Markman* Hearing

Many courts report success with issuing tentative rulings prior to the *Markman* hearing. The ability to follow this approach is naturally constrained by the resources of chambers to issue a tentative ruling in advance of the *Markman* hearing. It may also be infeasible where the invention involves complex science and technology. The court may understandably wish to hear from experts and see demonstrative exhibits before opining, even if only tentatively.

When the court is able to issue a tentative prehearing ruling, it has the benefit of informing the parties what issues are most important to the court, in order to most effectively channel the in-court presentations at the *Markman* hearing. This approach has the benefit of allowing the court to confirm its understanding of the

record and the governing authorities in a direct dialogue with the attorneys. Issuing a tentative ruling prior to the hearing is a good way for the court to clear up any misperceptions that might otherwise result in reversible error. But given the lack of familiarity that the court may have with the science and technology at issue and the blurred fact/law aspects of claim construction, the court should view its tentative position with less conviction than might otherwise be the case in other areas of the law.

### **5.1.5 Amendments to Infringement and Invalidity Contentions**

The court's *Markman* ruling may alter the landscape for a party's infringement or invalidity contentions. Accordingly, for those courts that employ Patent Local Rules, or provide for similar provisions in their scheduling orders, it is appropriate to allow limited amendments to a party's infringement or invalidity contentions to account for the *Markman* ruling or other events that may arise during discovery (such as newly discovered prior art, or newly discovered, non-public information about the accused devices). *See, e.g.*, Patent Local Rule 3-6 (N.D. Cal). Such amendments, however, should only be allowed on a showing of good cause. Freely allowing such amendments would invite litigants to change the playing field late in the case and disrupt the orderly framework that the Patent Local Rules are designed to establish.

### **5.1.6 Interlocutory Appeal of *Markman* Rulings**

Due to Federal Circuit practice, it has become widely accepted that *Markman* rulings cannot be appealed until there has been a final judgment of all claims and counterclaims. In the mid 1990s, various parties attempted to appeal *Markman* rulings prior to obtaining a final judgment on all claims and counterclaims at the district court level. Arguments in favor of such early appeals note that claim construction is a matter of law and that obtaining a definitive claim construction from the Federal Circuit could avoid the costs to all parties of trial on a multitude of issues that hinge on claim construction. Moreover, given the relatively high rate of reversal of claim construction rulings, trial rulings frequently need to be vacated when the claim construction is changed on appeal, even in part. Thus, parties frequently argue that early appeals of claim construction rulings should be allowed to avoid the expense of time and money (including the trial court's own resources) for resolving issues that may likely be disposed of when claim construction is determined on appeal.

Nonetheless, for more than a decade, the Federal Circuit denied all interlocutory appeal petitions following the *Markman* decision and generally discouraged the bringing of such appeals. One basis for the Federal Circuit's reluctance to accept early appeals of *Markman* rulings is that claim construction is frequently not finished until trial is complete. It is routine for additional *Markman* issues to arise during trial—either based on new claim construction issues, or the all-too-frequent exercise of “construing the construction,” when the initial claim construction of a court does not squarely resolve the issues presented for trial. Furthermore, because claim construction is tied to so many issues in the case, the Federal Circuit is leery of giving an early ruling on claim construction while unaware of the other issues tied to it. And seeking Federal Circuit review of an interim ruling is disruptive of the underlying litigation because such appeals would be handled on the Federal Circuit's regular appeal schedule, without expedited relief.

In 2008, however, the Federal Circuit granted interlocutory appeal of a *Markman* ruling, see *Regents of the University of California v. Dakocytomation California, Inc.*, 517 F.3d 1363 (Fed. Cir. 2008), although the circumstances were somewhat unusual. This 2008 ruling has not changed the general rule that interlocutory review of claim construction rulings are strongly disfavored by the Federal Circuit. *Portney v. CIBA Vision Corp.*, 2010 WL 4366016, \*3 (Fed. Cir. 2010) (“Here, we see no reason to depart from our general practice of waiting until final judgment has issued to resolve ordinary claim construction issues.”); *St. Clair Intellectual Property Consultants, Inc. v. Nokia Corp.*, 395 F. App'x 707 (Fed. Cir. 2010) (same). Indeed, no subsequent interlocutory appeals of *Markman* rulings have been accepted by the Federal Circuit to date. Nonetheless, this case management option may be appropriate in limited circumstances.

Procedurally, litigants have had the most success obtaining early appellate review when the *Markman* ruling renders the claims non-infringed. The parties may at that point stipulate to non-infringement, and ask the trial court to enter final judgment as to non-infringement under Fed. R. Civ. P. 54(b). On occasion, the Federal Circuit has granted review of partial judgments entered under Rule 54(b). See, e.g., *Lava Trading, Inc. v. Sonic Trading Management, LLC*, 445 F.3d 1348, 1350 (Fed. Cir. 2006). However, because the issues of invalidity and unenforceability generally remain pending below, the Federal Circuit commonly will deny such review. See, e.g., *Linear Technology Corp. v. Impala Linear Corp.*, 31 F. App'x 700 (Fed. Cir. 2002). At least one judge has remarked that allowing such piecemeal review of issues “portends chaos in process.” *Lava Trading*, 445 F.3d at 1355 (Mayer, J., dissenting). Litigants seeking to invoke such review may maximize their chances by fully describing the basis for non-infringement so as to provide meaningful review of that ruling on appeal. See *id.* at 1350. Furthermore, to the extent the parties can arrange for dismissal of the remaining claims, that

would also facilitate review (although such dismissal may be with prejudice). See *Nystrom v. Trex Co.*, 339 F.3d 1347, 1351 (Fed. Cir. 2003).

### **5.1.7 Application of the *Markman* Ruling to Trial**

As noted above, the central role of the *Markman* ruling at trial is to define the jury instructions. The *Markman* ruling establishes the claim limitations that must be met for the patent to be infringed and for the prior art to invalidate the patent. The *Markman* ruling also establishes the scope of the claims that must be enabled in order for the patent to be valid, and it defines the scope of art that must have been disclosed to the PTO during prosecution. Thus, the *Markman* ruling is critical to most of the substantive matters of patent law in the jury instructions. Having a clear, concise *Markman* ruling, which spells out the final constructions for disputed claim terms, is essential to avoiding disputes at trial over the jury instructions. It is useful to place these constructions in a summary conclusion at the end of an opinion so that they can be readily adapted into jury instructions. It is essential that the instructions on claim construction come from the court and that the attorneys not be permitted to reargue claim construction positions inconsistent with the court's instructions, at the risk of a new trial being ordered or of reversal. See *CytoLogix Corp. v. Ventana Med. Sys., Inc.*, 424 F.3d 1168, 1172 (Fed. Cir. 2005) (“[B]y agreement the parties also presented expert witnesses who testified before the jury regarding claim construction, and counsel argued conflicting claim constructions to the jury. This was improper, and the district court should have refused to allow such testimony despite the agreement of the parties.”).

Aside from the actual constructions adopted by the court, which are incorporated into jury instructions, the *Markman* opinion should not be shown to the jury. The *Markman* ruling will ordinarily include language rejecting the claim construction positions of one of the parties; conveying that information to the jury would be prejudicial to the party whose position was rejected. Giving the *Markman* ruling to the jury might also interfere in the jury's analysis of the infringement and invalidity arguments, particularly when (as is common) the *Markman* ruling contains a discussion of the accused device and the prior art.

Since the court will read its construction of terms to the jury, the parties should be required in their *Markman* briefs to propose constructions in the specific language they want the court to read to the jury.

## **5.2 Analytic Framework and Substantive Principles**

As mentioned at the outset of this chapter, the modern practice of claim construction derives from the seminal case of *Markman v. Westview Instruments*, 517

U.S. 370 (1996), which holds that the meaning of patent claims is a matter for the court, not the jury, to decide. Although providing some guidance on the approach for construing patent claims, the *Markman* decision spawned many issues relating to the proper framework for determining claim meaning. The Federal Circuit has issued hundreds of opinions since *Markman* addressing this subject. Its approach has shifted over the years and therefore it is critical for courts to ensure that they are focused on the most current and authoritative decisions. The Federal Circuit’s *en banc* decision in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), stands as the most authoritative synthesis of claim construction doctrine. But while putting to rest various controversies, many core tensions in claim construction persist. Moreover, the decision itself does not provide a step-by-step approach to construing claims. Our goal in this section of the guide is to provide a systematic process for approaching the *Markman* determination.

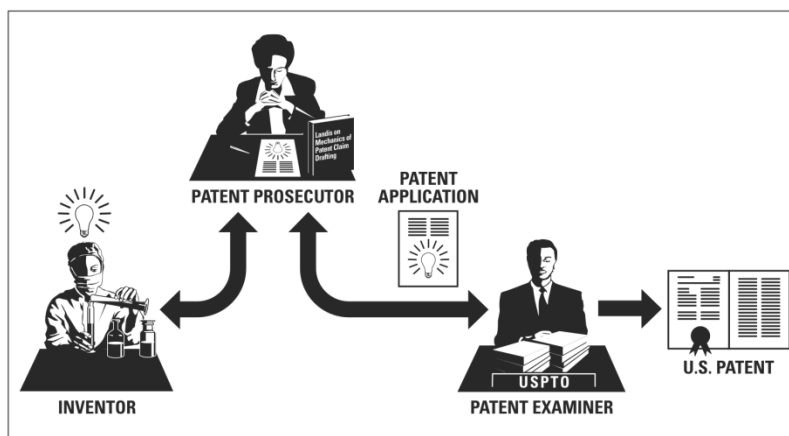
This section begins by explaining the process of claim drafting so as to understand the genesis and evolution of claim terms. It then previews the sources for determining claim meaning and the general hierarchy set forth in *Phillips*. With this background in place, we then offer a structured analysis of claim construction. At the highest level of abstraction, claim construction entails analysis of several threshold questions regarding whether and when a claim term is interpreted and then working through the construal process. The court begins the process with an initial interpretation of the claim term in question based on its own reading. To the extent that the parties identify additional sources of guidance from the intrinsic evidence or extrinsic sources, the court must then systematically work through the various sources to reach a proper construction. There are several special cases as well: commonly interpreted terms, means-plus-function claim terms, and mistaken or indefinite claim terms. We also explore the appropriate deference to be accorded prior claim construction rulings. The section concludes by identifying some common claim construction pitfalls and a summary of key process and substantive issues.

### **5.2.1 Claim Drafting: The Genesis and Evolution of Claim Terms**

Patent claim terms emerge through a process typically involving multiple contributors employing at least three distinctive vocabularies—plain English, scientific and/or technical jargon, and the conventions of claim drafting. The court is comfortable with the former but may need assistance interpreting terms that derive from the fields of science and claim drafting. Understanding the process of claim term drafting will assist that semantic challenge.

Figure 5.1 illustrates the drafters and lines of communication and collaboration leading to the ultimate words used in patent claims. The claim drafting process begins with the invention and inventor(s). Whether independent or employed in a corporate or university research and development unit, the inventor(s) will in most cases communicate their ideas to a trained patent attorney or agent. That person will typically have some familiarity with the field of invention (although not necessarily to the level of the inventor) as well as substantial training in the drafting of patent applications. Their job is to describe and claim the invention in terms that will satisfy the requirements of the Patent Act. They will seek to write the claims with sufficient specificity to clear the validity hurdles while providing the patentee with significant breadth to cover the foreseeable uses of the invention. As indicated by the two-headed arrow between the inventor and the patent prosecutor, there is often substantial back and forth between the inventor and the drafter before filing of the initial application. After that initial filing, however, prosecution of the application and continuations may go on for years. There is often minimal or no interaction between the patent attorney and the inventors during this period, which causes a drift in nomenclature which can complicate claim construction. (This can lead to the anomalous and surprisingly common situation, many years later, in which a court can be called upon to construe a claim term that appears nowhere in the specification.) Whereas the inventor may be steeped in the language of his or her field, the patent drafter will be using terms from science as well as claim drafting to achieve a delicate balance of clarity, breadth, and flexibility.

**Figure 5.1**  
**Crafting of Patent Claim Terms**



The process of claim drafting does not end when the patent application is submitted. The patent examiner will often play a role in the ultimate claim language of patents. Like the patent prosecutor, examiners have some knowledge of

the technical field as well as experience in the process of claim drafting and evaluations. As with the process of application drafting, communication between the prosecutor and the examiner travels in both directions. Patent claims are frequently amended during the prosecution process based on the actions of the examiner. The examiner's focus is on determining that the claims are valid—(1) not anticipated, obvious, or indefinite; and (2) adequately described.

Thus, patent claim language can be an amalgam of multiple vocabularies and perspectives. The patent case law instructs courts to interpret patent claims from the perspective of a person having ordinary skill in the art (i.e., the scientist, technologist, or artisan in the relevant field of invention). This characterization, however, glosses over the role of the patent draftsperson and the examiner in actual claim drafting practice. Whereas some claim terms—such as “hydroxypropyl, methylcellulose”—undoubtedly derive their meaning from the pertinent technical art, other terms—such as the transitional phrase “comprising”—are better understood from the perspective of the person having ordinary skill in *claim drafting*. Still other terms are simply being used in their plain English sense. Courts need to be sensitive to these distinctions in determining which terms require construction and how to interpret those terms.

### 5.2.2 Sources for Deriving Claim Meaning

As introduced earlier, *see* § 5.1.3.1, claim construction draws upon two general categories of evidence: intrinsic and extrinsic. Chart 5.1 summarizes the main components of these sources.

### Chart 5.1 Sources of Evidence for Claim Construction

Intrinsic Evidence
• Patent
• Prosecution history
• Foreign and related patents (and their prosecution histories)
• Prior art that is cited or incorporated by reference in the patent-in-suit and prosecution history
Extrinsic Evidence
• Inventor testimony
• Expert testimony
• Other documentary evidence
m dictionaries
m treatises

Prior to the *en banc Phillips* decision, the Federal Circuit doctrine on whether extrinsic evidence could be considered and what role it should play shifted significantly. From 1996 until 2002, consideration of extrinsic evidence beyond educating the court about the technology was heavily disfavored. See *Vitronics Corp. v. Conceptonics, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996) (finding it was “improper to rely on extrinsic evidence”). But nearly contemporaneous decisions cautioned against such a strong reading. See, e.g., *Key Pharms. v. Hercon Labs. Corp.*, 161 F.3d 709, 716 (Fed. Cir. 1998) (noting that *Vitronics* “might be misread by some members of the bar as restricting a trial court’s ability to hear [extrinsic] evidence. We intend no such thing.”). In 2002, the Federal Circuit appeared to elevate dictionaries, a special category of extrinsic evidence, to a central role in claim construction. See *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002). Within a short time, however, the limitations of this approach became apparent: “The main problem with elevating the dictionary to such prominence is that it focuses the inquiry on the abstract meaning of words rather than on the meaning of claim terms within the context of the patent. . . . [H]eavy reliance on the dictionary divorced from the intrinsic evidence risks transforming the meaning of the claim term to the artisan into the meaning of the term in the abstract, out of its particular context, which is the specification.” *Phillips*, 415 F.3d at 1321.

*Phillips* shifted attention back toward the intrinsic record while recognizing that extrinsic evidence can be considered, although with healthy skepticism. Extrinsic evidence may be considered if the court deems it helpful “to educate [itself] regarding the field of invention . . . [and to] determine what a person of ordinary skill in the art would understand claim terms to mean.” 415 F.3d at 1319. The court emphasized, however, that extrinsic evidence must be considered “in the context of the intrinsic evidence[,]” but is “less reliable than the patent and its

prosecution history in determining how to read claim terms.” *Id.* at 1318-19. Since *Phillips*, the law is clear that intrinsic evidence serves as the principal source for claim construction and that it trumps any extrinsic evidence that would contradict it.

### 5.2.2.1 Principal Source: Intrinsic Evidence

“Intrinsic” evidence refers to the patent and its file history, including any reexaminations and reissues. Intrinsic evidence also includes related patents and their prosecution histories. In addition, the Federal Circuit generally treats as intrinsic evidence the prior art that is cited or incorporated by reference in the patent-in-suit and prosecution history.

#### 5.2.2.1.1 Prosecution History

Beyond the specification and other claims, an important source of evidence in claim construction is a patent’s prosecution history. A “prosecution history” consists of “the complete record of the proceedings before the PTO and includes the prior art cited during the examination of the patent.” *Phillips*, 415 F.3d at 1317. During those exchanges, the PTO will commonly reject the pending patent claims as unpatentable in light of prior art technologies. In response, the patent applicants will typically explain why their claimed inventions are patentable over what had come before. The Federal Circuit cautions that “because the prosecution history represents an ongoing negotiation between the PTO and the applicant, rather than the final product of that negotiation, it often lacks the clarity of the specification and thus is less useful for claim construction purposes.” *Id.* at 1317.

More specifically, the patentee may expressly limit the scope of its patent through disclaimers in order to avoid prior art. Courts must carefully evaluate such disclaimers during claim construction.

The communications between the applicant and the PTO may reveal the “ordinary meaning” of a claim term—i.e., the communications may show the meaning of a claim term in the context of the patent. *See id.* at 1317 (“Like the specification, the prosecution history provides evidence of how the PTO and the inventor understood the patent.”). For example, in *Nystrom*, the prosecution history of the patent confirmed that the claim term “board” in the patent referred to wooden boards, and not plastic boards. *See Nystrom v. TREX Co., Inc.*, 424 F.3d 1136, 1145 (Fed. Cir. 2005); *Hynix Semiconductor Inc. v. Rambus Inc.*, 645 F.3d 1335, 1350 (Fed. Cir. 2011) (interpreting prosecution history to support broad interpretation of “bus” because prosecution history showed that “[a]lthough some of Rambus’s claimed inventions require a multiplexing bus, multiplexing is not a requirement

in all of Rambus's claims”).

#### **5.2.2.1.2 Related and Foreign Applications**

Some patents issue from single applications, with a single prosecution history. Other patents are members of large families of related patents, with a web of underlying patent applications, along with counterparts filed in foreign countries. In such instances, when one patent is in suit, parties may find statements in its related patents and patent applications, and in its foreign counterparts, that bear on claim construction. To what extent these statements in related filings impact the construction of the patent in suit is a common dispute in patent litigation.

Where there are a series of patent applications, with the patent in suit issuing from a later filed application, disputes frequently arise over the implications of statements made during prosecution of an earlier filed application (i.e., in a “parent” application). The statements in the parent application are most relevant where the earlier statements address common claim terms with the patent being construed. *Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1305-06 (Fed. Cir. 2001). Moreover, where an amendment in a parent application “distinguishes prior art and thereby specifically disclaims a later (though differently worded) limitation in the continuation application,” the prosecution disclaimer may apply. *Invitrogen Corp. v. Clontech Labs., Inc.*, 429 F.3d 1052, 1078 (Fed. Cir. 2005). The earlier disclaimer may continue to apply throughout a patent family, particularly if the applicants do not later inform the PTO that they want to rescind the earlier disclaimer. *See Hakim v. Cannon Avent Group, PLC*, 479 F.3d 1313, 1317 (Fed. Cir. 2007) (“Although a disclaimer made during prosecution can be rescinded, permitting recapture of the disclaimed scope, the prosecution history must be sufficiently clear to inform the examiner that the previous disclaimer, and the prior art that it was made to avoid, may need to be re-visited.”). However, the general rule is that when different claim terms are present in the parent and descendant applications, the earlier statements have no bearing on claim construction. *See Ventana Med. Sys., Inc. v. Biogenex Labs., Inc.*, 473 F.3d 1173, 1182 (Fed. Cir. 2006) (“[T]he doctrine of prosecution disclaimer generally does not apply when the claim term in the descendant patent uses different language.”); *ResQNet.com, Inc. v. Lansa, Inc.*, 346 F.3d 1374, 1383 (Fed. Cir. 2003) (“Although a parent patent’s prosecution history may inform the claim construction of its descendant, the [parent] patent’s prosecution history is irrelevant to the meaning of this limitation because the two patents do not share the same claim language.”).

Statements to foreign patent offices in counterpart filings may be relevant to construing a U.S. patent where the statements made to the foreign office demon-

strate the ordinary meaning of a claim term. See *Glaxo Group Ltd. v. Ranbaxy Pharms., Inc.*, 262 F.3d 1333, 1337 (Fed. Cir. 2001) (noting that a statement in a related U.K. prosecution history “bolsters this reading” of the claimed “essentially free from crystalline material” limitation in the asserted U.S. patent); see also *Tanabe Seiyaku Co., Ltd. v. U.S. Int’l Trade Comm’n*, 109 F.3d 726, 733 (Fed. Cir. 1997) (“In the present case, the representations made to foreign patent offices are relevant to determine whether a person skilled in the art would consider butanone or other ketones to be interchangeable with acetone in Tanabe’s claimed N-alkylation reaction.”). However, because legal requirements for obtaining a patent in other countries may be unique to those countries, statements made to comply with those requirements are generally disregarded in interpreting a U.S. patent. See *Pfizer, Inc. v. Ranbaxy Labs., Ltd.*, 457 F.3d 1284, 1290 (Fed. Cir. 2006) (“[T]he statements made during prosecution of foreign counterparts to the [patent in suit] are irrelevant to claim construction because they were made in response to patentability requirements unique to Danish and European law.”).

#### 5.2.2.2 Extrinsic Evidence Permissible, But It May Not Contradict or Override Intrinsic Evidence

“Extrinsic evidence” refers to all other types of evidence, including inventor testimony, expert testimony, and documentary evidence of how the patentee and alleged infringer have used the claim terms. Dictionaries are considered to be “extrinsic” evidence. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1318 (Fed. Cir. 2005) (*en banc*). Judicial decisions from related proceedings may be appropriate extrinsic evidence. See *V-Formation, Inc. v. Benetton Group SpA*, 401 F.3d 1307, 1312 (Fed. Cir. 2005) (“The district court properly referred to a related, non-binding judicial opinion to support its independent conclusion in this case.”). *Phillips* reaffirmed that the intrinsic evidence is of paramount importance in construing patent claims. Nonetheless, extrinsic evidence can be useful, and *Phillips* confirms that district courts are free to consider extrinsic evidence, including expert testimony, dictionaries, treatises, and other such sources. Litigants continue to argue that it is improper to consider extrinsic evidence in *Markman* rulings, citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576 (Fed. Cir. 1996). However, the Federal Circuit long ago disavowed any such interpretation of *Vitronics*, and *Phillips* puts to rest any suggestion it is wrong to consider extrinsic evidence.

A key to relying on extrinsic evidence is recognizing its limitations. *Phillips* spells out five reasons why extrinsic evidence is inherently less reliable than the intrinsic evidence:

First, extrinsic evidence by definition is not part of the patent and does not have the specification’s virtue of being created at the time of patent

prosecution for the purpose of explaining the patent’s scope and meaning. Second, while claims are construed as they would be understood by a hypothetical person of skill in the art, extrinsic publications may not be written by or for skilled artisans and therefore may not reflect the understanding of a skilled artisan in the field of the patent. Third, extrinsic evidence consisting of expert reports and testimony is generated at the time of and for the purpose of litigation and thus can suffer from bias that is not present in intrinsic evidence. . . . Fourth, there is a virtually unbounded universe of potential extrinsic evidence of some marginal relevance that could be brought to bear on any claim construction question. . . . Finally, undue reliance on extrinsic evidence poses the risk that it will be used to change the meaning of claims in derogation of the “indisputable public records consisting of the claims, the specification and the prosecution history,” thereby undermining the public notice function of patents.

*Phillips*, 415 F.3d at 1318-19. Thus, expert testimony must always be probed for bias, and courts should ensure that any expert whose opinion is offered be subject to cross examination. The chief risk of relying on dictionaries, treatises, and other outside documents is pertinence: there is often a gap between how such outside sources characterize a technology and the way it is presented and claimed in a patent. Nonetheless, extrinsic evidence is an increasingly important source for claim construction. See, e.g., *AIA Eng’g Ltd. V. Magotteaux Int’l*, 657 F.3d 1264,1273-75 (Fed. Cir. 2011) (confirming construction of “homogeneous ceramic composite” based on expert testimony and scholarly treatises); *In re NTP, Inc.*, 654 F.3d 1279, 1289 (Fed. Cir. 2011) (relying on expert testimony that reaffirmed definition present in specification to justify claim construction).

How extrinsic evidence will be reviewed on appeal is an important consideration. It remains the position of the Federal Circuit that claim construction is a pure question of law, as was held in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (1998) (*en banc*). Several judges of the court have expressed a willingness to overturn *Cybor* and to recognize, *en banc*, that claim construction may involve underlying questions of fact, particularly in regard to the assessment of extrinsic evidence. The court’s willingness to reconsider *Cybor* was publicized in *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040-41 (Fed. Cir. 2006). Several judges expressed the willingness to overturn *Cybor* and grant deference to factual findings in claim construction. See *id.* (Michel, C.J., dissenting from denial of petition for rehearing *en banc*) (“I believe the time has come for us to re-examine *Cybor*’s no deference rule. I hope that we will do so at our next opportunity, and I expect we will.”); *id.* (Newman, J., dissenting from denial of petition for rehearing *en banc*) (“And if the meaning is recognized as a case-specific finding of fact, appellate review warrants deference to the trier of fact, a deference here lacking.”);

*id.* (Rader, J., dissenting from denial of petition for rehearing *en banc*) (“I urge this court to accord deference to the factual components of the lower court’s claim construction.”); *id.* at 1045 (Gajarsa, Lynn, Dyk, concurring in denial of petition for rehearing *en banc*) (stating that reconsideration of *Cybor* may be appropriate in a case “in which the language of the claims, the written description, and the prosecution history on their face did not resolve the question of claim interpretation, and the district court found it necessary to resolve conflicting expert evidence to interpret particular claim terms in the field of the art”); *id.* at 1046 (Moore, J., dissenting from denial of petition for rehearing *en banc*) (“I dissent because I believe this court should have taken this case *en banc* to reconsider its position on deference to district court claim construction articulated in *Cybor*.”).

Despite the repeated criticism of the *Cybor* doctrine, it remains the law. In *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369 (Fed. Cir. 2012), several judges sought again, unsuccessfully, to take the claim construction dispute *en banc* in order to overturn *Cybor*. Thus it presently remains the law that the trial court’s hearing of extrinsic (and other) evidence will be entitled to no formal deference on appeal.

In the meantime, it appears that the Federal Circuit may be informally according such deference. See J. Jonas Anderson & Peter S. Menell, *The Emergence of Informal Deference: An Empirical Examination of the Federal Circuit’s Patent Claim Construction Jurisprudence* (manuscript 2012) (finding a significant decline in the claim construction reversal rate following the *Phillips* ruling); *Ortho-McNeil Pharm., Inc. v. Caraco Pharm.*, 476 F.3d 1321 (Fed. Cir. 2007) (affirming construction based in part on approval of expert testimony that claim term “about 1:5” means “approximately 1:5, encompassing a range of ratios no greater than 1:3.6 to 1:7.1”). Thus, reliance on extrinsic evidence can be an important way for trial courts to bolster the “factual” nature of their findings and promote deferential review on appeal. See *Phillips*, 415 F.3d at 1332 (Mayer, C.J., dissenting) (“In short, we are obligated by Rule 52(a) to review the factual findings of the district court that underlie the determination of claim construction for clear error.”).

Thus, it remains good practice for trial courts to render opinions that provide a factual basis for the legal conclusions reached. These factual underpinning may result in greater informal deference on appeal.

#### **5.2.2.2.1 Illustrations of Reliance (and Non-Reliance) Upon Extrinsic Evidence**

Where the specification supports two interpretations of a disputed claim, extrinsic evidence can be used to confirm which interpretation is more consistent with what a person having ordinary skill in the art would have understood at the

time of invention. The following cases decided since Phillips illustrate permissible reliance on extrinsic evidence.

In a dispute over what a “homogeneous ceramic composite” meant, the Federal Circuit relied on an engineering textbook that the losing party’s expert had introduced and conceded in testimony supported the other party’s position that a “composite” could be viewed generally as a multiphase material. *See AIA Eng’g Ltd. v. Magotteaux Int’l S/A*, 657 F.3d 1264 (Fed. Cir. 2011). In *Conoco Inc. v. Energy & Envtl. Int’l*, 460 F.3d 1349, 1362 (Fed. Cir. 2006), the question was whether a “stable” suspension of polymer required sufficient stability to remain suspended when stored for a long period of time, or just stability at the time the suspension was introduced into a pipeline. The court determined from the intrinsic evidence that the appropriate frame of reference was stability at the time the suspension was introduced into the pipeline. The court confirmed its interpretation against the extrinsic evidence, which indicates that all suspensions eventually separate, and found that the appropriate time frame for assessing stability is at the time the suspension is introduced into the pipeline.

*Tap Pharm. Prods., Inc. v. Owl Pharms., L.L.C.*, 419 F.3d 1346 (Fed. Cir. 2005), is another example of extrinsic evidence being used to decide between two plausible interpretations from the specification. *Tap Pharmaceutical* concerned claims to a composition “comprising a copolymer . . . of lactic acid and . . . of glycolic acid.” The question was whether the claims were limited to compositions resulting from a polymerization of lactic acid and glycolic acid, or whether the claims also covered the polymer resulting from cyclic precursors that transformed into lactic acid and glycolic acid during polymerization. The district court properly relied on treatises that recognize that copolymers of lactic acid and glycolic acid can be made either by direct polymerization or by ring opening, and on expert testimony that a person of ordinary skill in the art would use the terms “lactic acid” and “glycolic acid” interchangeably with their cyclic analogs. *Id.* at 1349-50.

Attempts to use extrinsic evidence as the *source* for claim constructions are more problematic. Basing the meaning of claim terms on sources external to the patent raises concerns about the notice function of patents. Thus, when extrinsic evidence is used as the source of claim construction, special care must be taken to ensure that the extrinsic evidence is consistent with the patentee’s own description of the invention. For example, an appropriate use of extrinsic evidence concerned claims to a “scanner,” where the term “scanner” was not defined in the specification, which simply contained one illustrative embodiment having a moving scanner head. *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1351 (Fed. Cir. 2006). Faced with the question of whether a digital camera qualified as a “scanner,” the court turned to dictionaries and concluded that a scanner required “movement between a scanning element and an object being scanned.” *Id.* This definition was appropriate because it tracked what the patentee had disclosed in

the specification as being a scanner. *Id.*; see also *Boston Scientific Scimed Inc. v. Cordis Corp.*, 554 F.3d 982, 997 (Fed. Cir. 2009) (holding that district court permissibly relied on dictionary definitions of “thrombogenic” to construe “non-thrombogenic” when court’s definition was consistent with specification and prosecution history).

In a more tenuous example, the Federal Circuit approved the use of expert testimony to set numeric limits on a claim. The claim concerned a pharmaceutical composition with a ratio of “about 1:5” for two chemical components. *Ortho-McNeil Pharm., Inc. v. Caraco Pharm. Labs., Ltd.*, 476 F.3d 1321, 1326-28 (Fed. Cir. 2007). The court reviewed the intrinsic evidence, including claims directed to other ratios, and experimentation disclosed in the specification directed to a range of ratios, and credited the testimony of an expert who opined that “about 1:5” meant “a ratio up to and including 1:7.1 and a ratio down to and including 1:3.6.” The Federal Circuit credited the expert testimony, which justified this range as appropriate in that it was not statistically different from the claimed ratio of 1:5. *Id.*

In *Biagro W. Sales, Inc. v. Grow More, Inc.*, 423 F.3d 1296 (Fed. Cir. 2005), the expert testimony strayed too far from the patent disclosures, seeking to reconceptualize the claims. The patent claimed a fertilizer “wherein said phosphorous-containing acid or salt thereof is present in an amount of about 30 to about 40 weight percent.” *Id.* at 1302. The amount of phosphorus-containing acid actually present in the accused fertilizer product did not meet the levels stated in the claim, but the patentee tried to use expert testimony to argue that the amount of phosphorous-containing acid in the claim limitation should be read to refer to a “chemical equivalent amount,” rather than the amount actually present. In support, the patentee cited fertilizer labeling guidelines and standards and expert declarations, asserting that phosphorus levels in fertilizer are measured by chemically equivalent amounts. This evidence failed to persuade the trial court and the Federal Circuit because Biagro could not tie its measurement approach to the patent’s own description of the invention. *Id.* at 1303.

#### **5.2.2.2 Conclusory Expert Opinions Should Be Disregarded**

Expert opinions should be grounded both in the intrinsic evidence and by support in other independent, reliable sources. Where these criteria are lacking, the expert opinions should not be relied upon. For example, in *Network Commerce, Inc. v. Microsoft Corp.*, 422 F.3d 1353, 1361 (Fed. Cir. 2005), a patentee sought a construction based upon its expert declaration that a claimed “download component” need not contain a boot program. The expert declaration failed to

explain why quoted passages from the specification supported his opinion, and failed to support the expert's conclusion with any reference to industry publications or other independent sources. Accordingly, the declaration was properly disregarded. *Id.*

### **5.2.3 Claim Construction: Two Stages of Analysis**

With that background in place, we are ready to map out the overarching structure of claim construction. Chart 5.3 presents the two distinct steps. Litigants sometimes skip over the first inquiry—whether (and when) claim construction is necessary—and jump right into the complexities of claim construction. Many courts—through Patent Local Rules, *see, e.g.*, N.D. Cal. Patent Local Rules, or case management—focus attention on the threshold issues. Before the court confronts the challenge of construing a claim term, it must consider a series of threshold doctrines and principles that determine whether construction is required (as well as the proper timing).

**Chart 5.3**  
**Claim Construction Flowchart**

<b>Step 1:</b> Is Construction of a Claim Term Required?
<b>Step 2:</b> Interpretation of a Claim Term

#### **5.2.3.1 Step 1: Is Construction of a Claim Required?**

Chart 5.4 presents the series of threshold issues that the court should consider in determining whether and when interpretation of a claim term is appropriate.

**Chart 5.4**  
**Step 1: Is Construction of a Claim Term Required?**

- A. Disputed Meaning that Can Be Derived from the Patent/PHOSITA (“person having ordinary skill in the art”)
1. Disputed Meaning: Is the meaning of the claim term the subject of legitimate disagreement? *See* § 5.1.4.3.
  2. Meaning Derivable from the Patent/PHOSITA: For non-technical terms, is there a special meaning that can be ascertained from the patent? *See* § 5.1.4.3.
- B. Priority/Discretion/Timing: Courts have broad discretion to limit and phase claim construction.
- Some courts limit first and usually final *Markman* proceedings to 10 terms
  - Court can revisit claim construction; it must eventually construe all legitimately disputed and construable terms before trial
  - Means + Function claims (in dispute) must be interpreted to identify corresponding structure, material, or acts. *See* § 5.2.3.5.
- C. Issue Preclusion: Deference to Prior *Markman* Ruling
- Issue preclusion cannot be applied offensively against a party not represented in prior proceeding; but it can be applied defensively if four-part test is satisfied. *See* § 5.3.
  - ☑ judicial estoppel can be applied where patentee changes positions
  - ☑ reasoned deference under *stare decisis* principles. *See* § 5.3.4.
- D. Is the Term Amenable to Construction? *See* Table 5.2, § 5.2.3.1.5.

**5.2.3.1.1 Is There a Genuine Dispute About the Claim Term?**

There is no need to construe terms for the sake of construction. As detailed above, it is recommended that the court order a structured meet-and-confer process to narrow the number of claim terms requiring the court’s resolution. Holding a brief telephone conference prior to claim construction briefing at which the parties must articulate the basis for the dispute often narrows the number of terms further.

The mere existence of a dispute on infringement or validity does not mean that claim construction is necessary. Rather, claim construction is necessary to give meaning to claim terms, not to resolve the underlying questions of liability. *See American Piledriving Equipment, Inc. v. Geoquip, Inc.*, 637 F.3d 1324 (Fed. Cir. 2011) (“It is well settled that the role of a district court in construing claims is not to redefine claim recitations or to read limitations into the claims to obviate factual questions of infringement and validity but rather to give meaning to the limi-

tations actually contained in the claims, informed by the written description, the prosecution history if in evidence, and any relevant extrinsic evidence.”).

#### **5.2.3.1.2 Would Claim Construction Help the Jury?**

The point of claim construction is to instruct the jury on what the claim means from the perspective of a person having ordinary skill in the art. For many claim terms, attempting to “construe” the claim language adds little in the way of clarity. Where the perspective of a person having ordinary skill in the art would add nothing to the analysis, there may be no need to construe the terms. Non-technical terms (*e.g.*, “on” or “above” or “surround”) and terms of degree (*e.g.*, “approximately” or “about” or “substantially”) may not require construal by the court. Where “construing” a claim term would involve simply substituting a synonym for the claim term, it may be appropriate to allow the claim language to speak for itself.

Construction of a term is clearly appropriate in the case of technical terms, where a person having ordinary skill in the art would bring a distinctive perspective. Of course, in all cases, where the intrinsic and applicable extrinsic evidence provide further meaning to a term (such as disclaimers, descriptions of “the present invention,” and claim differentiation), the court should account for such added evidence in the claim construction. But where the intrinsic evidence and extrinsic evidence do not meaningfully add to the definition of a term, it is appropriate (and often preferred) to allow straightforward claim language to stand as is.

#### **5.2.3.1.3 Is Claim Construction a Priority?**

Not all terms need to be construed in the initial *Markman* hearing. Courts increasingly focus the initial *Markman* hearing on no more than about 10 “priority” terms, with the expectation that resolving the key terms may dispose of the case. *See, e.g.*, N.D. Cal Patent Local Rule 4-3(c). Courts are free to revisit any remaining disputes later in the case, but are required to construe all disputed claim terms before the case is submitted to the jury. How courts wish to balance the priorities of early decision making versus overall completeness will depend on the circumstances of the case.

#### **5.2.3.1.4 Have the Claims Been Construed Before?**

There may have been prior proceedings involving the same patents-in-suit or closely related patents. Where there has been a prior construction, the court needs to learn the context of the prior proceedings to determine the impact of doctrines

of issue preclusion, claim preclusion, judicial estoppel, and *stare decisis*. Although the prior proceedings may not be binding in the present litigation, the court should hear from parties to determine the factors that determine any preclusive effect or basis for according deference to the prior claim construction. These important considerations are discussed in § 5.3.

Similarly, in the increasingly common scenario where the patent-in-suit becomes the subject of patent reexamination proceedings, the district court may wish to stay claim construction until those collateral proceedings are resolved. The considerations are addressed in § 4.6.4.

#### **5.2.3.1.5 Is the Term Amenable to Construction?**

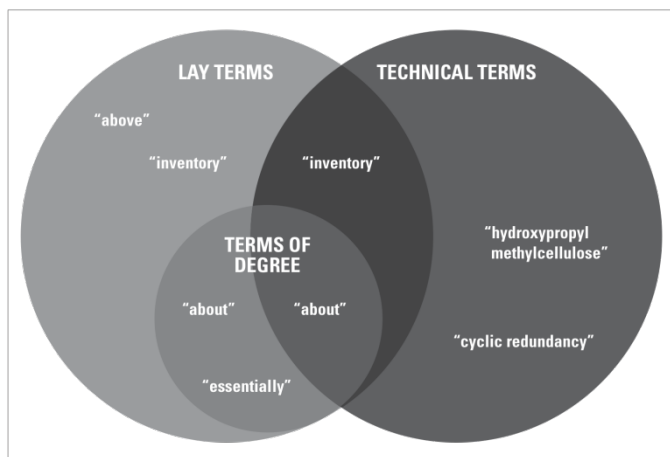
As illustrated in Table 5.2, claim terms can be categorized into three potentially overlapping general types: (1) lay terms; (2) terms of degree; and (3) technical terms. As discussed previously, see §§ 5.1.3.6, 5.1.4.3, not all terms in a claim require construction by the court. It can be improper to construe terms that do not have special meaning that can be derived from the patent.

**Table 5.2**  
**Typology of Claim Terms**

Type	Lay Terms	Terms of Degree	Technical Terms
Examples	a, above, below, in, surround, to	approximately, essentially, substantial	hydroxypropyl, methylcellulose, cyclic redundancy, oligonucleotide
Amenability to Claim Construction	such terms are often understood by fact-finder; to construe arguably trenches upon jury's domain  but such terms may have conventional/ established meaning in the technical field	such terms are often understood by jury; to construe arguably trenches upon jury's domain  such terms are inherently contextual must be careful not to inappropriately import limitations from specification but must base interpretation on standard set forth in the specification: if no basis set forth therein, then no basis for construction	Must be interpreted if meaning is disputed; PHOSITA perspective is essential
Guide Section	§ 5.2.3.1.5.1	§ 5.2.3.1.5.2	§ 5.2.3.1.5.3

As reflected in Chart 5.5, the three types of claim terms are not mutually exclusive and the question of which category is most appropriate will not always be evident based solely on a reading of the claim. The court will need to examine the intrinsic record in making this assessment. Some plain English terms can have technical meanings in particular fields. For example, the word “inventory” can, depending upon on the context, be considered a lay term (“an itemized list of merchandise or supplies” or a “detailed list of all items in stock”) as well as more specialized meaning in the fields of dry cleaning process inventions. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (*en banc*) (interpreting “inventory” as used in patent claim to mean “articles of clothing” rather than cash or inventory receipts), *aff'd*, 517 U.S. 370 (1996).

**Chart 5.5**  
**Landscape of Claim Terms**



Some technical terms, such as “hydroxypropyl methylcellulose,” may well be self-evident. Terms of degree, however, can be ambiguous. For example, the word “about” can obviously have a non-technical meaning. But when used in describing the scope of a particular invention, it may well take on meaning that is delimited by intrinsic, and possibly even extrinsic, evidence. See *Ortho-McNeil Pharm., Inc. v. Caraco Pharm. Labs., Ltd.*, 476 F.3d 1321, 1326-28 (Fed. Cir. 2007).

#### **5.2.3.1.5.1 Lay Terms**

Patent law has long struggled with how precisely claims should be construed. Many claim terms are inherently imprecise. These include terms of degree, such as “substantially,” “about,” and “approximately,” which we deal with separately below because they have been the focus of substantial jurisprudence. District courts are commonly asked to give lay terms additional clarity in claim construction. When imprecise language should be left to the jury remains a subtle, confounding, and thorny aspect of patent adjudication.

Efforts to construe lay terms with precision are in some tension with *Markman*’s division of authority between judges and juries. See *Markman*, 517 U.S. at 384. It is the court’s role to construe the claims, while it is the jury’s role to determine infringement. *Id.* That is, “Step 1” of the infringement analysis is to construe the claims, and “Step 2” is to compare the accused device against the construed claims. Construing terms of degree with more precise language may be error, not only because it “imports limitations” from the specification into the claims, but also because it can impinge on the role of the jury in resolving the question of infringement. The Federal Circuit has recently observed that “line-drawing” questions over what meets the scope of the claims is appropriately left to the jury in

some contexts. See *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007) (“[A] sound claim construction need not always purge every shred of ambiguity. The resolution of some line-drawing problems—especially easy ones like this one—is properly left to the trier of fact.”).

On the other hand, the Federal Circuit decision in *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351 (Fed. Cir. 2008), dictates that although “district courts are not (and should not be) required to construe *every* limitation present in a patent’s asserted claims,” the court must interpret the scope of any claim term for which the parties have presented a “fundamental dispute.” *Id.* at 1362. In that case, the district court had declined to construe the term “only if” on the ground that it has a well-understood meaning that is capable of application by the jury without judicial interpretation. The parties in the case agreed that “only if” had a common meaning, but the parties disputed the scope of the claim based on this phrase and argued that dispute to the jury. The Federal Circuit vacated the jury verdict and permanent injunction and remanded the case for reconsideration. In view of this decision, the prudent course for district courts will be to construe any claim term—including lay words or phrases—for which there is a legitimate dispute, while keeping in mind that for certain words and phrases a “plain meaning” construction may properly resolve the dispute between the parties. Nonetheless, courts should be skeptical of construing lay terms for which neither party can produce intrinsic evidence indicating a specialized meaning.

#### **5.2.3.1.5.2 Terms of Degree**

Determining how far courts should go in construing lay terms arises with particular frequency when terms such as “about,” “approximately” and “essentially” are used. If such words are used in a technical sense or derive meaning from the specification, they generally warrant a definition that provides precise limits. If the words are not used in a technical sense and the specification does not suggest a standard, the words should not be construed more precisely by the court but rather left for the jury to apply in determining infringement in the context of the accused product or method.

##### **5.2.3.1.5.2.1 The Court Should Not Delineate Terms of Degree “Where the Patent Provides No Standard”**

When construing a term of degree, a key question is whether the intrinsic evidence provides some standard for measuring that degree. *Exxon Research and Eng’g Co. v. United States*, 265 F.3d 1371, 1381 (Fed. Cir. 2001) (“When a word of

degree is used the district court must determine whether the patent’s specification provides some standard for measuring that degree.”). Often there may be no such standard, and the Federal Circuit has frequently ruled that it would be error to impose a more exact construction on terms of degree. *See, e.g., Playtex Prods., Inc. v. Procter & Gamble Co.*, 400 F.3d 901, 907 (Fed. Cir. 2005) (“But the definition of ‘substantially flattened surfaces’ adopted by the district court introduces a numerical tolerance to the flatness of the gripping area surfaces of the claimed applicator [which] contradicts the recent precedent of this court, interpreting such terms of degree.”) *citing Cordis Corp. v. Medtronic AVE, Inc.*, 339 F.3d 1352, 1361 (Fed. Cir. 2003) (refusing to impose a precise numeric constraint on the term “substantially uniform thickness”) and *Anchor Wall Sys. v. Rockwood Retaining Walls, Inc.*, 340 F.3d 1298, 1311 (Fed. Cir. 2003) (holding that “the phrase ‘generally parallel’ envisions some amount of deviation from exactly parallel,” and that “words of approximation, such as ‘generally’ and ‘substantially,’ are descriptive terms commonly used in patent claims to avoid a strict numerical boundary to the specified parameter.”). *See also PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed. Cir. 1998) (“Claims are often drafted using terminology that is not as precise or specific as it might be. . . . That does not mean, however, that a court, under the rubric of claim construction, may give a claim whatever additional precision or specificity is necessary to facilitate a comparison between the claim and the accused product.”); *Renishaw PLC v. Marposs Societa’ per Azioni*, 158 F.3d 1243, 1249 (Fed. Cir. 1998) (“Thus, when a claim term is expressed in general descriptive words, we will not ordinarily limit the term to a numerical range that may appear in the written description or in other claims.”); *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007) (rejecting argument that the district court’s construction of “curved shank” to exclude “sharp corners or sharp angles” renders the construction insufficiently definite since the court did not specify precisely how “sharp” is too sharp.).

#### **5.2.3.1.5.2.2 The Appropriate Standard for Defining or Declining to Define Terms of Degree**

A standard for measuring a term of degree may come from the patent specification and the working examples. As noted above, a recent case concerns construction of the term “about 1:5,” referring to a pharmaceutical composition having a particular ratio of two components. *Ortho-McNeil Pharm., Inc. v. Caraco Pharm. Labs., Ltd.*, 476 F.3d 1321, 1326-28 (Fed. Cir. 2007). The Federal Circuit approved its construction as “a ratio up to and including 1:7.1 and a ratio down to and including 1:3.6.” *Id.* at 1328. This construction was derived from the specifi-

cation, which contained other examples of ratios that were tested and claimed, and from expert testimony, declaring that a range of 1:7.1 and a ratio down to and including 1:3.6 was not statistically different from the stated ratio of 1:5. This case may represent the high-water mark in terms of extrapolating examples from the specification and imposing numerical limits on claim scope, and may suggest a willingness (as discussed above) to credit district court fact-finding based on extrinsic evidence. By contrast, other cases have refused to assign numerical bounds to the scope of the claim term “about.” See *Modine Mfg. Co. v. USITC*, 75 F.3d 1545, 1551 (Fed. Cir. 1996) (“It is usually incorrect to read numerical precision into a claim from which it is absent . . . it is a question of technologic fact whether the accused device meets a reasonable meaning of ‘about’ in the particular circumstances.”), *overruled in part by Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc.*, 2006 U.S. Dist. LEXIS 36788 (N.D. Cal. May 24, 2006); see also *Lexion Medical, LLC v. Northgate Technologies, Inc.*, 641 F.3d 1352, 1357 (Fed. Cir. 2011) (affirming infringement of claim phrase “having a temperature within 2°C of the predetermined temperature” by device whose temperature occasionally fluctuated beyond 2°C from the predetermined temperature, based on statements in specification indicating that such fluctuations are intended to be within scope of invention).

A standard for measuring a term of degree may come from the applicant’s statements distinguishing the prior art. For example, in *Glaxo Group Ltd. v. Ranbaxy Pharms, Inc.*, 262 F.3d 1333, 1337 (Fed. Cir. 2001), the Federal Circuit found that the claim phrase “essentially free of crystalline material” could be properly construed as requiring a crystalline content of less than 10%, based in part on the applicant’s statements describing the prior art. Similarly, in *Biotec Biologische Naturverpackungen GmbH & Co. KG v. Biocorp, Inc.*, 249 F.3d 1341, 1347 (Fed. Cir. 2001), the Federal Circuit approved construing the term “substantially water free” as having a water content below 5% in accordance with statements during prosecution history distinguishing a prior art reference having a water content from 5% to 30%.

The construction of a term of degree may also be based on functional properties required by the context of the claim term or other intrinsic evidence. For example, in *Gemtron Corp. v. Saint-Gobain Corp.*, 572 F.3d 1371 (Fed. Cir. 2009), the Federal Circuit considered what was required for an “end edge portion” of a claimed refrigerator shelf to be “relatively resilient” in light of the claim term “relatively resilient end edge portion which temporarily deflects and subsequently rebounds to snap secure.” Relying on the claim language and the fact that the specification only discussed resiliency in the context of assembly of the shelf, the court construed the claim to require only that the end edge portion be sufficiently

resilient to temporarily deflect and subsequently rebound when glass was being inserted into the frame.

However, claim terms, including terms of degree in device or apparatus claims, should not be interpreted to depend on the use of that device absent an express use limitation. For example, the Federal Circuit rejected a construction of “real-time” in the term “displaying real-time data” to require “contextually meaningful delay” because under this construction, the same apparatus might infringe when used in one activity, but not infringe when used in another. The court explained, “[c]onstruing a non-functional term in an apparatus claim in a way that makes direct infringement turn on the use to which an accused apparatus is later put confuses rather than clarifies, frustrates the ability of both the patentee and potential infringers to ascertain the propriety of particular activities, and is inconsistent with the notice function central to the patent system.” *Paragon Solutions, LLC v. Timex Corp.*, 566 F.3d 1075, 1090-91 (Fed. Cir. 2009); *see also Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1468 (Fed. Cir. 1990) (“[A]pparatus claims cover what a device is, not what a device does.”).

Terms of degree frequently do not warrant a more precise construction, and it is often appropriate to pass imprecise terms to the jury in its role as fact-finder. However, the intrinsic evidence may suggest an appropriate standard for providing a more concrete measure of claim scope. The right approach is the one that recognizes the tension between the goals of clarifying claim scope and of avoiding imposing extra limitations on claim language, and then carefully assessing the objective measures that can be used to give standards for the claim terms.

The parties will often say a term of degree needs no construction because it has its “plain and ordinary” or “ordinary and customary” meaning. Courts must probe such positions because parties often will have fundamentally different views on what is the “plain and ordinary” meaning of a term or may be using the “plain and ordinary” label to maintain flexibility in their construction of the term. Failure to explore the question of what a party means by the “plain and ordinary” meaning can result in an unresolved construction issue arising during trial.

### 5.2.3.1.5.3 Technical Terms

When there are genuine disputes about the scope of technical terms, there is no doubt that construction by the court is required. Nonetheless, some technical terms may have a well-established meaning, in which case the definition might be more akin to a glossary definition, or perhaps no construction would be necessary. Furthermore, as reflected in Chart 5.5, some lay terms—such as “about”—might have a technical meaning in the context of the patent and hence will require interpretation by the court. *See O2 Micro Int’l. Ltd. v. Beyond Innovation Tech. Co.*,

*Ltd.*, 521 F.3d 1351, 1362 (Fed. Cir. 2008) (failure to construe the term “only if” was error where parties disputed its scope).

### 5.2.3.2 Step 2: Interpretation of Claim Terms

Once it is determined that a term must be construed and is ripe for construal, the court must delve into the complex jurisprudence interpreting and applying the *Markman* decision. Before discussing the disputes that commonly arise in claim construction, it will be useful to state the principles that are generally *not* in dispute. The *Phillips en banc* decision distills these principles and lays out the basic framework for construing patent claims.

A “bedrock principle” of patent law is that “the claims of a patent define the invention to which the patentee is entitled the right to exclude.” *Phillips*, 415 F.3d at 1312. The “objective baseline” for construing patent claims is determining “how a person of ordinary skill in the art understands a claim term.” *Phillips*, 415 F.3d at 1313. “That starting point is based on the well-settled understanding that inventors are typically persons skilled in the field of the invention and that patents are addressed to and intended to be read by others of skill in the pertinent art.” *Id.* Often, other evidence will provide context for characterizing the person having ordinary skill in the art. *See generally* § 11.3.5.3.1 (discussing the standards for determining the characteristics and knowledge of a “person having ordinary skill in the art” (often abbreviated to “PHOSITA”)). Temporally, the “ordinary meaning” of a claim term is the meaning that the term would have to a person of ordinary skill in the art “at the time of the invention, i.e., as of the effective filing date of the patent application.” *Phillips*, 415 F.3d at 1313. The “effective filing date” is the earlier of the actual filing date or the filing date of an application from which priority is accorded. *See* § 11.3.3.2 n.9. This is quite significant (and can generate evidentiary challenges) because the meaning of scientific and technical terms can change significantly during the life span of a patent. In the field of digital technology, for example, change can occur unbelievably rapidly given the exponential rate of advance in computer technology. Litigation over patent claims can occur multiple technological generations after the patent claim term was drafted.

The court’s task is to interpret claims through the eyes of a person having ordinary skill in the art field of the invention. That person “is deemed to read the words used in the patent documents with an understanding of their meaning in the field, and to have knowledge of any special meaning and usage in the field.” *Phillips*, 415 F.3d at 1313 (quoting *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1477 (Fed. Cir. 1998)). Interpreting patent claims thus requires the court to consider “the same resources as would that person, viz., the patent specification and the prosecution history.” *Id.* The proper definition of a claim term is context-dependent. The patent and its prosecution history “usually provide[] the

technological and temporal context to enable the court to ascertain the meaning of the claim to a person having ordinary skill in the art at the time of the invention.” *Id.* (quoting *V-Formation, Inc. v. Benneton Group SpA*, 401 F.3d 1307, 1310 (Fed. Cir. 2005)). Thus, patent claims are to be interpreted in light of this “intrinsic” evidence (i.e., the patent specification and its prosecution history) as well as pertinent “extrinsic” evidence (i.e., evidence showing the usage of the terms in the field of art).

#### 5.2.3.2.1 Claim Construction Framework

Chart 5.6 illustrates the starting and ending points for claim construction. We might analogize the claim construction process to a train line. The first station is the claim itself. The court will begin the process by reading the claim term in the context of the claim and surrounding words to assess its meaning. The court will also read the claim term in the context of the patent as a whole: “Importantly, the person of ordinary skill in the art is deemed to read the claim term not only in the context of the particular claim in which the disputed term appears, but in the context of the entire patent, including the specification.” *See Phillips*, 415 F.3d at 1313. If the claim term is a common, non-technical word or phrase, its meaning will immediately begin to take on meaning. “In some cases, the ordinary meaning of claim language as understood by a person of skill in the art may be readily apparent even to lay judges, and claim construction in such cases involves little more than the application of the widely accepted meaning of commonly understood words. . . . In such circumstances, general purpose dictionaries may be helpful.” *Id.* at 1314 (citation omitted).<sup>5</sup> If the term is technical, the court may ascribe little

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5. Later in the *Phillips* decision, the Federal Circuit highlighted several pitfalls of relying on dictionaries for claim construction, most notably the tendency toward abstract meaning as opposed to the meaning of claim terms in the context of the patent. *See Phillips*, 415 F.3d at 1319-24; *see also* § 5.4.

if any meaning to the term without substantial background education. Furthermore, “because patentees frequently use terms idiosyncratically, the court looks to ‘those sources available to the public that show what a person of skill in the art would have understood disputed claim language to mean.’” *Id.* (citation omitted).

The ultimate destination for this process is the proper construction. This will depend on the appropriate legal standard (the meaning that a person having ordinary skill in the art would attach), the relevant time period (the time of the invention), and the pertinent internal and external evidence. It may also depend on the jurisprudence of claim construction, such as the doctrine of claim differentiation. The court will develop the proper construction based upon a searching review of the intrinsic evidence and any other evidence that the parties present. There are multiple potential “stops” along this track.

**Chart 5.6**  
**Claim Construction Process: Starting Point and Destination**

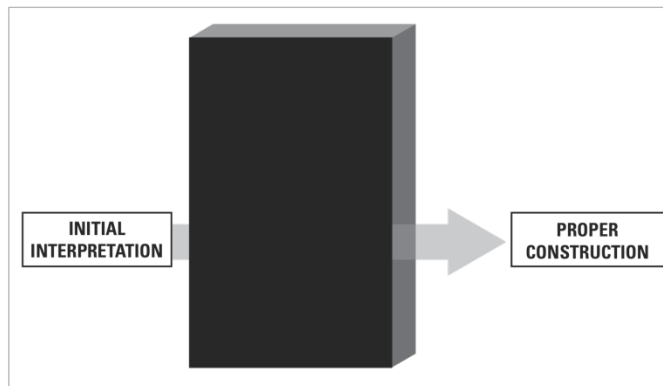
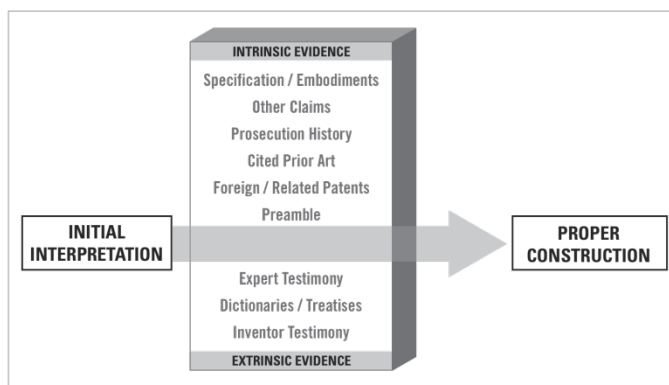


Chart 5.7 illustrates the principal potential stops along the claim construction line. The parties must inform the court which stations are relevant to interpreting the claim and what specific evidence bears on the proposed interpretation. If no evidence is adduced or if the evidence cited is unilluminating, then the court’s initial interpretation becomes the proper construction (or the court might deem the claim term as it is). More commonly, the parties will call attention to various sources of meaning from the specification, file wrapper, or extrinsic sources. We explore the jurisprudence relating to this process below.

**Chart 5.7**  
**Claim Construction Process: Inside the Black Box**



Note that the stations along the claim construction railroad are aligned vertically but not horizontally. The vertical alignment reflects the priority to be accorded intrinsic evidence. The Federal Circuit has often noted, and the *Phillips* decision affirms, that the specification is the “primary basis for construing the claim” and is in most cases “the best source for understanding a technical term.” See *Phillips*, 415 F.3d at 1314 (citations omitted). But the reason that the sources are not organized horizontally reflects the principle set forth in *Phillips* that “there is no magic formula or catechism for conducting claim construction. Nor is the court barred from considering any particular sources or required to analyze sources in any specific sequence, as long as those sources are not used to contradict claim meaning that is unambiguous in light of the intrinsic evidence.” *Id.* at 1324.

Chart 5.8 frames the substantive analysis. The principles set forth at the top of the chart ground the inquiry. With the foundation in place, the court is prepared to focus upon the claim term in question. As reflected in the center of the chart, “ordinary meaning” is the focus of the inquiry. But it is not necessarily the ultimate destination. The proper construction depends critically upon how the term is used in the patent. Various doctrines pull toward a narrower or broader construction. The subsections that follow examine those forces.

**Chart 5.8**  
**Functional Landscape of Claim Construction Principles and Doctrines**



### 5.2.3.2.2 Starting Point for Analysis: “Ordinary Meaning”

The *Phillips* framework uses “ordinary and customary meaning” as the objective baseline for claim construction. 415 F.3d at 1312-13. It is important to recognize, however, that even the term “ordinary and customary meaning” has a spe-

cialized meaning in patent law. It does not denote the ordinary meaning that a layperson would ascribe to the claim term. Nor does it signify abstract meaning or meaning in a vacuum. Rather, the “ordinary meaning” under *Phillips* is meaning that a person having ordinary skill in the art would attribute to the claim term in the context of the entire patent, including the specification and prosecution history. *Id.* at 1313. *Phillips* recognizes that there may be instances where the specification gives a “special definition” to a claim term that differs from the ordinary and customary meaning of a claim term or that the applicant may have expressly disavowed or disclaimed coverage to the full breadth of the claims under the ordinary and customary meaning. *Id.* at 1316. However, even in those cases where the applicant’s statements in the patent and prosecution history do not rise to the level of a “special definition,” or a “disavowal” or “disclaimer,” *Phillips* recognizes that the proper construction may depart from the ordinary and customary meaning of a claim term.

*Phillips* reaffirmed that the “starting point” of the analysis is to identify the “ordinary meaning” of the disputed claim terms. However, it overruled prior doctrine on how this ordinary meaning is determined and on the extent to which the ordinary meaning ultimately governs the construction of patent terms. Nonetheless, litigants commonly, and wrongly, attempt to rely on pre-*Phillips* cases that use a now-rejected approach. Because of this shift in the law that has rendered certain lines of authority obsolete, it is important to recognize what changed under *Phillips* and which statements from the previous caselaw are no longer valid.

#### 5.2.3.2.2.1 “Presumption of Dictionary Definition” Obsolete

Prior to *Phillips*, a widely applied line of Federal Circuit authority instructed district courts to emphasize dictionary definitions as the source of ordinary meaning. *Tex. Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002), established a “presumption in favor of a dictionary definition.” *Id.* at 1204. *Texas Digital* instructed district courts to determine the ordinary meaning of claim terms through reference to dictionaries and other sources *before* interpreting the specification. *Id.* *Texas Digital* established a “heavy presumption” that this dictionary-derived ordinary meaning applied. *Id.* at 1202. Overcoming this presumption required showing that the patentee “has clearly set forth an explicit definition of the term different from its ordinary meaning,” or that “the inventor has disavowed or disclaimed scope of coverage, by using words or expressions of manifest exclusion or restriction, representing a clear disavowal of claim scope.” *Id.* at 1204. *Phillips* specifically criticized *Texas Digital*’s reliance on dictionaries, which improperly

“focuses the inquiry on the abstract meaning of words rather than on the meaning of claim terms within the context of the patent.” *Phillips*, 415 F.3d at 1321.

#### **5.2.3.2.2.2 No “Heavy Presumption” of Ordinary Meaning**

Under *Phillips*, there is no longer a “heavy presumption” that the ordinary meaning of patent terms governs. The “heavy presumption” of ordinary meaning was a regular statement in pre-*Phillips* caselaw. See, e.g., *Superguide Corp. v. DirecTV Enterprises, Inc.*, 358 F.3d 870, 874-75 (Fed. Cir. 2004). After *Phillips*, this standard all but disappeared.<sup>6</sup> And in particular, in *Phillips*, the *en banc* court rejected the rule of *Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193 (Fed. Cir. 2002), which established a “presumption in favor of a dictionary definition.” *Id.* at 1204. According to the court, a reliance on dictionaries in the first instance improperly “focuses the inquiry on the abstract meaning of words rather than on the meaning of claim terms within the context of the patent.” *Phillips*, 415 F.3d at 1321.

*Phillips* overturned the *Texas Digital* methodology by providing that the meaning of claim terms is derived, foremost, from the patent documents themselves. Under *Phillips*, it is the intrinsic record that provides the “technological and temporal context” to determine the meaning of claim terms. *Phillips* refocused the analysis on the invention described in the specification: “The claims are directed to the invention that is described in the specification; they do not have meaning removed from the context from which they arose.” *Id.* at 1316 (quoting *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed. Cir. 2001)). Although lawyers commonly cite to language from *Texas Digital*-era case law, those standards are obsolete.

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6. Although *Elbex Video, Ltd. v. Sensormatic Elecs. Corp.*, 508 F.3d 1366, 1371 (Fed. Cir. 2007) cites the “heavy presumption” standard, it appears to be an outlier.

In more recent years, the Federal Circuit has continued wrestling with this question, and appears to be trending back toward a rule that the ordinary meaning will control, absent an explicit definition or disavowal. See *Thorner v. Sony Computer Entertainment America LLC*, 2012 WL 280657, at \*2 (Fed. Cir. 2012) (holding ordinary meaning should apply unless there is an explicit definition or disavowal). Nonetheless, even under *Thorner* and its progeny, the “heavy presumption” remains dropped from the law.

Certain terms, such as technical terms, will tend to derive their meaning from the applicable field of technology, and accordingly their “ordinary meaning” in the field will normally determine the proper claim construction. As a general rule, the more there is an established meaning for a claim term in the relevant technical field, the harder it will be to justify departing from that meaning absent compelling lexicography or disavowal in the specification or file history. However, other terms, and particularly the more malleable terms that are crafted by patent attorneys, will derive their meaning from the context of the patent document itself.

#### 5.2.3.2.3 Interpreting Claim Language in Light of the Specification

A fundamental challenge in patent law is how to construe claims “in view of the specification.” *Phillips*, 415 F.3d at 1315. Tension arises from the competing principles that provide, on the one hand, that “the claims made in the patent are the sole measure of the grant.” *Phillips*, 415 F.3d at 1312 (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 339 (1961)), and, on the other hand, that a claim term “can be defined only in a way that comports with the instrument as a whole.” *Id.* at 1316 (quoting *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 389 (1996)). When, and to what extent, the terse wording of patent claims should be interpreted in light of the inventor’s other statements in the specification gives rise to a common tension in patent litigation. Indeed, *Phillips* arose out of precisely this type of dispute.

Since *Phillips*, the Federal Circuit has continued to acknowledge the “tightrope” that district courts must walk when construing claims in light of the specification. See *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1373 (Fed. Cir. 2007). This tightrope was on full display in *Retractable Tech., Inc., v. Becton, Dickinson, and Co.*, 653 F.3d 1296 (Fed. Cir. 2011), in which the majority opinion, authored by Judge Lourie, concluded that the “body” of a syringe was properly construed as limited to a one-piece structure, to the exclusion of two-piece bodies. In the panel dissent, written by Judge Plager, and then in an opinion dissenting from the denial of rehearing *en banc* (by Judges Moore and Rader), the judges did

not believe that the claimed syringe “body” should be limited to a one-piece structure. *Id.*; see also *Retractable*, 659 F.3d at 1369 (dissenting opinions from denial of rehearing petition). In many ways, the *Retractable* case paralleled the dispute in *Phillips*, although this time with the limitation from the specification (i.e., “one-piece”) read into the claims, whereas in *Phillips* the specification’s description of the “baffles” at issue was not imposed on the claims. See *Retractable*, 659 F.3d 1369 (dissent from rehearing *en banc*) (“With all due respect to the majority in *Retractable*, the case is inconsistent with *Phillips*, and we are bound to follow our *en banc* decision.”).

Reconciling the various lines of claim construction cases is a challenge, and close calls like in *Retractable Technologies* will persist. Nonetheless, important guidelines have emerged to govern the question of how to interpret claims in view of the specification. There are several common sources of meaning for claim construction: the preferred embodiments; the manner in which the patentee distinguishes the prior art; the usage of the claim term elsewhere in the patent document (including other claims); disclaimers within the prosecution history; and the preamble. Furthermore, as explored in subsequent sections, some commonly used claim terms have developed greater clarity through patent drafting convention and judicial decisions.

#### **5.2.3.2.3.1 The Role of Preferred Embodiments in Claim Construction**

Patent specifications typically describe the claimed invention through the use of illustrations or example. In the jargon of patent law, they are characterized as “preferred embodiments.” Often the specification will recite a few or even many preferred embodiments of an invention. Claim construction disputes often center on the import of such illustrations: (1) Must each claim encompass the preferred embodiments?; (2) Are the claims limited to the preferred embodiments?; (3) Does the number or range of embodiments affect the breadth of the claims?; (4) Does ambiguity in a claim term limit its scope to the preferred embodiments?; and (5) Do characterizations of embodiments as “the invention” or “the present invention” limit the patent accordingly?

##### **5.2.3.2.3.1.1 Claim Scope Generally Includes Preferred Embodiments**

The patent claims should generally be construed to encompass the preferred embodiments described in the specification, and it is generally error to adopt a construction that excludes them. See *On-Line Techs., Inc. v. Bodenseewerk Perkin-*

*Elmer GmbH*, 386 F.3d 1133, 1138 (Fed. Cir. 2004) (“[A] claim interpretation that excludes a preferred embodiment from the scope of the claim is rarely, if ever, correct.”), *quoted in MBO Labs., Inc. v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1333 (Fed. Cir. 2007). Important exceptions to this oft-cited rule apply—such as where there is a clear and unambiguous disclaimer of claim scope in the specification or prosecution history, *see Oatey Co. v. IPS Corp.* 514 F.3d 1271, 1277 (Fed. Cir. 2008); *N. Am. Container, Inc. v. Plastipak Packaging, Inc.*, 415 F.3d 1335, 1345-46 (Fed. Cir. 2005); *SciMed Life Sys., Inc. v. Advanced Cardiovascular Sys., Inc.*, 242 F.3d 1337, 1344 (Fed. Cir. 2001); *see also* § 5.2.3.2.3, an embodiment is directed to only a subset of claims, *see Helmsderfer v. Bobrick Washroom Equip., Inc.*, 527 F.3d 1379 (Fed. Cir. 2008), or the ordinary meaning simply cannot be stretched to encompass the embodiment. *See also* § 5.2.3.2.3.4 (concerning disclaimers).

There the two primary scenarios in which a claim can properly be construed in a way that excludes an embodiment: (1) where a change occurs in the file history—i.e., the specification remains static during prosecution but the applicant clearly and unambiguously disclaims some claim scope that she originally sought during prosecution; and (2) where the specification contains and claims multiple embodiments, a particular claim may not cover a particular embodiment because other claims do. For example, if the claims are sufficiently clear in the usage of claim terms, the construction should follow that usage even if it excludes embodiments within the specification, especially where other claims would encompass those described embodiments. *See August Technology Corp. v. Camtek, Ltd.*, 655 F.3d 1278 (Fed. Cir. 2011) (construing “wafer” to mean a physically discrete wafer in view of term usage within claim and in related claims, despite embodiments in specification suggesting that a “wafer” may be each separate circuit on overall wafer).

#### **5.2.3.2.3.1.2 Is the Patent Limited to the Preferred Embodiments?**

A common dispute is whether the claim scope should be limited to the embodiments. The mere fact of a particular embodiment being taught (or even “preferred”) is generally not sufficient to justify limiting otherwise broad claim scope to the particular embodiment taught. *See, e.g., Laryngeal Mask Co. Ltd., v. Ambu S/A*, 618 F.3d 1367, 1371 (Fed. Cir. 2010) (addressing “a difficult case of claim construction,” finding that the term “backplate” is not limited to requiring a tube joint described in the specification; Court was “mindful that the specification is the single best guide to the meaning of a disputed term” and that the “specification is replete with discussion of a tube joint,” but concluded that the term “back-

plate” was not so limited because only the preferred embodiment indicated that the tube joint “is part of the backplate.”); *Agfa Corp. v. Creo Prods., Inc.*, 451 F.3d 1366, 1376-77 (Fed. Cir. 2006) (finding that a claimed “stack” of printing plates was not limited to the particular horizontal stack shown in the specification); *Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1306-07 (Fed. Cir. 2006) (finding that a claimed “geometry” of orthodontic teeth was not limited to the geometries of orthodontics shown in the specification); *Acumed LLC v. Stryker Corp.*, 483 F.3d 800 (Fed. Cir. 2007) (finding that a claimed “transverse” hole in a bone nail was not limited to the particular “perpendicular” orientation shown in the specification). The mere fact that the disclosed embodiments of a patented invention have a certain feature does not, by itself, justify limiting the scope of the claims to what is disclosed in the specification. Rather, the fact that the preferred embodiment teaches a certain configuration is just one factor that must be weighed along with other factors such as the clarity of the claim language, the specification’s descriptions of the claimed invention, its statements distinguishing the invention from the prior art, and the consistent and uniform usage of claim terms. Other contributing factors include the applicant’s statements to the PTO during patent prosecution and the doctrine of claim differentiation.

Depending on the strength of these other factors, the scale may tip so that the claim is limited to the embodiment disclosed in the specification. See *Abbot Laboratories v. Sandoz*, 566 F.3d 1282, 1288 (Fed. Cir. 2009) (“[T]he claims cannot ‘enlarge what is patented beyond what the inventor has described as the invention.’ Thus th[e] court may reach a narrower construction, limited to the embodiment(s) disclosed in the specification, when the claims themselves, the specification, or the prosecution history clearly indicate that the invention encompasses no more than the confined structure or method.”); *American Piledriving Equipment, Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1333 (Fed. Cir. 2011) (declining to give the term “eccentric weight portion” a functional description, but instead construing it to include structural elements described in the patent specification, due to consistent reference throughout the specification to this structure as relating to the invention as a whole); *Edwards Lifesciences LLC v. Cook Inc.*, 582 F.3d 1322, 1327-31 (Fed. Cir. 2009) (limiting the claim term “graft” to mean “intraluminal graft” when “the only devices described in the specification are intraluminal, supporting an interpretation that is consistent with that description”; the specification used the words “graft and “intraluminal graft” interchangeably; the specification described “intraluminal graft” as the present invention; and neither claim differentiation nor prosecution history required a different construction).

The *Phillips* court acknowledged that “there is sometimes a fine line between reading a claim in light of the specification, and reading a limitation into the claim from the specification.” 415 F.3d at 1323 (quoting *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1186-87 (Fed. Cir. 1998)). The Federal Circuit suggested

that courts can reasonably and predictably discern this line by focusing on how a person of ordinary skill in the art would understand the claim terms. *Id.* The Federal Circuit has specifically rejected the contention that a court interpreting a patent with only one embodiment must limit the claims of that patent to that embodiment because § 112 requires that the claims themselves define the limits of a patent, and because a person of ordinary skill in the art would rarely do so. *Id.* (construing *Gemstar-TV Guide v. Int’l Trade Comm’n*, 383 F.3d 1352, 1366 (Fed. Cir. 2004)).

After reading the specification from the perspective of a person of ordinary skill in the art, the patentee’s usage of a term within the specification and claims will usually make the distinction between a specification meant to set out specific examples of the invention to disclose how to make and use it and one in which the claims and embodiments are meant to be strictly coextensive. *Phillips*, 415 F.3d at 1323. District courts should bear in mind, however, that claim drafters routinely avoid providing a clear distinction between embodiments that define the invention and those that merely illustrate it. Through this approach, patentees may get the benefit of a narrow interpretation during prosecution (which may enhance the chances of allowance) while preserving the option asserting a broad interpretation after the patent issues in enforcement actions. Thus, the “fine line” to which the Federal Circuit refers is often blurred.

#### **5.2.3.2.3.1.3 Does the Number and/or Range of Embodiments Affect the Scope of the Claims?**

The Federal Circuit observed in *Phillips* that “although the specification often describes very specific embodiments of the invention, we have repeatedly warned against confining the claims to those embodiments.” 415 F.3d at 1323. The court also “expressly rejected the contention that if a patent describes only a single embodiment, the claims of the patent must be construed as being limited to that embodiment.” *Id.* Nonetheless, the number and/or range of embodiments may have relevance to the scope of claims. Disputes over how broadly to construe claims in light of the specification trace back to the patent drafter. The patent drafter is the “least cost avoider” in terms of creating a document that can be readily understood and relied on by the public and any courts that may have to interpret it. Scant descriptions of the invention may not necessarily be limiting, but it is uniquely in the power of the patentee to avoid close calls of claim interpretation by clear and detailed descriptions of the full scope of the claimed invention. Just as empirical scientists will provide multiple data points so as to gauge the limits or reach of their theories, it might reasonably be hoped that patentees would likewise

express inventions of an empirical nature in a number and range of embodiments if necessary to convey fully the scope of the claimed invention to the public. Even though a claim is not ordinarily limited to a particular disclosed embodiment, the number and range of embodiments may ultimately affect the scope that can be supported, because those embodiments may inform the court how a person of ordinary skill in the art would understand the claim terms—the issue upon which the court’s focus should ultimately remain. *See Phillips*, 415 F.3d at 1323. Proper claim drafting will reduce the burden of, uncertainty surrounding, and need for claim construction.

It may be somewhat ironic, therefore, that claim construction often affords patents supported by a single embodiment with potentially broader scope (ordinary meaning) than more fully illustrated patents. Without as much to go on, the court in the former case is often left with simply the plain language. The principal countervailing force confronting the patentee—the risk that the claim will fail the written description requirement—does not exert much effect as it is often difficult to prove this basis for invalidity. By contrast, patents that are more fully illustrated may provide a clearer basis for construing (and, in some cases, circumscribing) the scope of the claims. A more balanced middle ground would be to consider the lack of a significant range of illustrative embodiments to be a factor in construing claims based on an empirical foundation. Just as an empirical theory supported by just a single or few examples will be narrower than one supported by a rich and broad range of observations, so the scope of an empirically based invention supported by a single or narrow range of embodiments should, all other factors the same, be understood more narrowly. Such an approach would have the benefit of providing patent drafters with greater incentive to articulate the boundaries of the claimed invention.

It should be noted, however, that claims based upon a conceptual or theoretical foundation may not require disclosure of multiple embodiments to prove their validity or delineate their scope. In such cases, the operative scientific principle will often support and delineate its scope.

#### **5.2.3.2.3.1.4 Does Ambiguity in a Claim Term Limit its Scope to Preferred Embodiment(s)?**

When the claim language is ambiguous, courts look to the specification to determine a reasonable interpretation. *See Rexnord Corp. v. Laitrop Corp.*, 274 F.3d 1336, 1343 (Fed. Cir. 2001) (“[I]f the term or terms chosen by the patentee so deprive the claim of clarity that there is no means by which the scope of the claim may be ascertained by one of ordinary skill in the art from the language used, a

court must look to the specification and file history to define the ambiguous term in the first instance.”) (internal marks omitted). In *Comark Commc’ns, Inc. v. Harris Corp.*, 156 F.3d 1182, 1187 (Fed. Cir.1998), the Federal Circuit observed that interpreting claim language in light of the specification is proper when a term is “so amorphous that one of skill in the art can only reconcile the claim language with the inventor’s disclosure by recourse to the specification.” At the same time, the court cautioned against reading limitations from the specification into the claims (as opposed to interpreting claim language in light of the specification) and declined to do so in that case. *Id.* Nonetheless, courts have on occasion limited claim terms to the preferred embodiments where there is no other way of grounding the ambiguous language. See, e.g., *Chimie v. PPG Indus., Inc.*, 402 F.3d 1371 (Fed. Cir. 2005).

#### **5.2.3.2.3.1.5 Characterizations of “The Invention” or “The Present Invention”**

When the patentee uses descriptive terms such as “the invention” or “the present invention” to describe what is claimed, then those descriptive embodiments may be definitional. For example, *Honeywell Int’l, Inc. v. ITT Indus., Inc.*, 452 F.3d 1312, 1318 (Fed. Cir. 2006), concerned claims to a “fuel injection system component.” Even though the ordinary and customary meaning of a “fuel injection system component” is not limited to a fuel filter, the Federal Circuit found that the proper construction was narrower than that customary meaning and should be limited to a fuel filter. Beyond the fact that all the disclosed embodiments disclosed only fuel filters, the specification repeatedly described the fuel filter as “this invention” and “the present invention.” Applying *Phillips*, the court found that there was no need to show that the inventor had “disavowed or disclaimed scope of coverage,” as *Texas Digital* had previously set as the standard. *Id.* Rather, the Federal Circuit noted, given the repeated descriptions in the patent specification of “the invention,” that “[t]he public is entitled to take the patentee at his word and the word was that the invention is a fuel filter.” *Id.*; see also *Trading Tech. Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1353-54 (Fed. Cir. 2010) (Federal Circuit noting that it “takes some comfort against this risk from the inventors’ use of the term ‘the present invention’ rather than ‘a preferred embodiment or just ‘an embodiment.’”); *Edwards Lifesciences LLC v. Cook Inc.*, 582 F.3d 1322, 1327-31 (Fed. Cir. 2009) (limiting the claim term “graft” to mean “intraluminal graft” when “the specification frequently describes an ‘intraluminal graft’ as ‘the present invention’ or ‘this invention’”); *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1367-68 (Fed. Cir. 2007) (limiting claim term “composite composition” to pellets in

light of statements in specification that are “not descriptions of particular embodiments, but are characterizations directed to the invention as a whole”); *Microsoft Corp. v. Multi-Tech. Sys., Inc.*, 357 F.3d 1340, 1348 (Fed. Cir. 2004) (finding that statements in common specification serve to limit claim language because they “are not limited to describing a preferred embodiment, but more broadly describe the overall inventions of all three patents”); *Alloc, Inc. v. Int’l Trade Comm’n*, 342 F.3d 1361, 1370 (Fed. Cir. 2003) (“[T]his court looks to whether the specification refers to a limitation only as a part of less than all possible embodiments or whether the specification read as a whole suggests that the very character of the invention requires the limitation be a part of every embodiment.”).

Nonetheless the Federal Circuit held in *i4i Ltd. Partnership v. Microsoft Corp.* that describing the advantages of the “present invention” does not necessarily limit the claim to systems possessing those advantages. 589 F.3d 1246, 1259-60 (Fed. Cir. 2009). At issue in *i4i* was whether “distinct” storage means required independent manipulation of the metacode map and mapped content. The court held it did not. The specification stated that the “present invention provides the *ability* to work solely on metacodes. . . . Additionally a new map *can* be created based solely on an existing map without requiring the content.” *Id* at 1259 (emphasis added by court). According to the court, these statements were “best understood as describing the advantages of separate storage, the real claim limitation” and, given the permissive language, such as “*ability* to work” and “*can* be created,” did not “clearly disclaim systems lacking these benefits.” *Id*.

The fact that a specification discloses only a single embodiment does not, by itself, compel limiting claim scope to that embodiment. *Phillips*, 415 F.3d at 1323. There must be additional evidence beyond the disclosure of a single embodiment to justify narrowing a construction to that embodiment. *Agfa Corp. v. Creo Prods. Inc.*, 451 F.3d 1366, 1376-77 (Fed. Cir. 2006). However, the fact that only a single embodiment is shown is a factor that, when taken into consideration with the patentee’s description of the invention, may show that the inventor only intended to claim a particular feature as his invention. *See Retractable Tech.*, 653 F.3d at 1304 (holding that the invention is limited to a “single body” syringe based on the patentee’s express recitation “that ‘the invention’ has a body constructed as a single structure, expressly distinguish[es] the invention from the prior art based on this feature, and only disclose[s] embodiment that are expressly limited to having a body that is a single piece.”); *Honeywell Int’l, Inc. v. ITT Indus., Inc.*, 452 F.3d 1312, 1318 (Fed. Cir. 2006) (limiting scope of “fuel injection system component” to a “fuel filter” because “[t]he written description’s detailed discussion of the prior art problem addressed by the patented invention, *viz.*, leakage of non-metal fuel filters in EFI systems, further supports the conclusion that the fuel filter is not a preferred embodiment, but an only embodiment.”).

### 5.2.3.2.3.2 Distinctions Over the Prior Art

As with descriptions of “the invention,” the patentee’s manner of distinguishing his invention over the prior art may be definitional. That is, the specification’s emphasis on the importance of a particular feature in solving the problems of the prior art is an important factor in defining the claims. These statements distinguishing the claimed invention from the prior art go to the heart of *Phillips*’ instruction to construe claims consistent with a “full understanding of what the inventors actually invented.” *Phillips*, 415 F.3d at 1316. For example, in *Inpro II Licensing, S.A.R.L. v. T-Mobile USA, Inc.*, 450 F.3d 1350, 1354-55 (Fed. Cir. 2006), the Federal Circuit affirmed the construction of “host interface” as a “direct parallel bus interface.” Among the dispositive factors in this narrow construction were that the only embodiment disclosed was a direct parallel bus interface and that “the specification emphasizes the importance of a parallel connection in solving the problems of the previously used serial connection.” *Id.* Since under *Phillips*, there was no need to show that the inventor had disclaimed scope of coverage, T-Mobile obtained a narrowing construction by demonstrating “what the inventor has described as the invention.” *Id.* at 1355 (quoting *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1352 (Fed. Cir. 2001)); *see also Retractable Techs.*, 653 F.3d at 1305 (limiting scope of syringe “body” to a one-piece body based in part on distinction over prior art syringes comprised of multiple pieces).

Statements distinguishing the prior art must be sufficiently clear to warrant a narrowing construction. *Ventana Med. Sys., Inc. v. Biogenex Labs., Inc.*, 473 F.3d 1173, 1180-81 (Fed. Cir. 2006) concerned claims to a method of “dispensing” reagents onto a microscope slide. The question was whether “dispensing” was limited to “direct dispensing” (i.e., where the reagent container directly dispenses reagents onto the slide without an intermediary), or whether the claims encompassed the use of an intermediary device to “sip and spit” the reagents from the reagent container onto the slide. The specification contained general criticisms of prior art dispensers, including those using “sip and spit” approaches, as well as those using “direct dispensing” approaches. Because the specification equally criticized both types of prior art dispensers, there was nothing to suggest that the inventor was describing the invention to be the use of “direct” instead of “sip and spit” dispensing. Therefore, the Federal Circuit found it was inappropriate to limit the claim scope. *Id.* at 1181 (refusing to narrow claim where challenger “points to only general statements by the inventors indicating that their invention is intended to improve upon prior art staining methods.”).

### 5.2.3.2.3.3 Consistent Usage of Claim Terms

Another claim construction principle is that the consistent and uniform usage of a claim term in a certain way in the specification may be definitional, showing the “ordinary meaning” of the claim term in the context of the invention. In such circumstances, otherwise broad language in the claim may be limited by the specification’s description of the invention. Consistent usage of a claim term in the specification can be definitional even without a showing that there is an “express definition” of the term or a “disclaimer,” which the now-overruled *Texas Digital* would have required. For example, the claim term “board” was found to be limited to wooden boards (as opposed to plastic lumber) in light of consistent statements in the specification and prosecution history describing the claimed “boards” as made from wood. *Nystrom v. TREX Co., Inc.*, 424 F.3d 1136, 1145 (Fed. Cir. 2005) (“The written description and prosecution history consistently use the term ‘board’ to refer to wood decking materials cut from a log.”).

In *ICU Medical Inc. v. Alaris Medical Systems Inc.*, the Federal Circuit affirmed a construction of “spike” to mean “an elongated structure having a pointed tip for piercing the seal, which tip may be sharp or slightly rounded.” 558 F.3d 1368, 1375-76 (Fed. Cir. 2009). The court supported its construction on the ground that “the specification never suggests that the spike can be anything other than pointed” and explained that “adding the functional language ‘for piercing the seal’ is appropriate because it defines the degree to which the spike must be pointed.” *Id.* at 1376; *see also Hologic, Inc. v. SenoRx*, 639 F.3d 1329 (Fed. Cir. 2011) (majority of divided panel construing “asymmetrically located and arranged within the expandable surface” to require the asymmetry be along the longitudinal axis of the balloon when all of the descriptions of the invention describe that type of asymmetry); *Kinetic Concepts Inc. v. Blue Sky Medical Group Inc.*, 554 F.3d 1010, 1018-19 (Fed. Cir. 2009) (construing “wound” to exclude pus pockets and infections in the mammary glands when “all of the examples described in the specification involve skin wounds”). *But see American Piledriving Equipment, Inc. v. Geoquip*, 637 F.3d 1324 (Fed. Cir. 2011) (reversing district court for improperly construing “eccentric weight portion” to require that the portion extend from a particular portion of the gear and in a particular direction on the ground that that these limitations were not part of the inventor’s claimed definition of the scope of invention); *Arlington Industries Inc. v. Bridgeport Fittings*, 632 F.3d 1246 (Fed. Cir. 2011) (declining to construe “spring metal adaptor” to require a split, over dissent which argued that the specification only envisioned adaptors with splits); *Thorner v. Sony Computer Entertainment America LLC*, 669 F.3d 1362, 1367-68 (Fed. Cir. 2012) (refusing to construe “attached to said pad” as limited to either internal or external attachment, because limiting statements in specification were not strong enough to give rise to disavowal); *Falana v. Kent State University*, 669 F.3d 1349,

1354-55 (Fed. Cir. 2012) (finding insufficient force to limiting statements in specification to warrant restricting claims to a compound having a “substantially temperature independent helical twisting power,” even though the specification indicates that the invention was narrower than the claim language implied).

#### 5.2.3.2.3.4 Prosecution Disclaimers

Beyond using the prosecution history to ascertain the ordinary meaning of claim terms, the prosecution history can also be used to determine whether there was a “disclaimer” of claim scope. In order to convince the PTO to issue patent claims that have been rejected in light of the prior art, patent applicants frequently have to represent that their patent claims do *not* cover certain technologies. These statements are important limitations on claim scope. *Phillips*, 415 F.3d at 1317 (“The purpose of consulting the prosecution history in construing a claim is to exclude any interpretation that was disclaimed during prosecution.”). The legal standard for finding a prosecution history disclaimer requires “a clear and unmistakable disavowal of scope during prosecution.” *Purdue Pharma L.P. v. Endo Pharms. Inc.*, 438 F.3d 1123, 1136 (Fed. Cir. 2006). For example, in *Atofina v. Great Lakes Chem. Corp.*, 441 F.3d 991, 997 (Fed. Cir. 2006), the Federal Circuit found a prosecution disclaimer to apply, and construed “chromium catalyst” as a catalyst where the only catalytically active material is chromium without the addition of metal oxides or non-inert additives. The decision was based on the applicants’ statements in the prosecution history which distinguished the claimed invention from the prior art’s use of metal oxides and non-inert additives, and which emphasized the “criticality of utilizing chromium catalyst alone rather than in combination with other metal components.” *Id.*

By contrast, ambiguous statements in the prosecution history do not warrant a disclaimer, particularly when the applicant’s statements are subject to multiple interpretations. *SanDisk Corp. v. Memorex Prods., Inc.*, 415 F.3d 1278, 1287 (Fed. Cir. 2005) (“There is no ‘clear and unmistakable’ disclaimer if a prosecution argument is subject to more than one reasonable interpretation, one of which is consistent with a proffered meaning of the disputed term.”). For example, in *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1332 (Fed. Cir. 2004), a claim to a “rotating” spotlight was not found subject to a disclaimer, where statements in the prosecution history referring to the spotlight rotating “through 360°” were attributable to other claims, not the claim at issue. *See also LG Elecs., Inc. v. Bizcom Elecs., Inc.*, 453 F.3d 1364, 1373-74 (Fed. Cir. 2006) (finding that prosecution history statements that the prior art did not teach accessing data signals “over a system bus” were not sufficiently clear to justify limiting claims to require claimed signals to travel over a system bus), *reversed on other grounds by Quanta v. LG*

*Elecs.*, 128 S. Ct. 2109 (2008); *Martek Biosciences Corp. v. Nutrinova Inc.*, 579 F.3d 1363 (Fed. Cir. 2009) (finding no prosecution history disclaimer when applicant also distinguished prior art on alternative grounds). Even if prosecution history disclaimer does not apply because there is too much ambiguity, this does not mean that the prosecution history is irrelevant. Rather it can still be used “as support for the construction already discerned from the claim language and confirmed by the written description.” *800 Adept, Inc. v. Murex Securities, Ltd.*, 539 F.3d 1354, 1364-65 (Fed. Cir. 2008).

#### **5.2.3.2.4 Looking to Other Claims: The Doctrine of Claim Differentiation**

Patents typically contain multiple claims, with variations among the claims describing the patented invention. The doctrine of “claim differentiation” provides that “each claim in a patent is presumptively different in scope.” *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1263 (Fed. Cir. 2003). The doctrine is based on “the common sense notion that different words or phrases used in separate claims are presumed to indicate that the claims have different meanings and scope.” *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1369 (Fed. Cir. 2007). It also reflects the economic reality that patent fees depend on the number of claims in the patent. Patentees would be disinclined to purchase additional claims if they did not offer different scope. But it is important to recognize that the uncertainties of claim interpretation lead all but the most financially sensitive patent drafters to seek multiple overlapping claims. *See generally* Mark A. Lemley, *The Limits of Claim Differentiation*, 22 *Berkeley Tech. L.J.* 1389 (2007). Additional claims do not always cover different subject matter. Claim differentiation gives rise to a rebuttable presumption for claim construction purposes, especially when comparing the scope of an independent claim in view of its dependent claims: “[T]he presence of a dependent claim that adds a particular limitation gives rise to a presumption that the limitation in question is not present in the independent claim.” *Phillips*, 415 F.3d at 1315.

“Pure” claim differentiation refers to the situation where there is no meaningful difference between an independent claim and its dependent claim, except for the presence of an added limitation in the dependent claim. In that situation, the presumption is especially strong that the independent claim is *not* restricted by the added limitation in the dependent claim. *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007) (“That presumption is especially strong when the limitation in dispute is the only meaningful difference between an independent and dependent claim.”). In such situations, construing the independent claim to share that limitation would render the dependent claim “superfluous.” *Andersen*

*Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1369-70 (Fed. Cir. 2007) (“To the extent that the absence of such difference in meaning and scope would make a claim superfluous, the doctrine of claim differentiation states the presumption that the difference between claims is significant.”). The doctrine of claim differentiation has less force when there are additional differences between the independent claim and its dependent claim, such that the dependent claim would not be rendered “superfluous” by limiting the independent claim. *See, e.g., SRAM Corp. v. AD-II Eng’g, Inc.*, 465 F.3d 1351, 1358 (Fed. Cir. 2006) (restricting independent claim to use of “precision index downshifting” even though this term was present in dependent claim, when additional differences existed between the independent and dependent claim).

In the case of two independent claims, the doctrine of claim differentiation is not applicable because patent drafters are free to, and commonly do, claim an invention using multiple linguistic variations in multiple independent claims. *See, e.g., Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1370 (Fed. Cir. 2007) (declining to apply claim differentiation to separate groups of claims to “pellets,” “linear extrudates,” and “composite compositions” where there were other differences varying the scope of the claims); *Curtiss-Wright Flow Control Corp. v. Velan, Inc.*, 438 F.3d 1374, 1380-81 (Fed. Cir. 2006) (recognizing that “[c]laim drafters can also use different terms to define the exact same subject matter.”); *Hormone Research Found. v. Genentech, Inc.*, 904 F.2d 1558, 1567 n.15 (Fed. Cir. 1990) (“It is not unusual that separate claims may define the invention using different terminology, especially where (as here) independent claims are involved.”); *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1370 (Fed. Cir. 2007) (declining to apply claim differentiation to separate groups of claims to “pellets,” “linear extrudates,” and “composite compositions” where there were other differences varying the scope of the claims).

Even in cases of “pure” claim differentiation where the presumption would apply most strongly, the doctrine can be trumped by other considerations. Claim differentiation “can not broaden claims beyond their correct scope.” *Curtiss-Wright Flow Control Corp. v. Velan, Inc.*, 438 F.3d 1374, 1380-81 (Fed. Cir. 2006). That is, “the written description and prosecution history overcome any presumption arising from the doctrine of claim differentiation.” *Andersen Corp. v. Fiber Composites, LLC*, 474 F.3d 1361, 1369-70 (Fed. Cir. 2007); *see also Edwards Lifesciences LLC v. Cook Inc.*, 582 F.3d 1322, 1332 (Fed. Cir. 2009) (“[C]laim differentiation is a rule of thumb that does not trump the clear import of the specification.”). For example, where the patent applicant disclaimed subject matter during prosecution in order to obtain the patent, the patentee cannot attempt to recapture that subject matter through the doctrine of claim differentiation. *See Fantasy Sports Properties, Inc. v. Sportsline.com, Inc.*, 287 F.3d 1108, 1115-16 (Fed. Cir. 2002). Likewise, where the limitation in the dependent claim was emphasized dur-

ing prosecution in order to overcome prior art, it may be appropriate to limit the broader, independent claim to that limitation, thereby trumping the doctrine of claim differentiation. See *ERBE Elektromedizin GmbH v. Canady Technology LLC*, 629 F.3d 1278, 1286-87 (Fed. Cir. 2010) (limiting “low flow rate” of independent claim to “less than about 1 liter/minute,” as recited in dependent claim); see also *ICU Medical Inc. v. Alaris Medical Systems Inc.*, 558 F.3d 1368, 1376 (Fed. Cir. 2009) (affirming rejection of claim differentiation argument when dependent claim was added years after the filing date of the original patent and after the introductions of the allegedly infringing products). Given the wide variety of situations where the doctrine of claim differentiation does not apply, the Federal Circuit has cautioned that “[c]laim differentiation is a guide, not a rigid rule.” *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1538 (Fed. Cir. 1991).

#### **5.2.3.2.4.1 Presumption of Claim Differentiation May Be Rebutted Based on Specification or Prosecution History Estoppel**

Limiting statements in the specification or prosecution history can rebut a broad claim term interpretation, even if the breadth of that term is reinforced by the doctrine of claim differentiation. See *Seachange Int’l, Inc. v. C-COR, Inc.*, 413 F.3d 1361, 1369 (Fed. Cir. 2005) (noting that claim differentiation is “not a hard and fast rule and will be overcome by a contrary construction dictated by the written description or prosecution history”). For example, in *Regents of Univ. of Cal. v. Dakocytomation Cal., Inc.*, 517 F.3d 1364, 1375 (Fed. Cir. 2008), the Federal Circuit approved of a limiting construction on the independent claim term “heterogenous mixture” to exclude repetitive sequences, notwithstanding the presence of dependent claims that do not exclude them. Likewise, in *Retractable Technologies*, 653 F.3d at 1305, the Federal Circuit found the doctrine of claim differentiation trumped by statements in the specification that limited a claimed syringe “body” to a one-piece body, especially in view of distinctions made over the prior art.

#### **5.2.3.2.4.2 Presumption of Claim Differentiation Does Not Apply to Means-Plus-Function Claims**

As discussed more fully in § 5.2.3.5, means-plus-function claims are limited to the corresponding structures, and their equivalents under § 112, ¶ 6. The statutorily mandated scope of these claims cannot be stretched through resort to claim differentiation. See, e.g., *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*,

424 F.3d 1293, 1304 (Fed. Cir. 2005) (“[A]lthough the doctrine of claim differentiation suggests that claim 5 should be broader than claim 1, any presumption that the claims differ with respect to this feature may be overcome by a contrary construction mandated by the application of § 112, ¶ 6.”); *Laitram Corp. v. Rexnord, Inc.*, 939 F.2d 1533, 1538 (Fed. Cir. 1991) (holding that the doctrine of claim differentiation yields to an interpretation mandated by § 112, ¶ 6).

#### 5.2.3.2.5 Significance of the “Preamble” in Claim Construction

Patent claims commonly have a “preamble” that introduces the claimed invention. Some preambles may be just a few words, while others may be lengthy and detailed. A common dispute is whether or not the wording of the preamble is a limitation on the scope of the patent. A famously vague standard governs this inquiry: terms in the preamble are limiting when they are “necessary to give life, meaning, and vitality to the claims.” *Kropa v. Robie*, 187 F.2d 150, 861 (CCPA 1951). The following principles are used in applying this standard.

Where the preamble is grammatically essential to the claim, the general rule is that it is limiting. *Catalina Mktg. Int’l, Inc. v. Coolsavings.com, Inc.*, 289 F.3d 801, 808-09 (Fed. Cir. 2002). For example, where other terms in the body of the claim derive “antecedent basis” from the preamble, then the preamble is commonly found to be limiting. *Id.* at 808; *see also Bicon, Inc. v. Strauman Co.*, 441 F.3d 945, 952 (Fed. Cir. 2006). Likewise, where the preamble is “essential to understand limitations or terms in the claim body,” it is similarly limiting. *Catalina*, 289 F.3d at 808.

If a preamble term is a “necessary and defining aspect of the invention” the preamble is limiting. *On Demand Mach. Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1343 (Fed. Cir. 2006); *see also MBO Labs., Inc. v. Becton, Dickinson & Co.*, 474 F.3d 1323, 1330 (Fed. Cir. 2007) (interpreting the preamble term “immediately” as limiting, because “[t]he patentee here has clearly indicated via the specification and the prosecution history that the invention provides as an essential feature, immediate needle safety upon removal from the patient.”). This principle applies with special force where the language of the preamble was used during prosecution history to distinguish the claimed invention from the prior art. *Catalina*, 289 F.3d at 808; *see also In re Cruciferous Sprout Litig.*, 301 F.3d 1343, 1347-48 (Fed. Cir. 2004) (finding the preamble phrase “rich in glucosinolates” limiting because the patentee relied on the preamble to distinguish the prior art in prosecution).

The countervailing principle is that a preamble is not limiting when the body of the claim “describes a structurally complete invention.” *Catalina*, 289 F.3d at

809; *see also Intertool, Ltd. v. Texar Corp.*, 369 F.3d 1289, 1295 (Fed. Cir. 2004) (finding the preamble non-limiting where the body of the claim described the invention in “complete and exacting structural detail”). Statements of intended uses of an invention are generally *not* limiting. *Catalina*, 289 F.3d at 809. This is because “the patentability of apparatus or composition claims depends on the claimed structure, not on the use or purpose of that structure.” *Id.* Thus, many cases turn on the question of whether a statement in the preamble describing the purpose of an invention is deemed to describe a “necessary and defining aspect of the invention” (which is limiting), or is simply a “statement of intended use” (which is not limiting). A review of the Federal Circuit’s cases over the past ten years, in cases that litigated the issue of whether to construe the preamble, reveals that the dominant approach in the close cases is to construe the preamble as a limitation.

### **5.2.3.3 Claim Terms Having Conventional, Presumed, or Established Meanings**

Claim terms generally take their meaning from the language of the patent, the prosecution history, and the applicable extrinsic evidence. Some terms, however, have meanings that are derived from conventional usage in claim drafting or prior judicial construction. The case law in this area, however, is notoriously malleable. Take, for example, the term “a” (or “an”). The Federal Circuit has “has repeatedly emphasized that an indefinite article ‘a’ or ‘an’ in patent parlance carries the meaning of ‘one or more’ in open-ended claims containing the transitional phrase ‘comprising.’” *Baldwin Graphic Sys., Inc. v. Siebert, Inc.* 512 F.3d 1338, 1342 (Fed. Cir. 2008). The court commented that this interpretation can “best [be] described as a rule, rather than merely as a presumption or even a convention. The exceptions to this rule are extremely limited: a patentee must ‘evinced [ ] a clear intent’ to limit ‘a’ or ‘an’ to ‘one.’ . . . An exception to the general rule that ‘a’ or ‘an’ means more than one only arises where the language of the claims themselves, the specification, or the prosecution history necessitate a departure from the rule.” *Id.* at 1342-43 (quoting *KCJ Corp. v. Kinetic Concepts, Inc.*, 223 F.3d 1351, 1356 (Fed. Cir. 2000)) (alterations in original).

Just two weeks after stating this “rule,” however, the Federal Circuit found that the exception (singular meaning) applied based upon the claims and written description in *Tivo, Inc. v. Echostar Communications Corporation*, 516 F.3d 1290, 1303-04 (Fed. Cir. 2008) (“The pertinent claim language refers to ‘assembl[ing] said video and audio components into an MPEG stream,’ which in context clearly indicates that two separate components are assembled into a single stream, not that the video components are assembled into one stream and the audio compo-

nents into a second stream.”). More recently, the Federal Circuit addressed *Baldwin* directly, holding that “*Baldwin*, however, does not set a hard and fast rule that ‘a’ always means one or more than one.” *Harari v. Lee*, 656 F.3d 1331, 1342 (Fed. Cir. 2011). Thus, even for as simple and commonplace a word as “a,” the term can have divergent meanings based on the context of the patent (and despite the best efforts of the Federal Circuit to institute “rules” for its construction). Courts must remain sensitive to the context of patent claims, and avoid rigidly applying what may appear to be an established meaning.

“Transitional phrases” are terms that are used to link the various limitations in a claim. These transitional phrases govern, among other things, whether the claim is “open” or “closed” to the presence of additional elements. Restated, these transitional phrases define whether a claim with defined limitations can be infringed by a device that has additional elements beyond what is specified in the claim. The term “consisting of” is a closed transitional phrase, while the term “comprising” is an open transitional phrase. See *AFG Indus., Inc. v. Cardinal IG Co., Inc.*, 239 F.3d 1239, 1244-45 (Fed. Cir. 2001). These terms have particularly established meanings based upon decades of consistent use in claim drafting.

Table 5.6 collects terms that have been commonly construed by the Federal Circuit. As the table reflects, some of these terms have been construed differently depending upon the context. Thus, courts should not woodenly adopt meanings from prior cases. Rather, they should be aware that the Federal Circuit has considered some terms in the past and has, in some cases, attributed general meanings. In every case, however, courts should carefully examine the claim term in context. Where a term does not have a clear meaning from the intrinsic evidence, then the jurisprudence may offer useful guidance.

**Table 5.6**  
**Commonly Construed Terms**

Articles		
Term	Meaning	Citation
a, an	Dominant meaning: one or more.	<i>Baldwin Graphic Sys., Inc. v. Siebert</i> , 512 F.3d 1338, 1342-43 (Fed. Cir. 2008).
	However, sometimes means: only one.	<i>Harari v. Lee</i> , 656 F.3d 1331 (Fed. Cir. 2011); <i>Tivo, Inc. v. Echostar Commc'ns Corp.</i> , 516 F.3d 1290 (Fed. Cir. 2008).
the, said	Indicates identity with a previously used claim term.	<i>Baldwin Graphic Sys., Inc. v. Siebert, Inc.</i> , 512 F.3d 1338, 1342-43 (Fed. Cir. 2008).

Term	Meaning	Citation
plurality	At least two.	York Prods., Inc. v. Cent. Tractor Farm & Family Ctr., 99 F.3d 1568, 1575 (Fed. Cir. 1996).
first, second	Distinguishes between repeated instances of an element or limitation.	<i>Linear Technology Corp. v. Int’l Trade Comm.</i> , 566 F.3d 1049 (Fed. Cir. 2009) (use of claim terms “second circuit” and “third circuit” does not require that the two circuits be entirely distinct, only that each circuit performs its stated functions); <i>Free Motion Fitness, Inc. v. Cybex Int’l</i> , 423 F.3d 1343, 1348 (Fed. Cir. 2005); <i>3M Innovative Properties Co. v. Avery Dennison Corp.</i> , 350 F.3d 1365, 1371 (Fed. Cir. 2003).

#### Transitional Phrases

Term	Meaning	Citation
comprising	Is an “open” phrase and allows coverage of technologies that employ additional, unrecited elements.	AFG Indus., Inc. v. Cardinal IG Go., Inc., 239 F.3d 1239, 1245 (Fed. Cir. 2001).
containing	Synonymous with “comprising.”	<i>Mars, Inc. v. H.J. Heinz Co.</i> , 377 F.3d 1369, 1377 (Fed. Cir. 2004).
including	Synonymous with “comprising.”	<i>Amgen Inc. v. Hoechst Marion Roussel, Inc.</i> , 314 F.3d 1313, 1345 (Fed. Cir. 2003). Note that in <i>Toro Co. v. White Consol. Indus., Inc.</i> , 199 F.3d 1295 (Fed. Cir. 1999), the term “including” was found to require permanency of the recited element—i.e., the claim phrase “cover including means for increasing the pressure” required the device’s restriction ring to be permanently affixed to and included as part of the air inlet cover, so claims were not

Term	Meaning	Citation
		literally infringed by device having separate restriction ring that was inserted and removed as a separate part.
Having	May be “open” but does not convey an “open” meaning as strongly as “comprising.”	<i>Crystal Semiconductor Corp. v. TriTech Microelectronics Intern., Inc.</i> , 246 F.3d 1336 (Fed. Cir. 2001); <i>Pieczzenik v. Dyax Corp.</i> , 76 Fed. Appx. 293, 296 (Fed. Cir. 2003) (unpublished).
	May be closed, depending on the context of the patent.	<i>Lampi Corp. v. Am. Power Prods., Inc.</i> , 228 F.3d 1365, 1376 (Fed. Cir. 2000).
consisting of	Is a “closed” phrase and excludes elements, steps, or ingredients not specified in the claims.	<i>CIAS, Inc. v. Alliance Gaming Corp.</i> , 504 F.3d 1356, 1361 (Fed. Cir. 2007); <i>AFG Industries, Inc. v. Cardinal IG Go., Inc.</i> , 239 F.3d 1239, 1245 (Fed. Cir. 2001).
consisting essentially of	Occupies a middle ground between “open” and “closed” claims and is open to unlisted ingredients that do not materially affect the basic and novel properties of the invention.	<i>Atlas Powder Co. v. E.I. du Pont De Nemours &amp; Co.</i> , 750 F.2d 1569, 1574 (Fed. Cir. 1984); <i>PPG Industries v. Guardian Indus. Corp.</i> , 156 F.3d 1351, 1354 (Fed. Cir. 1998).
composed of	Synonymous with “consisting essentially of.”	<i>AFG Indus., Inc. v. Cardinal IG Go., Inc.</i> , 239 F.3d 1239, 1245 (Fed. Cir. 2001).

Terms of Degree

Term	Meaning	Citation
About	Avoids a strict numerical boundary.	<i>Cen. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C.</i> , 482 F.3d 1347, 1355-56 (Fed.

Term	Meaning	Citation
		Cir. 2007).
essentially	Synonymous with “about.”	<i>Eiselstein v. Frank</i> , 52 F.3d 1035, 1039 (Fed. Cir. 1995).
substantially	Meaning is highly dependent on intrinsic evidence.	<i>Deering Precision Instruments, L.L.C. v. Vector Distribution Sys., Inc.</i> , 347 F.3d 1314, 1322 (Fed. Cir. 2003) (construing the term “substantially in an imaginary plane.”); <i>Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.</i> , 279 F.3d 1022 (Fed. Cir. 2002) (construing the terms “substantially constant” and “substantially below”); <i>Zodiac Pool Care, Inc. v. Hoffinger Indus., Inc.</i> , 206 F.3d 1408 (Fed. Cir. 2000) (construing the term “substantially inward”); <i>York Prods., Inc. v. Cent. Tractor Farm &amp; Family Ctr.</i> , 99 F.3d 1568 (Fed. Cir. 1996) (construing the term “substantially the entire height thereof”); <i>Tex. Instruments Inc. v. Cypress Semiconductor Corp.</i> , 90 F.3d 1558 (Fed. Cir. 1996) (construing the term “substantially in the common plane”).
up to about	May include or exclude the endpoint, depending on the context. Where the endpoint is numeric (e.g., up to about 10%), the endpoint may be included; whereas, where the endpoint is physical (e.g., painting the wall up to about the door), the endpoint may be excluded.	<i>AK Steel Corp. v. Sollac and Ugine</i> , 344 F.3d 1234 (Fed. Cir. 2003).
surround	To encircle on all	<i>Libman Co. v. Quickie Mfg.</i>

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Term	Meaning	Citation
	sides simultaneously.	<i>Corp.</i> , 74 Fed. Appx. 900, 904-05 (2003) (unpublished) (heavy reliance on dictionary definition).
in, between, within	Not required to be completely or continuously in, between or within; between may be satisfied even if extension beyond boundaries.	<i>Foster v. Hallco Mfg. Co., Inc.</i> , 1997 U.S. App. LEXIS 18989 (Fed. Cir. 1997) (unpublished) (heavy reliance on dictionary definition).
To	When A travels “to” B, it is sufficient to travel on a path-way with B as a destination, possibly visiting intervening components.	<i>Cybor Corp. v. FAS Techs., Inc.</i> , 138 F.3d 1448, 1458-59 (Fed. Cir. 1998).
Defined	Can be used to mean that one element creates or forms the outline or shape of another element.	<i>Rival Co. v. Sunbeam Corp.</i> , 185 F.3d 885 (table) (Fed. Cir. 1999).

Other

Term	Meaning	Citation
whereby	A “whereby” clause that merely states the result of the limitations in the claim adds nothing to the patentability or substance of the claim.	<i>Hoffer v. Microsoft Corp.</i> , 405 F.3d 1326, 1329 (Fed. Cir. 2005); <i>Tex. Instruments Inc. v. U.S. Int’l Trade Comm’n</i> , 988 F.2d 1165, 1172 (Fed. Cir. 1993).
	However, a “whereby” clause that sets forth a structural limitation and not	<i>Scheinman v. Zalkind</i> , 112 F.2d 1017, 1019 (CCPA 1940).

Term	Meaning	Citation
	merely the results achieved by the claimed structure is a positive limitation of the claim.	
standard, normal, conventional, traditional	Time-dependent terms that are limited to technologies existing at the time of the invention.	<i>PC Connector Solutions LLC v. SmartDisk Corp.</i> , 406 F.3d 1359, 1363 (Fed. Cir. 2005).
such as	Of a kind or character about to be indicated, suggested, or exemplified; for instance.	<i>Catalina Mktg. Int'l v. Coolsavings.com, Inc.</i> , 289 F.3d 801 (Fed. Cir. 2002).
adapted	Fit for a purpose; capable of a purpose.	<i>Mattox v. Infotopia, Inc.</i> , 136 Fed. Appx. 366, 369 (Fed. Cir. 2005) (unpublished).
assembly	A collection of parts to form a structure.	<i>Kegel Co., Inc. v. AMF Bowling, Inc.</i> , 127 F.3d 1420, 1427 (Fed. Cir. 1997).
uniform	Having always the same form.	<i>Middleton, Inc. v. Minn. Mining and Mfg. Co.</i> , 411 F.3d 1384, 1387 (Fed. Cir. 2002) (reliance on <i>Texas Digital</i> and “heavy presumption” rule).
predetermined	Determined beforehand.	<i>Koito Mfg. Co., Ltd. v. Turn-Key-Tech, LLC</i> , 381 F.3d 1142, 1147-48 (Fed. Cir. 2004).

#### 5.2.3.4 Interpreting Terms to Preserve Validity

A maxim of patent law is that claims should be construed to preserve their validity. *Phillips*, 415 F.3d at 1327-28. However, the Federal Circuit has “not endorsed a regime in which validity analysis is a regular component of claim construction.” *Id.* at 1327. Application of the principle is limited to cases in which, after applying all the available tools of claim construction, the claim is still ambiguous. *Id.* at 1328. A proposed claim construction that preserves validity must be practicable, based on sound claim construction principles, and not revise or

ignore the explicit language of the claim. *Id.* It must also be reasonable to infer that the PTO would have recognized that the competing interpretation would have rendered the claim invalid. *Id.*

### 5.2.3.5 Special Case: Means-Plus-Function Claims Limited to Structures in Specification and Equivalents Thereof as of Time of Issuance

A special class of claim language is construed as means-plus-function claim terms. When a party seeks to have a term construed as a means-plus-function term, the analysis is governed by § 112, ¶ 6:

An element in a claim for a combination may be expressed as a means or a step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

When § 112, ¶ 6, is found to apply to claim language, then the claim term is construed by identifying the “function” associated with the claim language, and then identifying the corresponding “structure” in the specification associated with that function. The claim is construed to be limited to those corresponding structures and their equivalents. Thus, parties frequently attempt to invoke § 112, ¶ 6, as a way to narrow the scope of a patent to the particular technologies disclosed in the specification. Chart 5.9 sets forth the framework for construing functional claims terms. The court addresses Steps 1, 2A, and 2B as part of claim construction. Step 2C—determining whether the accused device has an identical or equivalent structure to the structure in the patent specification for performing the identified function—is a question of fact for the jury.

#### Chart 5.9 Framework for Construing Means-Plus-Function Claims

**Step 1:** Is term in question “means-plus-function”?

Rebuttable Presumption: Inclusion of “means”

- rebutted if claim includes structure

**Step 2:** Interpretation Process:

A. Identify function of term (based on claim term language, not embodiments)

B. Identify corresponding structure, material, or act based on disclosed embodiments

C. Infringement stage (question of fact): Determine whether the accused device has an identical or equivalent structure (as of the time of issuance of the patent) to that described in the patent specification for performing the function stated in the claim

#### 5.2.3.5.1 Step 1: Is the Term in Question “Means-Plus-Function”?

When presented with a request to invoke § 112, ¶ 6, the court must first determine if that section applies. Means-plus-function claiming applies only to “purely functional limitations that do not provide the structure that performs the recited function.” *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1023 (Fed. Cir. 2006). There is a rebuttable presumption that § 112, ¶ 6, applies “[i]f the word ‘means’ appears in a claim element in association with a function.” *Callicrate v. Wadsworth Mfg., Inc.*, 427 F.3d 1361, 1368 (Fed. Cir. 2005). The use of the term “means” in a claim limitation typically implies that the inventor used the means-plus-function claim format, which invokes the associated statutory limits on the literal scope of that claim limitation. See *Greenberg v. Ethicon Endo-Surgery, Inc.*, 91 F.3d 1580, 1584 (Fed. Cir. 1996). Nonetheless, this implication does not apply where the claim language itself provides the structure that performs the recited function. See *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*) (finding that a claim limitation stating “means disposed inside the shell for increasing its load bearing capacity comprising internal steel baffles” provides the relevant structure (“internal steel baffles”) and hence is not limited to the embodiments in the specification and equivalents thereof); *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 531 (Fed. Cir. 1996) (finding that use of the phrase “perforation means” does not invoke § 112, ¶ 6).

Conversely, “a claim term that does not use ‘means’ will trigger the rebuttable presumption that 35 U.S.C. § 112, ¶ 6 does not apply.” *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1023 (Fed. Cir. 2006). Disputes commonly arise over whether terms should be construed as means-plus-function language despite lacking an explicit “means” format. The presumption that such terms are *not* means-plus-function terms “can be rebutted by showing that the claim element recites a function without reciting sufficient structure for performing that function.” *Id.* (citation omitted); see also *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, 957 (Fed. Cir. 1983) (construing functional language introduced by “so that” to be equivalent to “means for” claim language); *Mas-Hamilton Group v. LaGard, Inc.*, 156 F.3d 1206, 1213-15 (Fed. Cir. 1998) (finding that “lever moving element” was not a known structure in the lock art and hence should be read to invoke the specific embodiments in the specification and equivalents thereof). Whether a claim invokes § 112, ¶ 6, is decided on a limitation-by-limitation basis looking to the patent and the prosecution history. See *Cole*, 102 F.3d at 531.

For example, the Federal Circuit applied § 112, ¶ 6 to the term “colorant selection mechanism,” explaining that “[t]he term ‘mechanism’ standing alone connotes no more structure than the term ‘means,’” and “the term ‘colorant selection’ ... is not defined in the specification and has no dictionary definition, and there is no suggestion that it has a generally understood meaning in the art.” *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1354 (Fed. Cir. 2006). By contrast, the Federal Circuit found § 112, ¶ 6, inapplicable to the term “compression member” because “dictionary definitions and experts on *both* sides confirm that ‘compression member’ is an expression that was understood by persons of ordinary skill in the art to describe a kind of structure.” *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1023 (Fed. Cir. 2006); *see also Inventio AG v. ThyssenKrupp Elevator Americas Corp.*, 649 F.3d 1350 (Fed. Cir. 2011) (holding that the terms “modernizing device” and “computing unit” are not subject to requirements of §112 ¶ 6 because the claims do not recite the term “means,” and that the presumption against invoking §112 ¶ 6 is not otherwise overcome).

#### **5.2.3.5.2 Step 2: Interpretation of Means-Plus-Function Claim Terms**

##### **5.2.3.5.2.1 Step 2A: Identify Claim Term Function**

If § 112, ¶ 6, applies to a claim term, then the court must first identify the function of that term. It is important to identify the function associated with means-plus-function claim language before identifying the corresponding structure, material, or acts, and not to confuse these two analytically separate steps. *See JYW Enters., Inc. v. Interact Accessories, Inc.*, 424 F.3d 1324, 1330 (Fed. Cir. 2005) (“Determining a claimed function and identifying structure corresponding to that function involve distinct, albeit related, steps that must occur in a particular order.”). Errors arise when courts attempt to identify the function of a claimed invention in reference to a working embodiment, rather than by identifying function solely based on the claim language. *Id.* Attributing functions to a working device, rather than focusing on the claim language, may wrongly sweep additional functions into the claim. *Id.*

##### **5.2.3.5.2.2 Step 2B: Identify “Corresponding Structure, Material, or Acts”**

After identifying the claimed function, the court must identify the corresponding structure in the specification. A proper construction should account for

“all structure in the specification corresponding to the claimed function.” *Calli-crate v. Wadsworth Mfg., Inc.*, 427 F.3d 1361, 1369 (Fed. Cir. 2005). It is error to limit the corresponding structure to just the preferred embodiment. *Id.*

#### **5.2.3.5.2.3 Step 2C: “Equivalents Thereof”**

In addition to structures, materials, or acts of the embodiments described in the patent’s specification, the patentee is entitled to “equivalents thereof” as of the time the patent issued. Unlike the determination of function and corresponding structure, material, or acts which are clearly part of claim construction, the “equivalents” issue arises in the context of the infringement determination. The fact-finder must determine whether the means in the accused device or method performs the function stated in the claim in the same or an equivalent manner as the corresponding structures, materials, or acts set forth in the specification. See *Palumbo v. Don-Joy Co.*, 762 F.2d 969 (Fed. Cir. 1985).

#### **5.2.3.5.2.4 Specific Rule for Means-Plus-Function Claims in the Computer Software Context**

Merely pointing to a “computer” does not provide sufficient structure in a software or computer patent with “means” claims. Rather, the Federal Circuit has held that “a means-plus-function claim element for which the only disclosed structure is a general purpose computer is invalid if the specification fails to disclose an algorithm for performing the claimed function.” *Net MoneyIN, Inc. v. VeriSign, Inc.*, 545 F.3d 1359, 1367 (Fed. Cir. 2008); see also *Aristocrat Technologies Australia Pty Ltd. v. International Game Technology*, 521 F.3d 1328, 1331 (Fed. Cir. 2008). The court has explained it is not adequate to “simply describe[] the function to be performed.” Rather the specification must describe how the system “ensures those functions are performed.” *BlackBoard v. Desire2Learn, Inc.*, 574 F.3d 1371, 1384 (Fed. Cir. 2009). Furthermore, the Federal Circuit has held that it is irrelevant to the § 112, ¶ 6 analysis whether a person skilled in the art would know how to write a program to perform the claimed function, as this is only relevant to enablement, not indefiniteness. *Id.* at 1385.

### **5.2.4 Product-By-Process Claims**

Product claims which include in their limitations the process by which that product is made, for example, a claim to a product “produced by” or “obtainable by” a certain method, are known as “product-by-process” claims. In 2009, the

Federal Circuit held *en banc* that such product-by-process claims must be construed to be limited to products produced by the stated process. *Abbott Laboratories v. Sandoz*, 566 F.3d 1282, 1291-95 (Fed. Cir. 2009) (*en banc* in relevant part). In doing so, the court reaffirmed its holding in *Atlantic Thermoplastics Co. v. Faytex Corp.*, 970 F.2d 834 (Fed. Cir. 1992) that “process terms in product-by-process claims serve as limitations in determining infringement,” and expressly overruled the conflicting holding of *Scripps Clinic & Research Foundations v. Genetic Inc.*, 927 F.2d 1565, 1583 (Fed. Cir. 1991), which had held that product-by-process claims were not limited to product prepared by the process set forth in the claims. The court rejected as “unnecessary and logically unsound” any exception to the rule limiting product-by-process claims to products made by the claimed process in situations in which the structure of the product was unknown and could only be described by the process with which it was made. *Abbott Laboratories*, 566 F.3d at 1294-95.

#### 5.2.4 Dysfunctional Claims: Mistakes and Indefiniteness

Courts must occasionally deal with dysfunctional claims, falling into two principal categories: (1) claims that contain obvious typographical, grammatical, or other errors that render the claim unworkable; and (2) claims that may be indefinite (possibly depending on how it is construed), raising the possibility that the claim is invalid under § 112, ¶ 2. The former may be obvious from the context and quite possibly can be due to the PTO’s oversight. Some mistakes are more intrac-table, and go to the heart of the claimed invention. Deciding whether these mistakes can be fixed at all, who should fix them (the court or the PTO), and what the consequences of changing the claims are, can be challenging.

##### 5.2.4.1 Mistakes

When issues of mistaken claim language arise, the parties often call into question the power of courts to correct mistakes in patents through the claim construction process. Attempts to correct patents raise the threshold question of whether the district court has legal authority to correct the alleged error or omission or whether such an issue must be brought to the PTO. The somewhat ambiguous answer is that “courts can continue to correct obvious minor typographical and clerical errors in patents,” whereas “major errors are subject only to correction by the PTO.” *Novo Indus., L.P. v. Micro Molds Corp.*, 350 F.3d 1348, 1357 (Fed. Cir. 2003).

The general rule is that “[t]he district court can correct an error only if the error is evident from the face of the patent.” See *Group One, Ltd. v. Hallmark Cards*,

*Inc.*, 407 F.3d 1297, 1303 (Fed. Cir. 2005). “In deciding whether it had authority to correct a claim, a district court must consider any proposed correction “from the point of view of one skilled in the art.” *CBT Flint Partners, LLC v. Return Path, Inc.*, 654 F.3d 1353 (Fed. Cir. Aug. 10, 2011) (noting that because all reasonable proposals for the claims would require a computer programmed to “detect and analyze” e-mail, a person of skill in the art would readily know that the meaning of the claim requires insertion of the word “and” between the words “detect” and “analyze.”). In order to permit correction, two requirements must be met: “A district court can correct a patent only if (1) the correction is not subject to reasonable debate based on consideration of the claim language and the specification *and* (2) the prosecution history does not suggest a different interpretation of the claims.” *Novo Industries*, 350 F.3d at 1357, *quoted by id.* (emphasis added). Another general rule limiting the corrective power of courts is that “courts may not redraft claims, whether to make them operable or to sustain their validity.” *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371, 1374 (Fed. Cir. 2004).

Whether an error is “evident from the face of the patent” is a matter of frequent dispute. Where the applicant uses an inapt claim term, the applicant is typically held to the wording, even if the intended meaning is abundantly clear. For example, in *Chef America*, in a patent which dealt with a process for cooking dough, the claim language required “heating the resulting batter-coated dough *to* a temperature in the range of about 400°F to 850° F.” *Id.* at 1371 (emphasis supplied). If the dough is heated “*to*” that temperature range, it would be burned to a crisp. Heating the dough “*at*” that temperature range supposedly results in a light, flaky, crispy texture, according to the patent’s specification. *See id.* at 1372. Even though it would be nonsensical to require heating the dough “*to*” 850° F, the court refused to construe the claims otherwise, and the Federal Circuit affirmed, which rendered the claims non-infringed. *See id.* at 1373-74.

Courts have somewhat greater leeway to correct administrative errors attributable to the PTO. Minor errors can be corrected by a district court, even if the prosecution history must be consulted in order to determine how to fix the error. For example, in *Hoffer v. Microsoft Corp.*, 405 F.3d 1326, 1331 (Fed. Cir. 2005), the Federal Circuit ruled that the district court could have fixed an error in patent claim numbering that left a dependent claim without a reference to its independent claim, where the appropriate reference was easily determined by reference to the prosecution history. However, where the PTO printing office omitted a block of claim text from a patent, that error was found to be beyond the district court’s corrective powers. *See Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1303 (Fed. Cir. 2005) (“The prosecution history discloses that the missing language was required to be added by the examiner as a condition for issuance, but one cannot discern what language is missing simply by reading the patent. The

district court does not have authority to correct the patent in such circumstances.”).

When a district court construes a patent claim to correct an error, that construction generally has a retroactive effect, whereas corrections by the PTO are prospective. *See Novo Indus., L.P. v. Micro Molds Corp.*, 350 F.3d 1348, 1356 (Fed. Cir. 2003) (noting that a certificate of correction from the PTO is “only effective for causes of action arising after it was issued”). Thus, litigants have a strong incentive to fix errors through judicial construction as opposed to petitioning the PTO for a certificate of correction. However, the risk is that if the district court declines to fix the correction, the defective claims may be held invalid for indefiniteness, or may fail for other reasons such as non-infringement. *See, e.g., id.* at 1358 (refusing to correct patent, and holding claim indefinite).

#### 5.2.4.2 Indefiniteness

The potentially dispositive issue of “indefiniteness” is frequently intertwined with the claim construction process. “Indefiniteness” is an invalidity defense based on § 112, ¶ 2, which requires that the claims of a patent “particularly point[ ] out and distinctly claim[ ] the subject matter which the applicant regards as his invention.” § 112. “The primary purpose of the definiteness requirement is to ensure that the claims are written in such a way that they give notice to the public of the extent of the legal protection afforded by the patent, so that interested members of the public, *e.g.*, competitors of the patent owner, can determine whether or not they infringe.” *All Dental Prodx, Inc. v. Advantage Dental Prods., Inc.*, 309 F.3d 774, 779 (Fed. Cir. 2002). Indefiniteness is judged not according to the subjective impressions of any one person, but objectively based on how a person skilled in the art would understand the term. *Source Search Tech. LLC v. Lending Tree, LLC*, 588 F.3d 1063 (Fed. Cir. 2009) (“[T]his court measures indefiniteness according to an objective measure that recognizes artisans of ordinary skill are not mindless ‘automatons.’”). When a claim cannot be construed, it is indefinite, and therefore invalid. *Aero Prods. Int’l, Inc. v. Intex Recreation Corp.*, 466 F.3d 1000, 1016 (Fed. Cir. 2006). Some authority suggests that all indefiniteness issues boil down to an issue of claim construction. *See id.* (“If a claim is amenable to construction, even though the task may be formidable and the conclusion may be one over which reasonable persons will disagree, the claim is not indefinite.”). However, there are instances where a claim *can* be construed, but cannot be meaningfully applied, in which case the claim is also invalid for indefiniteness.

Indefiniteness is unique among claim construction issues in that it carries a burden of proof. Because ruling that a claim cannot be construed means that the claim is invalid, the “presumption of validity,” *see* § 282, must be overcome by

clear and convincing evidence. See *Bancorp Servs., L.L.C. v. Hartford Life Ins. Co.*, 359 F.3d 1367, 1371 (Fed. Cir. 2004).

Indefiniteness issues can arise from the wide variety of mistakes and nonsensical statements that pervade patents. Courts must decide if the claims are so “insolubly ambiguous” that they are not amenable to construction or application to an infringement determination. *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357 (Fed. Cir. 2008). Some indefiniteness disputes arise in the context of typos and printing errors that make a claim impossible to read or interpret. Minor errors are commonly overlooked, as long as persons of skill in the art can still understand the claims. See *Energizer Holdings, Inc. v. Int’l Trade Comm’n*, 435 F.3d 1366, 1370 (Fed. Cir. 2006) (refusing to invalidate claim where phrase “said zinc anode” lacked an antecedent basis). However, where entire blocks of text are missing from claims, then the public cannot reasonably be expected to appreciate their scope, and the claims are invalid. *Group One, Ltd. v. Hallmark Cards, Inc.*, 407 F.3d 1297, 1302 (Fed. Cir. 2005).

Another type of indefiniteness issue arises in the context of means-plus-function claims, where there is no structure in the specification corresponding to the claimed function. In such circumstances, the claim cannot be construed. See *Default Proof Credit Card Sys., Inc. v. Home Depot U.S.A., Inc.*, 412 F.3d 1291, 1302-03 (Fed. Cir. 2005) (invalidating claim for indefiniteness for lack of a structure in the specification corresponding to the claimed function).

Claims may also be invalid for indefiniteness where the claim language is so inherently standardless that it cannot be meaningfully applied. These matters are often treated as “claim construction” questions, although they might more aptly be considered a question of whether the claims are indefinite as applied. For example, a claim requiring an “aesthetically pleasing” interface screen was found indefinite where even the patentee’s expert could not articulate how to determine infringement. *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1354 (Fed. Cir. 2005). Likewise, when the conditions for determining infringement are absent from a claim, and whether or not the claim is infringed depends on those unstated conditions, the claim is invalid. *Honeywell Intern., Inc. v. ITC*, 341 F.3d 1332, 1340-42 (Fed. Cir. 2003). Another example is a claim directed to *both* a system and a method of using that system, which is invalid because the public cannot determine the acts that constitute infringement. *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1383-84 (Fed. Cir. 2005). These latter examples are not so much “claim construction” issues, but rather are fundamental flaws in patent claims that make them impossible to apply. Nonetheless, these matters are commonly briefed during the claim construction process, and, depending on the case, it may be appropriate to handle them along with other claim construction matters.

Addressing indefiniteness at the *Markman* hearing, as opposed to later in the case, should be considered on a case-by-case basis. When the alleged indefiniteness arises from flaws apparent from the face of the patent, then the *Markman* hearing may be the best time to address indefiniteness. For example, where the indefiniteness arises from the lack of antecedent basis, or lack of corresponding structure for § 112 ¶6 claim limitations, or from simply confusing language, then the *Markman* hearing is a logical time to resolve these issues. However, other issues of indefiniteness focus on the lack of a standard for measuring infringement, or on the conditions under which infringement must be ascertained. These issues tend to be fact-specific, and frequently may require a complete factual record which is best developed through trial. See, e.g., *Honeywell Int'l, Inc. v. ITC*, 341 F.3d 1332, 1342 (Fed. Cir. 2003) (affirming finding of indefiniteness reached after trial in case involving process for manufacturing synthetic yarn, where “the testing results will necessarily fall within or outside the claim scope depending on the sample preparation method chosen,” and “competitors trying to practice the invention or to design around it would be unable to discern the bounds of the invention.”); *Halliburton Energy Services, Inc. v. M-I LLC*, 514 F.3d 1244, 1252 (Fed. Cir. 2008) (affirming indefiniteness finding after full factual record, because the functional claim term “fragile gel” was ambiguous as to whether it read on the prior art).

### 5.3 Deference to Prior Claim Construction Rulings

Where a claim term has been construed in a prior judicial proceeding, it is not uncommon for one or more of the litigants to assert that the court is bound by or, at a minimum, should accord substantial deference to that prior ruling. Whether and to what extent a prior claim construction ruling is binding in a subsequent proceeding depends upon the particular facts of each case, what decision maker provided the prior claim construction (*i.e.* Federal Circuit vs. district court vs. ITC), and what legal doctrine is being asserted (*i.e.* issue preclusion vs. estoppel vs. *stare decisis*).

The Supreme Court’s *Markman* decision ostensibly encourages deference to prior claim construction in noting “the importance of uniformity in the treatment of a given patent as a reason to allocate all issues of construction to the court.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). The Supreme Court acknowledged in the next paragraph, however, that “issue preclusion could not be asserted against new and independent infringement defendants even within a given jurisdiction.” Nonetheless, following *Markman*, the Federal Circuit “recognize[s] the national *stare decisis* effect that [its] decisions on claim construction have.” *Key Pharm. v. Hercon Labs. Corp.*, 161 F.3d 709, 716 (Fed. Cir. 1998);

see also *Cybor Corp. v. Fas Techs.*, 138 F.3d 1448, 1455 (Fed. Cir. 1998) (*en banc*) (“the Supreme Court endorsed this court’s role in providing national uniformity to the construction of a patent claim”).

Determining the standards for according deference to prior *Markman* orders as well as the application of such standards have proven to be complicated in practice. See generally *Rambus Inc. v. Hynix Semiconductor Inc.*, 569 F.Supp.2d 946, 965 (N.D.Cal. 2008) (observing that “[s]ince *Markman*, various district courts have taken slightly different approaches to other courts’ claim constructions, but despite the Court’s suggestion, none has applied *stare decisis*”). Judge Davis in the EDTX applied *stare decisis* in the *Eolas* case. See *Eolas Techs., Inc. v. Adobe Sys., Inc.*, No. 6:09-CV-446, slip. op. at 2-3 (E.D. Tex. Sept. 23, 2011). As Judge Davis stated:

The issue for reconsideration is a narrow one: whether the Court is bound by the principle of *stare decisis* to adopt the Illinois District Court’s construction of “executable application” as affirmed by the Federal Circuit. After a thorough analysis of the case law, the answer is yes.

In an effort to promote uniformity and predictability in the treatment of a patent, the Supreme Court in *Markman* held that claim construction is decided as a matter of law and would thus be subject to the doctrine of *stare decisis*. *Markman v. Westview Instruments*, 517 U.S. 370, 390–91 (1996) (“[T]reating interpretive issues as purely legal will promote (though it will not guarantee) intrajurisdictional certainty through the application of *stare decisis* . . .”). The Federal Circuit has likewise “recognize[d] the national *stare decisis* effect that [its] decisions on claim construction have.” *Key Pharm. v. Hercon Labs. Corp.*, 161 F.3d 709, 716 (Fed. Cir. 1998).

Parties, sometimes uncritically, invoke a variety of doctrines—claim preclusion, *res judicata*, issue preclusion, collateral estoppel, judicial estoppel, and/or *stare decisis*—in efforts to constrain or obviate *Markman* determinations. The application of such doctrines is made all the more complicated by the intermediate nature of *Markman* rulings. *Markman* rulings are a means (construing claim terms) to an end (adjudicating patent validity and infringement or, more com-

monly, reaching a settlement agreement), not final judgments in and of themselves. An additional complicating factor is the characterization of *Markman* rulings as questions of law. As a result, determining the preclusive effect of such orders requires navigation of overlapping and not entirely cohesive civil procedure doctrines.

Before turning to the particular legal standards for according deference to prior *Markman* determinations, it will be useful to clarify the relevant terminology. There are four distinct concepts: (1) claim preclusion (and the related concept of *res judicata*); (2) issue preclusion (and the related concepts of collateral and direct estoppel); (3) judicial estoppel; and (4) *stare decisis*. Issue preclusion, judicial estoppel, and *stare decisis* are pertinent to the appropriate deference to be accorded prior claim construction rulings; claim preclusion generally does not come into play in claim construction.

### 5.3.1 Distinguishing Among Preclusion and Estoppel Doctrines

Although *res judicata* has historically been interpreted broadly to encompass the binding effect of a judgment in a prior case on claims asserted in pending litigation (and hence encompassing both claim and issue preclusion), the modern trend limits *res judicata* to claim preclusion. See Moore’s Federal Practice § 131.10[1][b]. “Claim preclusion refers to the effect of a judgment in foreclosing litigation of a matter that never has been litigated, because of a determination that it should have been advanced in an earlier suit. Claim preclusion therefore encompasses the law of merger and bar.” *Migra v. Warren City Sch. Dist. Bd. of Educ.*, 465 U.S. 75, 77 n. 1 (1984).<sup>7</sup> When a plaintiff prevails in a lawsuit arising

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7. The Restatement (Second) of Judgments adheres to the broader definition of *res judicata* as encompassing both claim and issue preclusion. See Restatement (Second) of Judgments, Ch. 3 intro. note (1982).

from a particular transaction, all of the claims that the plaintiff raised *or could have raised* “merge” into that judgment and are “barred” from further litigation. See *Waid v. Merrill Area Public Schools*, 91 F.3d 857, 863 (7th Cir. 1996). If the plaintiff attempts to litigate any of those claims again, the judgment itself will serve as a defense. Since *Markman* rulings do not themselves resolve claims to relief (they merely interpret patent claim terms), they cannot be said to constitute “claim preclusion” judgments as that technical term is used in civil procedure terminology.

By contrast, the related doctrine of issue preclusion arises with some frequency in *Markman* proceedings. “Issue preclusion refers to the effect of a judgment in foreclosing the relitigation of a matter that has been litigated and decided. This effect is also referred to as direct or collateral estoppel.” *Migra v. Warren City Sch. Dist. Bd. of Educ.*, 465 U.S. 75, 77 n.1 (1984); *see also Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.*, 170 F.3d 1373, 1379 (Fed. Cir. 1999). Where a patentee (including those in privity with her) has previously litigated the scope of a patent claim term, a defendant in a subsequent lawsuit relating to the same patent claim term might assert issue preclusion to foreclose relitigation of that matter.<sup>8</sup> The test for issue preclusion, however, is relatively strict and authority is split on its role in the context of prior *Markman* rulings.

Judicial estoppel is an equitable doctrine that precludes a party from adopting a position that is inconsistent with a position taken in prior lawsuit, whether or not that issue had been actually litigated in the prior proceeding party. *See generally* Moore’s Federal Practice § 18-134.30. “Where a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position,

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8. A patentee cannot use issue preclusion offensively to foreclose a defendant who was not party to that prior litigation from litigating the scope of the patent claim. *See Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 590 (E.D. Tex. 2002). Had the Federal Circuit construed that claim term, however, the defendant might be bound under the doctrine of *stare decisis*. *See* § 5.3.4.

especially if it be to the prejudice of the party who has acquiesced in the position formerly taken by him.” *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001) (quoting *Davis v. Wakelee*, 156 U.S. 680, 689 (1895)). The purpose of the doctrine is “to protect the integrity of the judicial process by prohibiting parties from deliberately changing positions according to the exigencies of the moment.” *Id.* at 749-50 (internal marks omitted).

The doctrine of *stare decisis* promotes adherence to decided matters of law so as to foster stability and equal treatment. It takes its name from the Latin maxim *stare decisis et non quieta movere* or “to abide by the precedents and not to disturb settled points.” The strength of such adherence depends on the source of the prior decision. *Stare decisis* compels lower courts to follow the decisions of higher courts on questions of law, whether applied to parties (or those in privity) or complete strangers to the prior proceeding. The decision of a district court is not binding precedent on a different judicial district, the same judicial district, or even the same judge in a different case under the doctrine of *stare decisis*. Rather, *stare decisis* requires only that the later court encountering the issue give consideration and careful analysis to that sister court’s decision where applicable to a similar fact pattern. See *United States v. Rodriguez-Pacheco*, 475 F.3d 434, 441 (1st Cir. 2007).

### 5.3.2 Issue Preclusion/Collateral Estoppel

Issue preclusion most commonly arises in the context of claim construction where a patentee who has previously litigated a patent through a *Markman* ruling seeks a fresh opportunity to construe a claim and an opposing party argues that the prior construction should govern interpretation of the term in question. Cf. *Blonder-Tongue Labs, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333 (1971) (holding that a patentee whose patent is invalidated after “a full and fair” opportunity to litigate its validity is collaterally estopped from relitigating the validity of the patent). The previous litigation might have ended in a settlement agreement, including possibly an order vacating the claim construction ruling. The courts have divided on what effect, if any, to accord prior claim construction rulings.

The general standard for issue preclusion requires the party seeking to foreclose relitigation of an issue to prove: (1) the issue sought to be precluded is identical to the issue decided in the prior action; (2) the issue was actually litigated in that action; (3) the party against whom collateral estoppel is sought had a full and fair opportunity to litigate the issue in the prior action; and (4) the determination was essential to the final judgment of the prior action. See *Innovad Inc. v. Microsoft Corp.*, 260 F.3d 1326, 1334 (Fed. Cir. 2001) (citing *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994)). Courts apply the collateral estoppel standard of the regional circuit since issue preclusion is a procedural matter. See *RF Del., Inc. v. Pac. Keystone Tech., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003).

### 5.3.2.1 Identity of Issues

The first prong of the issue preclusion test is satisfied where the patent claims (and claim terms) at issue in the *Markman* proceeding were interpreted in the prior case. See, e.g., *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 243 F. Supp. 2d 31, 35 (S.D.N.Y. 2003) (same patent claims at issue); *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 466 (W.D. Va. 2001) (same); *Abbott Labs. v. Dey, L.P.*, 110 F. Supp. 2d 667, 669 (N.D. Ill. 2000) (“The claim construction issues disputed in this case are the same issues litigated in the [first] case.”). When new claim terms are at issue, then collateral estoppel does not apply. See, e.g., *P.A.T., Co. v. Ultrak, Inc.*, 948 F. Supp. 1518, 1520-21 (D. Kan. 1996). Since different claims within the same patent may use the same language, the “identity of issues” prong may nonetheless be satisfied if the language and context of the language are identical. See *In re Freeman*, 30 F.3d 1459, 1465 n.4 (Fed. Cir. 1994). Similarly, since different patents may emanate from the same specification, as in the case of divisional and continuation applications, see §§ 13.2.2.3, 13.2.3.2, 13.2.3.3, the “identity of issues” prong may nonetheless be satisfied if the language and context of the language are identical. See *Masco Corp. v. United States*, 49 Fed. Cl. 337 (Ct. Fed. Cl. 2001) (applying collateral estoppel to a continuation patent (employing identical claim language) relating back to the patent construed in the earlier litigation).

### 5.3.2.2 Actual Litigation

To satisfy the “actual litigation” prong, the parties to the original litigation must have disputed the claim term at issue and it must have been adjudicated by the court. See, e.g., *In re Freeman*, 30 F.3d 1459, 1466 (Fed. Cir. 1994); *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 466 (W.D. Va. 2001) (stating that the “actually litigated” prong was met after a lengthy *Markman* hearing on the claim construction); *Abbott Labs. v. Dey, L.P.*, 110 F. Supp. 2d 667, 669-70 (N.D. Ill. 2000) (stating the “actually litigated” prong was met because the parties “briefed and argued the issues” before the judge); Restatement (Second) of Judgments § 27 comment d (1980). The “actual litigation” test is not satisfied where: an issue was raised but later abandoned, see Moore’s Federal Practice § 132.03[2][e]; the court in the earlier proceeding declined to rule on the issue, see § 132.03[4][g]; there is ambiguity as to what was actually litigated and decided, see § 132.03[2][g]. Courts usually do not consider matters resolved by stipulation to have been actually litigated. See, e.g., *United States v. Young*, 804 F.2d 116, 118 (8th Cir. 1986) (“A fact established in prior litigation not by judicial resolution but by stipulation has not been ‘actually litigated’. . .”). An exception exists, however, where the parties intend to foreclose future litigation of the issue. See *Hartley v.*

*Mentor Corp.*, 869 F.2d 1469, 1470 (Fed. Cir. 1989); Moore’s Federal Practice § 132.03[2][i][ii].

### 5.3.2.3 Full and Fair Opportunity to Litigate

Issue preclusion requires that the underlying proceeding has afforded the party to be foreclosed from relitigation a full and fair opportunity to litigate. This means that issue preclusion can never be applied against a party not involved (or not in privity with those involved) in the prior proceeding. In *Blonder-Tongue Laboratories*, the Supreme Court identified a range of factors bearing on whether a patentee had a full and fair chance to litigate the validity of a patent: choice of forum; incentive to litigate; if the issue is obviousness, whether the first validity determination used the standards announced in *Graham v. John Deere Co.*, 383 U.S. 1, 12-24 (1966); whether opinions filed in the first case suggest that the prior case was one of those rare instances where the court or jury failed to grasp the technical subject matter and issues; and whether, without fault of its own, the patentee was deprived of crucial evidence or witnesses in the prior litigation. 402 U.S. at 329-34. The Court concluded that there is no “automatic formula” for assessing this prong and that “[i]n the end, decision will necessarily rest on the trial courts’ sense of justice and equity.” 402 U.S. at 334. Where the prior court has conducted a *Markman* hearing in which the parties were afforded the ability to present their positions and respond, the “full and fair opportunity to litigate” requirement has been satisfied. See *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 466 (W.D. Va. 2001) (stating that a lengthy *Markman* hearing on the claim construction satisfied the requirement); *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999) (noting that both parties agreed that there was a full and fair opportunity to litigate because a *Markman* hearing occurred).

### 5.3.2.4 Determination Was Essential to the Final Judgment

The final prong of the issue preclusion test has attracted the most controversy in the claim construction context. It can usefully be divided into two separate inquiries: whether (1) the prior ruling was “final”; and (2) the prior ruling was essential to the judgment.

#### 5.3.2.4.1 Finality

The question of whether a prior claim construction constitutes a final judgment can be characterized along a spectrum. At the easier end of the spectrum,

where the court in the prior proceeding interprets the pertinent claim language and issues a final, appealable judgment on validity or infringement, the finality requirement is satisfied. *See, e.g., In re Freeman*, 30 F.3d 1459, 1466 (Fed. Cir. 1994) (“[J]udicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement.”) (quoting *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 704 (Fed. Cir. 1983)); *Home Diagnostics Inc. v. Lifescan, Inc.*, 120 F. Supp. 2d 864, 870 (N.D. Cal. 2000) (noting there must be a final judgment on validity or infringement for collateral estoppel to apply).

Issue preclusion can also arise out of a ruling granting summary judgment, *see Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 712 (Fed. Cir. 1983); *Security People, Inc. v. Medeco Security Locks, Inc.*, 59 F. Supp. 2d 1040 (N.D. Cal. 1999), *aff’d mem.*, 243 F.3d 555 (Fed. Cir. 2000), although denial of summary judgment or a grant of partial summary judgment usually does not have preclusive effect, *see Syntex Pharms. Int’l, Ltd. v. K-Line Pharms., Ltd.*, 905 F.2d 1525, 1526 (Fed. Cir. 1990) (noting that an order granting summary judgment of infringement of a patent and denying the alleged infringer’s motion for summary judgment of invalidity did not present an appealable final judgment).

Similarly, the Federal Circuit held in *Transonic Sys. v. Non-Invasive Med. Techs. Corp.*, 75 F. App’x 765, 774 (Fed. Cir. 2003) (unpublished), that claim constructions conducted for purposes of a preliminary injunction ruling are not binding, even in the same litigation. Drawing upon the Supreme Court’s statement in *University of Texas v. Camenisch*, 451 U.S. 390, 395 (1981), that “findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits,” the Federal Circuit views claim constructions reached during appeals from a grant of a preliminary injunction to be tentative and hence not binding on the district court in subsequent proceedings. *See Guttman, Inc. v. Kopykake Enters.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002) (“District courts may engage in a rolling claim construction, in which the court revisits and alters its interpretation of the claim terms as its understanding of the technology evolves.”); *Transonic Sys.*, 75 F. App’x at 774. Therefore, claim constructions made in the context of preliminary injunction motions should not be considered final judgments as the district court remains “at liberty to change the construction of a claim term as the record in a case evolves after a preliminary injunction appeal.” *See Transonic Sys.*, 75 F. App’x at 774.

Courts are deeply divided on the issue of finality when the outcome of the prior proceeding is a settlement. Several courts have interpreted the “finality” requirement liberally and functionally, looking to whether the previous judgment is sufficiently firm to be accorded preclusive effect. In *TM Patents, L.P. v. IBM Corp.*, 72 F. Supp. 2d 370, 375-77 (S.D.N.Y. 1999), the defendant sought to hold the pat-

entee to a claim construction rendered in a case resolved through settlement. While recognizing that the settlement did not result in a final appealable judgment, the court nonetheless determined that the prior claim construction was entitled to preclusive effect. Seeking to elevate substance over form, the court focused upon the careful consideration of the issues during the prior litigation and drew upon the Supreme Court’s policy ruminations in *Markman* emphasizing the importance of “uniformity in treatment of a given patent.” See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390 (1996). The court recast “finality” for issue preclusion purposes as whether the prior litigation passed a stage for which there is “no really good reason for permitting [an issue] to be litigated again.” *TM Patents*, 72 F. Supp. 2d at 376 (quoting *Lummus Co. v. Commonwealth Oil Ref. Co.*, 297 F.2d 80, 89 (2d Cir. 1961)). The court noted as well that the patentee voluntarily entered into the settlement agreement and the *Markman* ruling was not vacated as part of the settlement.

Although some other courts have since followed *TM Patents*’ application of collateral estoppel in the context of settlements following *Markman* rulings, see, e.g., *Edberg v. CPI-The Alternative Supplier, Inc.*, 156 F. Supp. 2d 190 (D. Conn. 2001), a contrary line of cases emerged holding that *Markman* rulings from cases that settled were not final and hence not properly entitled to preclusive effect. See *Graco Children’s Prods., Inc. v. Regalo Int’l*, 77 F. Supp. 2d 660 (E.D. Pa. 1999); *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464 (W.D. Va. 2001). The cases read the Supreme Court’s policy discussion in the *Markman* case as merely recognizing the importance of uniformity, not changing the fundamental principles for issue preclusion. The *Graco Children’s Products* court expressed concern that granting preclusive effect to cases settled after claim constructions might discourage settlement and encourage appeals by patentees who obtained favorable verdicts but nonetheless needed to correct what they believed to be unduly narrow or otherwise flawed claim constructions.

The preclusive effect of claim construction rulings in cases resolved by settlement came before the Federal Circuit in *RF Delaware, Inc. v. Pacific Keystone Technologies, Inc.*, 326 F.3d 1255 (Fed. Cir. 2003). See also *Dana v. E.S. Originals, Inc.*, 342 F.3d 1320 (Fed. Cir. 2003). Without expressly resolving the district court conflict, the Federal Circuit, applying Eleventh Circuit law, applied a stringent standard to the question of finality: “if the parties to a suit enter into an *extrajudicial settlement or compromise*, there is no judgment, and future litigation is not barred by *res judicata* or collateral estoppel . . .” *RF Delaware*, 326 F.3d at 1261 (quoting *Kaspar Wire Works, Inc. v. Leco Eng’g and Mach., Inc.*, 575 F.2d 530, 542 (5th Cir. 1978)) (emphasis in original). The Federal Circuit drew no implication from the Supreme Court’s *Markman* language seized upon by the *TM Patents* court. Nonetheless, the court included some language inclining toward a functional approach to finality: “[f]or purposes of issue preclusion . . . , ‘final judg-

ment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.” *Id.* at 1261 (quoting *Christo v. Padgett*, 223 F.3d 1324, 1339 n.47 (11th Cir. 2002) (citing Restatement (Second) of Judgments § 13 (1980))). Whether a decision is “sufficiently firm” depends on whether the parties were “fully heard.” *Id.* The Federal Circuit noted that the Eleventh Circuit held that a prior district court order issued after an evidentiary hearing satisfied the finality standard because the district court notified the parties of possible preclusive effect, considered the findings final, and entered a final order approving the proposed settlement. *Id.* at 1261 (quoting *Christo v. Padgett*, 223 F.3d at 1339). In *RF Delaware*, the Federal Circuit denied preclusive effect of the earlier *Markman* ruling on the grounds that there was no evidence that a *Markman* hearing had been conducted in the earlier case, the parties did not have notice that the court’s order could have preclusive effect, and no final order approving the settlement was ever entered.

The Federal Circuit further addressed the preclusive effect of stipulated constructions and settlements in *Pfizer, Inc. v. Teva Pharmaceuticals, USA, Inc.*, 429 F.3d 1364 (Fed. Cir. 2005). Because the parties in the prior proceeding had stipulated that the agreed claim interpretation was for purposes of that litigation only, the Federal Circuit held that the agreement could not preclude litigation in a later case. Looking to jurisprudence on the interpretation of consent decrees, the court declared that “the scope of a consent decree must be discerned within its four corners’ and the conditions upon which a party has consented to waive its right to litigate particular issues ‘must be respected.’” *Id.* at 1376 (quoting *United States v. Armour & Co.*, 402 U.S. 673, 682 (1971) and citing *In re Graham*, 973 F.2d 1089, 1097 (3d Cir. 1992) (noting that the Third Circuit defers to the intent of parties concerning the preclusive effect of agreed facts or claims in consent decrees and stipulations)).

#### 5.3.2.4.2 Essential to the Final Judgment

A final requirement for a prior *Markman* ruling to foreclose later interpretation over a claim term is that the earlier construction was essential to the final judgment. When the prior action turns upon resolution of a particular claim term or terms, the court’s construction of other claim terms is “merely dictum, and therefore has no issue preclusive effect.” See *Phonometrics, Inc. v. Northern Telecom Inc.*, 133 F.3d 1459, 1464 (Fed. Cir. 1998). To have a preclusive effect, the earlier court’s interpretation of the particular claim had to be the reason for the previous outcome. *Jackson Jordan, Inc. v. Plasser Am. Corp.*, 747 F.2d 1567, 1577 (Fed. Cir. 1984).

A related principle is that issues of claim construction that cannot be appealed cannot be accorded preclusive effect. See *Hartley v. Mentor Corp.*, 869 F.2d 1469,

1472 (Fed. Cir. 1989). Thus, courts will not attach preclusive effect where a patentee loses on the issue of claim interpretation but nonetheless prevails on validity and infringement because the patentee lacked a basis for appealing the *Markman* ruling. See *Graco Children's Prods., Inc. v. Regalo Int'l*, 77 F. Supp. 2d 660, 664-65 (E.D. Pa. 1999); *Schering Corp. v. Amgen, Inc.*, 35 F. Supp. 2d 375, 377 n.2 (D. Del. 1999), *aff'd in part*, 222 F.3d 1347 (Fed. Cir. 2000).

#### 5.3.2.5 Reasoned Deference as a Prudent Approach to Issue Preclusion

In cases in which the basis for applying issue preclusion is open to question, many courts have taken the approach of according prior *Markman* rulings “reasoned deference” in assessing the disputed claim terms. See, e.g., *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1329 (Fed. Cir. 2008) (noting that “in the interests of uniformity and correctness,” the Federal Circuit “consults the claim analysis of different district courts on the identical terms in the context of the same patent.”); *Visto Corp. v. Sproqit Techs., Inc.*, 445 F. Supp. 2d 1104, 1108 (N.D. Cal. 2006). Where no new arguments are offered, no new foundation is laid, and there has been no change in the applicable standards for construing claims, courts generally adopt the prior construction unless it is clearly unsound. Where new argument and evidence is adduced, then the review is more probing and independent. Even in cases in which courts have determined that collateral estoppel applies, they have nonetheless made some independent assessment of claim construction. Thus, even the *TM Patents* court, which held that a *Markman* ruling from a earlier case that settled prior to trial precluded relitigation of claim meaning, used the “reasoned deference” approach as a judicial backstop: “Finally, I have to observe that this issue of collateral estoppel . . . is of marginal practical importance, because I agree with just about everything Judge Young did when he construed the claims in the EMC action.” See *TM Patents, L.P.*, 72 F. Supp. 2d at 370.

#### 5.3.3 Judicial Estoppel

The Federal Circuit has recognized the applicability of the equitable doctrine of judicial estoppel in the context of claim construction. See *Biomedical Patent Mgmt. Corp. v. Cal. Dep't of Health Servs.*, 505 F.3d 1328, 1341 (Fed. Cir. 2007); *Harris Corp. v. Ericsson*, 417 F.3d 1241 (Fed. Cir. 2005); *RF Del., Inc. v. Pac. Keystone Tech., Inc.*, 326 F.3d 1255 (Fed. Cir. 2003). As an equitable doctrine, the contours of judicial estoppel are relatively flexible. Although “[t]he circumstances under which judicial estoppel may appropriately be invoked are probably not reducible to any general formulation of principle,” *Allen v. Zurich Ins. Co.*, 667 F.2d

1162, 1166 (4th Cir. 1982), the Supreme Court has emphasized three factors to consider in determining whether the doctrine applies: (1) whether a party's later position is "clearly inconsistent" with its earlier position; (2) whether the party succeeded in persuading a court to accept that party's earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create "the perception that either the first or second court was misled"; and (3) whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped. *See New Hampshire v. Maine*, 532 U.S. at 750-51.

The requirements for judicial estoppel partially overlap with the standard for issue preclusion (such as the element of identity of issues), but there are substantial differences as well. Unlike issue preclusion, judicial estoppel does not require strict mutuality, *Ryan Operations G.P. v. Santiam-Midwest Lumber Co.*, 81 F.3d 355, 360 (3d Cir. 1996) (stating that privity is not required for judicial estoppel), or even that the issue had been actually litigated in the prior proceeding. *See Lowery v. Stovall*, 92 F.3d 219, 223 n.3 (4th Cir. 1996). On the other hand, judicial estoppel typically requires strong evidence of improper intent to mislead a tribunal.

Judicial estoppel is also closely related to equitable estoppel. *See id.* Unlike a party asserting equitable estoppel, a party asserting judicial estoppel does not have to prove detrimental reliance because judicial estoppel is designed to protect the integrity of the courts rather than any interests of the litigants. *See Teledyne Indus., Inc. v. NLRB*, 911 F.2d 1214, 1220 (6th Cir. 1990). Therefore, judicial estoppel may apply in a particular case "where neither collateral estoppel nor equitable estoppel . . . would apply." *Allen*, 667 F.2d at 1166-67.

As with issue preclusion and other non-patent procedural issues, courts apply the standards for judicial estoppel developed by their regional circuit. *See Lampi Corp. v. Am. Power Prods., Inc.*, 228 F.3d 1365, 1377 (Fed. Cir. 2000). Such standards vary across the circuits. For example, although most circuits do not require

mutuality of judicial estoppel, some courts limit the doctrine to those who were party to (or in privity with a party to) the prior proceeding. See *Nichols v. Scott*, 69 F.3d 1255, 1272 n.33 (5th Cir. 1995). The relative importance of particular factors varies as well. Some circuits consider intent—whether the inconsistency in position was for the purpose of gaining unfair advantage—to be most determinative. See *Lowery*, 92 F.3d at 224.<sup>9</sup>

#### 5.3.4 *Stare Decisis*

Since claim construction is considered a question of law, lower courts must adhere to prior claim construction determinations by the Federal Circuit, even if the claim construction is applied to a party who was not involved in the prior litigation. See *Amgen, Inc. v. F. Hoffmann-La Roche Ltd.*, 494 F. Supp. 2d 54, 60 (D. Mass. 2007); *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 185 F. Supp. 2d 588, 595 (D. Md. 2002); *Wang Labs., Inc. v. Oki Elec. Indus. Co., Ltd.*, 15 F. Supp. 2d 166, 175 (D. Mass. 1998) (holding that a prior Federal Circuit claim construction was binding against a party that was not a party to (or allowed intervention in) prior litigation interpreting the claim term in question). The Supreme Court considered this a virtue of categorizing claim construction as a matter of law: “treating interpretive issues as purely legal will promote (though it will not guarantee) intrajurisdictional certainty through the application of *stare decisis* on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court.” *Markman v. Westview Instruments, Inc.*, 517 U.S.

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9. The Federal Circuit holds that judicial estoppel does not normally prevent a party from altering on appeal an unsuccessful position on claim construction that it advocated before the trial court. See *RF Del., Inc. v. Pac. Keystone Tech., Inc.*, 326 F.3d 1255, 1262 (Fed. Cir. 2003) (quoting *Data Gen. Corp. v. Johnson*, 78 F.3d 1556, 1565 (Fed. Cir. 1996)) (“The doctrine of judicial estoppel is that where a party *successfully* urges a particular position in a legal proceeding, it is estopped from taking a contrary position in a subsequent proceeding where its interests have changed.”) (emphasis in original).

370, 391 (1996); *see also Visto Corp. v. Sproqit Techs., Inc.*, 445 F. Supp. 2d 1104, 1106 (N.D. Cal. 2006) (observing that “interjurisdictional uniformity” refers to claim constructions reviewed by the Federal Circuit).

A claim construction decision of a district court is not binding precedent on a different judicial district, the same judicial district, or even the same judge in a different case under the doctrine of *stare decisis*. Rather, *stare decisis* requires only that the later court encountering the issue give consideration and careful analysis to that sister court’s decision where applicable to a similar fact pattern. *See Amgen, Inc. v. F. Hoffmann-La Roche Ltd.*, 494 F. Supp. 2d 54, 60 (D. Mass. 2007) (citing *United States v. Rodriguez-Pacheco*, 475 F.3d 434, 441 (1st Cir. 2007)); *Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 589 (E.D. Tex. 2002); *cf. Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1329 (Fed. Cir. 2008) (noting that “in the interests of uniformity and correctness,” the Federal Circuit “consults the claim analysis of different district courts on the identical terms in the context of the same patent.”). Courts sometimes accord prior decisions from within their district somewhat greater consideration than those decided outside the district. *See, e.g., Visto Corp. v. Sproqit Techs., Inc.*, 445 F. Supp. 2d 1104, 1107-08 (N.D. Cal. 2006) (noting that intra-judicial uniformity warrants an even higher level of deference); *Verizon Cal. Inc. v. Ronald A. Katz Tech. Licensing, P.A.*, 326 F. Supp. 2d 1060, 1069 (C.D. Cal. 2003).

A prior claim construction decision by the Federal Circuit is binding upon district courts (and future Federal Circuit panels) being asked to construe the same term, in the same patent. *Phonometrics, Inc. v. Westin Hotel Co.*, 350 F.3d 1242, 1244 (Fed. Cir. 2003) (“under principles of *stare decisis*,” future Federal Circuit panels “will follow the claim construction set forth by” an earlier panel). The Federal Circuit has in fact “adopted the rule that prior decisions of a panel of the court are binding precedent on subsequent panels unless and until overturned in banc.” *Newell Cos. v. Kenney Mfg. Co.*, 864 F.2d 757, 765 (Fed. Cir. 1988). And that rule applies to the construction of claim terms. *See Phonometrics, Inc. v. Economy Inns of Am.*, 349 F.3d 1356, 1363-64 (Fed. Cir. 2003).

Just as issue preclusion requires an issue to have been actually *litigated* in order for collateral estoppel to attach, stipulations of claim meaning may not be entitled to *stare decisis* effect “because it is only the judiciary—not the parties—that declares what the law is.” *Amgen, Inc. v. F. Hoffmann-La Roche Ltd.*, 494 F. Supp. 2d 54, 70 (D. Mass. 2007). The court in that case noted, however, that “[s]uch agreements, of course, may, where appropriate, implicate judicial estoppel and, where a final judgment occurs, the doctrine of issue preclusion.” Also as with issue preclusion, *stare decisis* applies only to rulings that were necessary to the decision rendered. *See Miken Composites, L.L.C. v. Wilson Sporting Goods Co.*, 515 F.3d 1331, 1338 (Fed. Cir. 2008); *Zenith Radio Corp. v. United States*, 783 F.2d 184, 187

(Fed. Cir. 1986) (holding that *stare decisis* applied where resolution of issue was a “necessary predicate” to earlier Federal Circuit ruling).

A distinct tension arises to the extent that courts look to prior *Markman* rulings under the doctrine of *stare decisis* in circumstances that do not satisfy the more exacting requirements of issue preclusion. In practice, courts have alleviated this strain by affording a party who did not participate in that earlier action a full and fair opportunity to be heard in the later proceeding. At the same time, the court can be mindful of prior rulings. See *Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 590 (E.D. Tex. 2002); *Sears Petroleum & Transport Corp. v. Archer Daniels Midland Co.*, 2007 WL 2156251, at \*8, \*12 (N.D.N.Y.2007) (stating that “considerable deference should be given to those prior decisions unless overruled or undermined by subsequent legal developments, including intervening case law” before proceeding to consider arguments that had not been heard during prior claim construction proceedings); *KX Industries, L.P. v. PUR Water Purification Products, Inc.*, 108 F. Supp. 2d 380, 387 (D.Del. 2000) (holding that it would defer to its prior claim construction, but only “to the extent the parties do not raise new arguments”); *Tex. Instruments, Inc. v. Linear Technologies Corp.*, 182 F.Supp.2d 580, 589–90 (E.D.Tex.2002) (expressing concern that refusing to consider a new party's claim construction arguments raised due process concerns and therefore granting the party's request for a *Markman* hearing); *Townshend Intellectual Property, L.L.C v. Broadcom Corp.*, 2008 WL 171039 (N.D.Cal. Jan.18, 2008) (modifying prior claim construction in light of a new party's arguments).

As Judge Whyte has stated, “[t]his general practice accords with the insight that a fresh look at a claim construction can hone a prior court's understanding and construction of a patent. “ See *Rambus Inc. v. Hynix Semiconductor Inc.*, 569 F.Supp.2d 946, 966 (N.D.Cal. 2008). The Federal Circuit has noted that it “would be remiss to overlook another district court's construction of the same claim terms in the same patent as part of [a] separate appeal.” *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1329 (Fed. Cir. 2008). In that case, the Federal Circuit found a second district court's claim interpretation particularly helpful where it referred back to the prior construction and noted where it disagreed. See *id.* The lesson from *Finisar* is that additional litigation can refine and sharpen courts' understanding of an invention and that a second court should not defer to a prior court's claim construction without questioning its accuracy.

It should noted, however, that this practice is in tension with the Supreme Court's understanding of *stare decisis*. See *Payne v. Tennessee*, 501 U.S. 808, 828 (1991) (observing that “[c]onsiderations in favor of *stare decisis* are at their acme in cases involving property and contract rights, where reliance interests are involved”); *Burnet v. Coronado Oil & Gas Co.*, 285 U.S. 393, 406 (1932) (Brandeis, J., dissenting) (noting that “[s]tare decisis is usually the wise policy, because in most

matters it is more important that the applicable rule of law be settled than that it be settled right”); *The Genesee Chief v. Fitzhugh*, 53 U.S. 443, 458 (1851) (explaining that “*stare decisis* is the safe and established rule of judicial policy, and should always be adhered to” when dealing with cases establishing rules of property); *Minnesota Mining Co. v. National Mining Co.*, 70 U.S. 332 (1865).

Nonetheless, “while ‘most’ matters benefit from being settled rather than being settled right, claim construction appears to be an exception.” *See Rambus Inc. v. Hynix Semiconductor Inc.*, 569 F.Supp.2d 946, 967 (N.D.Cal. 2008). The prevailing notion among the district courts and the Federal Circuit appears to be that it is better to get a claim construction right than it is to get a claim construction settled.

### **5.3.5 U.S. International Trade Commission Determinations**

A growing number of plaintiffs in recent years have concurrently filed complaints in both a U.S. District Court and before the U.S. International Trade Commission. As an administrative agency, decisions by the ITC are not binding upon a District Court. *See Texas Instruments Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996) (“Congress did not intend decisions of the ITC on patent issues to have preclusive effect.”). However, as an agency that is highly focused on resolving patent infringement disputes, the rulings of the ITC would ordinarily be conferred substantial persuasive effect. *Id.* (“The district court can attribute whatever persuasive value to the prior ITC decision that it considers justified.”).

### **5.3.6 Patent and Trademark Office Determinations**

Often, patents in litigation are also involved in reexamination proceedings before the PTO. Particularly in these circumstances, the PTO may have had an opportunity to construe the claims at issue in the district court litigation. However, no deference should be given to claim construction rulings of the PTO. The PTO uses a different standard to construe claims than is appropriate for a district court. Whereas a district court is charged with identifying the proper construction, the PTO is required to give claims “their broadest reasonable interpretation, consistent with the specification.” *In re Swanson*, 540 F.3d 1368, 1377-78 (Fed. Cir. 2008).

### 5.3.7 Motions to Vacate Claim Construction Rulings In Connection with Settlement

Claim construction often drives settlement discussions. Parties often resolve their disputes after a claim construction order has been issued, but prior to entry of final judgment. Occasionally, a patentee may be concerned about potential preclusive effects of an adverse claim construction ruling in future litigation, and will file either a joint or unopposed motion to vacate that claim construction ruling in connection with the settlement. While some district courts have granted vacatur in such cases, *see, e.g., Cisco Sys., Inc. v. Telcordia Techs., Inc.*, 590 F. Supp. 2d 828, 830 (E.D. Tex. 2008) (vacating claim construction order), other courts have denied it on the grounds that it undermines judicial economy and is contrary to public policy. *See, e.g., Allen-Bradley Co. v. Kollmorgen Corp.*, 199 F.R.D. 316, 320 (E.D. Wis. 2001) (“[The] claim construction order, like nearly all court decisions and orders, affects interests beyond those of the parties in the present action. The benefits of settling the present action are, in short, outweighed by the systemic costs that would be incurred by vacating the court’s order.”).

Although some courts grant vacatur with the goal of facilitating settlement, this practice, especially in patent cases, could be a false economy as it may facilitate the reassertion of weak patents and deprive other courts of the economizing benefits of collateral estoppel. *See* Jeremy W. Bock, *An Empirical Study of Certain Settlement-Related Motions for Vacatur in Patent Cases*, 88 IND. L. J. \_\_\_\_ (forthcoming 2013), available at <http://ssrn.com/abstract=2012110> (Mar. 1, 2012 preliminary draft) (synthesizing case law and analyzing empirical data on settlement-related motions for vacatur in patent cases over 5-year period); *cf. Lear, Inc. v. Adkins*, 395 U.S. 653, 674 n.19 (1969) (noting “the public’s interest in the elimination of specious patents”); *Cardinal Chem. Co. v. Morton Int’l*, 508 U.S. 83, 100 (1993) (“[O]ur prior cases have identified a strong public interest in the finality of judgments in patent litigation.”); Jill E. Fisch, *Rewriting History: The Propriety of Eradicating Prior Decisional Law Through Settlement and Vacatur*, 76 CORNELL L. REV. 589, 593 (1991) (“[T]he effect of vacatur on the litigation process extends beyond judicial waste; it perverts the judicial decision into a negotiable commodity, engendering distortion of, and disrespect for, the role of the courts.”).

Although there is no Federal Circuit precedent that squarely addresses the merits of a district court’s decision on a motion to vacate a claim construction order, the Supreme Court’s decision in *U.S. Bancorp Mortg. Co. v. Bonner Mall Partnership*, 513 U.S. 18 (1994) provides an analytic starting point. The Court denied a settlement-related motion to vacate a final judgment on the ground that vacatur was an “extraordinary remedy” to which equitable entitlement must be shown. *Id.* at 26. Settlement does not justify vacatur in the absence of “exceptional circumstances.” *Id.* at 29. The Federal Circuit’s guidance on the merits of

settlement-related vacatur at the district court level is largely limited to a couple of concurring opinions which provide somewhat differing views. *Compare Ohio Willow Wood Co. v. Thermo-Ply, Inc.*, 629 F.3d 1374, 1376 (Fed. Cir. 2011) (Moore, J., concurring) (extending *Bancorp* to district courts and observing that “[o]nly in ‘exceptional circumstances’ should a district court grant vacatur at the request of the litigants”) (quoting *Bancorp*, 513 U.S. at 26.) with *Dana v. E.S. Originals, Inc.*, 342 F.3d 1320, 1328 (Fed. Cir. 2003) (Dyk, J., concurring) (suggesting that *Bancorp* does not apply to district courts or non-final orders).

In general, Courts should view with skepticism a request to vacate a claim construction order in connection with a settlement. Although granting vacatur may be expedient for the particular parties and the court, the public interest and long-term judicial economy may suffer by allowing the patentee “another bite at the apple.” The circumstances are, of course, fact-dependent. Accordingly, when presented with a settlement-related motion for vacatur, courts should consider the underlying motives for the settlement, the litigation history of the patent affected by the ruling targeted for vacatur, past patterns of behavior by the patentee, anticompetitive ramifications, as well as potential effects on third parties.

## **5.4 Practical Tips for Claim Construction**

### **5.4.1 Recognizing and Avoiding the Pitfalls of Sound Bite and “Cite” Bite Advocacy**

Patent law is plagued with a surfeit of quotations from Federal Circuit cases that appear to support almost any proposition. The sheer quantity of published opinions issued by the Federal Circuit over its twenty-five-year history is massive, and the cases frequently are technically demanding, which can obscure the context behind their legal rules. Moreover, important legal shifts over the Federal Circuit’s history (most recently in *Phillips*) have rendered entire lines of authority obsolete. The result is that there is a huge trove of case law sound bites available to litigants that are no longer authoritative, but that are nonetheless cited routinely. This poses an added burden on the courts to recognize what principles are no longer good law. This subsection identifies commonly cited statements from prior cases that are no longer valid, or whose applicability has been sharply limited.

#### 5.4.1.1 “Heavy Presumption of Ordinary Meaning” No Longer Applies

As discussed above, *Texas Digital* established a “heavy presumption” that the ordinary meaning of a claim terms applies. This standard was routinely cited prior to *Phillips*, but has essentially dropped from the Federal Circuit’s case law since 2004, when *Phillips* was pending.<sup>10</sup> *Phillips* did not expressly abrogate the “heavy presumption” standard, and the lack of an express statement from the Federal Circuit disavowing this standard has allowed litigants to continue citing it. Courts should no longer rely on this “heavy presumption.”

Post-*Phillips*, the Federal Circuit has relied on various standards for departing from the “ordinary meaning” of a term, as discussed herein. Some articulations of the standard, such as applied in *Thorner v. Sony Computer Entertainment America LLC*, 669 F.3d 1362, 1365-66 (Fed. Cir. 2012), approach a presumption, holding that ordinary meaning should apply unless there is an explicit definition or disavowal of claim scope. Other standards, such as was articulated in *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296 (Fed. Cir. 2011), appear to provide a more flexible framework for determining the proper construction, as discussed herein. Under any such framework, however, the “heavy presumption” of ordinary meaning has dropped from the law.

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10. The last time the Federal Circuit cited this standard prior to *Phillips* was in *Fuji Photo Film Co., Ltd. v. Int’l Trade Com’n*, 386 F.3d 1095, 1105 (Fed. Cir. 2004). This standard remained absent from Federal Circuit case law until it was cited in *Elbex Video, Ltd. v. Sensormatic Elecs. Corp.*, 508 F.3d 1366, 1371 (Fed. Cir. 2007). This reference appears to be an outlier. There is no indication that the Federal Circuit intended to resuscitate the “heavy presumption” in favor of dictionary meaning.

#### **5.4.1.2 “Presumption in Favor of Dictionary Definition” No Longer Applies**

*Texas Digital* created a “presumption in favor of a dictionary definition,” and held that dictionaries and other such outside sources should be consulted *before* interpreting the patent specification. That approach has been overruled by *Phillips*, which rejected *Texas Digital*’s undue emphasis on dictionaries as a source of ordinary meaning. *Phillips* does not offer a single formula for claim construction, but broadly instructs that claims must be interpreted consistent with a “full understanding of what the inventors actually invented and intended to envelop with the claim,” and that the construction that “stays true to the claim language and most naturally aligns with the patent’s description of the invention will be, in the end, the correct construction.” *Phillips*, 415 F.3d at 1316. Thus, there is a renewed emphasis on construing claim terms consistent with their usage in the specification.

#### **5.4.1.3 Reliance on Extrinsic Evidence Is Permissible but Cannot Override Intrinsic Evidence**

District courts are still reluctant to consider extrinsic evidence, based on *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). That case discouraged trial courts from relying on extrinsic evidence where the intrinsic evidence was sufficiently clear to resolve the claim construction dispute. *Id.* at 1583 (“In most situations, an analysis of the intrinsic evidence alone will resolve any ambiguity in a disputed claim term. In such circumstances, it is improper to rely on extrinsic evidence.”). *Vitronics* has been interpreted, widely and incorrectly, as a prohibition on extrinsic evidence. The Federal Circuit has consistently backed away from that interpretation, and *Phillips* should resolve any doubt that extrinsic evidence may be considered during claim construction. It is important to bear in mind, however, that extrinsic evidence cannot be relied upon to override contrary meaning reflected in the specification or other intrinsic evidence. *See Phillips*, 415 F.3d at 1317 (extrinsic evidence “less significant than the intrinsic record”); *id.* at 1318 (extrinsic evidence is generally “less reliable” than intrinsic evidence).

#### **5.4.2 Checklist/Discussion Points for Claim Construction Hearing**

The following summary list reflects key principles for the procedural and substantive elements of *Markman* law.

#### Procedural Aspects of Markman

- *Markman Timing*—Recommended approach is to allow sufficient pre-*Markman* discovery and allow identification of claim construction issues, but sufficient time post-*Markman* to allow *Markman* opinion to issue prior to expert reports.
- *Crystallizing Issues for Markman Hearing*—Recommended approach is to order a structured meet and confer process in advance of briefing, to avoid false disputes and ensure that genuine disputes are properly joined. Courts should use their discretion to prioritize the timing of (and possibly need for) construction of particular claim terms.
- *Consideration of Extrinsic Evidence*—Courts are free to consider extrinsic evidence in support of their *Markman* rulings, but it may not contradict the intrinsic evidence.

#### Substantive Aspects of Markman

- *Threshold Analysis*—The court should carefully assess what terms require interpretation and what deference, if any, to accord *Markman* rulings of the same patents and claim terms in prior cases.
- *Ordinary Meaning*—The “ordinary meaning” of a claim term is the baseline for claim construction, but there is no longer a “heavy presumption” that it applies. Rather, it is appropriate to depart from the “ordinary” meaning where the intrinsic evidence persuasively demonstrates “what the inventors actually invented and intended to envelop with the claim.” *Phillips*, 415 F.3d at 1316.
- *Dictionaries*—There is no longer a “presumption in favor of a dictionary definition.” Rather, the proper construction comes foremost from a context-dependent review of the patent and its prosecution history.
- *Departing from Ordinary Meaning*—It may be appropriate to construe a claim term differently than its ordinary meaning when the specification and prosecution history provide reasonable clarity of what the inventors actually intended to claim, including by characterizing the “present invention” to emphasize a particular feature, or distinguishing the prior art in a manner to highlight what the inventors viewed as their invention, or giving a consistent and uniform meaning to terms throughout the patent, among other scenarios.

## **Chapter 6**

### **Summary Judgment**

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- 6.1 Managing the Summary Judgment Process**
  - 6.1.1 Distinguishing Questions of Law from Questions of Fact**
  - 6.1.2 Summary Judgment and Claim Construction**
  - 6.1.3 Recommended Dual-Track Approach to Summary Judgment**
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Effective utilization of the summary judgment process is especially important in patent cases because they present so many complex issues. Summary judgment can play a critical role in narrowing or simplifying the issues, thereby promoting settlement or simplifying the trial. On the other hand, the summary judgment

process in a patent case can put a significant burden on the court, particularly if the parties file numerous, voluminous motions.

The first part of this chapter discusses areas in which courts have an opportunity to promote efficiency in the summary judgment process, and recommends some approaches found by courts to have been effective. It also discusses the types of motions that are more, and less, suited to resolution via summary judgment. The second part of this chapter discusses various substantive issues that often arise during the course of the summary judgment process in patent cases.

## **6.1 Managing the Summary Judgment Process**

In general, effective management of the summary judgment process in patent cases requires an understanding of the types of issues that drive most patent cases and how they typically play out in the life cycle of a case. It also requires the court to be assertive in case management.

As with any case, the timing of summary judgment motions can be critical. Hold summary judgment proceedings too early for a given case and questions of fact that would have been resolved at a later stage preclude summary judgment. Defer summary judgment too long in a given case and the parties and court waste time and resources on issues or cases that could have been resolved with limited discovery.

### **6.1.1 Distinguishing Questions of Law from Questions of Fact**

The court “shall grant summary judgment if the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law.” Fed. R. Civ. Pro. 56(a). Thus, pure questions of law, mixed questions of law and fact on which there is no genuine dispute as to any material fact, and undisputed questions of fact are amenable to summary adjudication. *See generally* Gary M. Hnath & Timothy A. Molino, *The Roles of Judges and Juries in Patent Litigation*, 19 *Fed. Cir. B.J.* 15 (2009-10); Kevin Casey, Jade Camara, & Nancy Wright, *Standards of Appellate Review in the Federal Circuit: Substance and Semantics*, 11 *Fed. Cir. B.J.* 279 (2001-02). Chart 6.1 summarizes the characterization of patent issues as questions of law, questions of fact, and questions of law that are based on underlying questions of fact as well as the key legal authority.

**Chart 6.1**  
Characterization of Patent Issues

Doctrine	Authority
Questions of Law/for the Court	
Claim Construction in General	<i>Markman v. Westview Instruments, Inc.</i> , 52 F.3d 967, 970-71 (Fed.Cir.1995) ( <i>en banc</i> ), <i>aff'd</i> , 517 U.S. 370 (1996); <i>Cybor Corp. v. FAS Techs., Inc.</i> , 138 F.3d 1448, 1456 (Fed.Cir.1998) ( <i>en banc</i> ) ( <i>de novo</i> review)
Claim Construction of § 112 ¶ 6 Claims	<i>Cardiac Pacemakers, Inc. v. Saint Jude Med., Inc.</i> , 296 F.3d 1106, 1113 (Fed. Cir. 2002) (means plus function claims); <i>Linear Tech. Corp. v. Impala Linear Corp.</i> , 379 F.3d 1311, 1318 (Fed. Cir. 2004) (determining whether a claim language should be interpreted as a mean plus function limitation)
Statutory Subject Matter § 101	<i>Mayo Collaborative Services v. Prometheus Laboratories, Inc.</i> , 132 S.Ct. 1289 (2012)
Indefinite Claiming § 112 (2)	<i>Young v. Lumenis, Inc.</i> , 492 F.3d 1336, 1345 (Fed. Cir. 2007)
Implied License	<i>Monsanto Co. v. Scruggs</i> , 459 F.3d 1328, 1336 (Fed. Cir. 2006)
Repair or Reconstruction	<i>Fuji Photo Film Co. v. Int'l Trade Comm'n</i> , 474 F.3d 1281, 1289 (Fed. Cir. 2007)
Doctrine of Equivalents – Sufficiency of Particularized Elements	<i>Malta v. Schulmerich Carillons, Inc.</i> , 952 F.2d 1320, 1331 (Fed. Cir. 1991) (observing that “before a case may be submit- <i>ted</i> to a jury, a patentee’s proof must include substantial evidence of separate and explicit comparison of the claimed and accused devices as to each of the three <i>Graver Tank</i> requirements); <i>Lear Siegler, Inc. v. Sealy Mattress Co.</i> , 873 F.2d 1422, 1426 (Fed. Cir. 1989); <i>see also Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17, 29 (1997) (holding that “[e]ach element contained in a patent claim is deemed material to defining the scope of the patented invention” and that the doctrine of equivalents “must be applied to individual elements of the claim, not to the invention as a whole”)

Doctrine	Authority
Exception to Doctrine of Equivalents – Prosecution History Estoppel	<i>Cybor Corp. v. FAS Techs. Inc.</i> , 138 F.3d 1448, 1460 (Fed. Cir. 1998) (en banc); <i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.</i> , 344 F.3d 1359, 1367 (Fed. Cir. 2003)
Exception to Doctrine of Equivalents – “All Elements” Rule/Claim Vitiation Doctrine	<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.</i> , 234 F.3d 558, 587 (Fed. Cir. 2000) (en banc) (reference to the “all elements rule” as a “legal limitation” on the doctrine of equivalents indicates that it is a question of law), <i>vacated</i> , 353 U.S. 722 (2002)
Exception to Doctrine of Equivalents – Disclosed but Unclaimed Embodiments Dedicated to the Public	<i>Johnson &amp; Johnston Assocs. Inc. v. R.E. Serv. Co.</i> , 285 F.3d 1046, 1051-52 (Fed. Cir. 2002) (en banc)
Exception to Doctrine of Equivalents – Scope of Equivalents Cannot Encompass Prior Art	<i>Wilson Sporting Goods Co. v. David Geoffrey &amp; Associates</i> , 904 F.2d 677 (Fed. Cir. 1990)
Double Patenting	<i>In re Berg</i> , 140 F.3d 1428, 1432 (Fed. Cir. 1998); <i>Georgia-Pacific Corp. v. United States Gypsum Co.</i> , 195 F.3d 1322, 1326 (Fed. Cir. 1999)
Patent Misuse	<i>B. Braun Medical, Inc. v. Abbott Laboratories</i> , 124 F.3d 1419, 1427 (Fed. Cir. 1997) (observing that “the patent misuse doctrine is an extension of the equitable doctrine of unclean hands”)
Laches	<i>A.C. Auckerman Co. v. R.L. Chaides Constr. Co.</i> , 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc)
Equitable Estoppel	<i>A.C. Auckerman Co. v. R.L. Chaides Constr. Co.</i> , 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc)
Assignor Estoppel	<i>Carroll Touch, Inc. v. Electro Mech. Sys., Inc.</i> , 15 F.3d 1573, 1579 (Fed. Cir. 1993)
Common Law Experimental Use	<i>Madey v. Duke Univ.</i> , 307 F.3d 1351, 1358 (Fed. Cir. 2002)
Injunctive Relief	<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)
Questions of Fact	
Utility	<i>Juicy Whip, Inv. v. Orange Bang, Inc.</i> , 185 F.3d 1364, 1365 (Fed. Cir. 1999)

Doctrine	Authority
Novelty (Anticipation) § 102	<i>Orion IP, LLC v. Hyundai Motor Am.</i> , 605 F.3d 967, 974 (Fed. Cir. 2010)
Derivations § 102(f)	<i>Gambro Lundia AB v. Baxter Healthcare Corp.</i> , 110 F.3d 1573, 1576 (Fed. Cir. 1997)
Written Description § 112	<i>Fujikawa v. Wattanasin</i> , 93 F.3d 1559, 1569-70, 39 U.S.P.Q.2d 1895, 1904 (Fed. Cir. 1996); <i>Eiselstein v. Frank</i> , 52 F.3d 1035, 1038 (Fed. Cir. 1995) (“Compliance with the ‘written description’ requirement is a question of fact, to be reviewed under the clearly erroneous standard.”)
Literal Infringement	<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370, 384 (1996); <i>DSC Communication Corp. v. Pulse Communications, Inc.</i> , 170 F.3d 1354, 1368 (Fed. Cir. 1999) (whether an accused device performs the specific function associated with the means limitation); <i>In re Hayes Microcomputer Prods.</i> , 982 F.2d 1527, 1541 (Fed. Cir. 1992); <i>Moleculon Research Corp. v. CBS, Inc.</i> , 793 F.2d 1261, 1269-70 (Fed. Cir. 1986)
Doctrine of Equivalents – determining equivalency	<i>Warner-Jenkinson Co. v. Hilton Davis Chem. Co.</i> , 520 U.S. 17, 38 (1997) (although “noting various legal limitations on the application of the doctrine of equivalents are to be determined by the court, either on a pretrial motion for partial summary judgment or on a motion for judgment as a matter of law at the close of the evidence and after the jury verdict,” such as prosecution history estoppel, “all elements” rule, “disclosed by unclaimed embodiments” rule, and rule that scope of equivalents cannot encompass prior art)

Doctrine	Authority
Patent Exhaustion	<i>Cornell University v. Hewlett-Packard Co.</i> , 2008 WL 5671886 (N.D.N.Y. 2008) (Rader, J., sitting as a district judge) (reasoning that “when determining whether a doctrine is legal or equitable, the focus is not solely on the nature of the remedy. The inquiry must also consider the origin of the doctrine. Although case law is scarce with respect to the nature of the patent exhaustion doctrine, the Supreme Court has recognized that patent exhaustion has its roots in the patent law statutory framework.”). <i>Bloomer v. McQuewan</i> , 55 U.S. 539, 549 (1852) (‘When he sells the exclusive privilege of making or vending it for use in a particular place, the purchaser buys a portion of the franchise which the patent confers.’). In other words, when the patentee has given up his right to exclude, there is no longer a statutory basis for the patentee to impose restrictions on the subsequent sale or use of the article. Given this statutory framework, it follows that patent exhaustion is a legal doctrine, rather than an equitable one.”)
Reverse Doctrine of Equivalents	<i>Hartness Int’l, Inc. v. Simplimatic Eng’g Co.</i> , 819 F.2d 1100, 1110, 2 U.S.P.Q.2d 1826, 1833 (Fed. Cir. 1987); <i>SRI Int’l v. Matsushita Elec. Corp.</i> , 775 F.2d 1107, 1125 (Fed. Cir. 1985)
Actual Damages	<i>Cybor Corp. v. FAS Techs., Inc.</i> , 138 F.3d 1448, 1461 (Fed.Cir.1998) ( <i>en banc</i> )
Lost Profits	<i>Rite-Hite Corp. v. Kelley Co.</i> , 56 F.3d 1538,1543-44 (Fed. Cir. 1995) ( <i>en banc</i> )
Reasonable Royalty	<i>Unisplay, S.A. v. Am. Elec. Sign Co.</i> , 69 F.3d 512, 517 (Fed. Cir. 1995) (“The determination of the amount of damages based on a reasonable royalty is an issue of fact.”)
Willful Infringement – Subjective Prong	<i>i4i Ltd. Partnership v. Microsoft Corp.</i> , 598 F.3d 831, 859 (Fed. Cir. 2010), <i>aff’d</i> , 131 S.Ct. 2238 (2011)
Questions of Law/for the Court that are Based on Underlying Questions of Fact	

Doctrine	Authority
One Sale Bar § 102(b)	<i>Delaware Valley Floral Group, Inc. v. Shaw Rose Nets, LLC</i> , 597 F.3d 1374, 1379 (Fed. Cir. 2010); <i>Gemmy Industries Corp. v. Chrisha Creations Ltd.</i> , 452 F.3d 1353, 1358 (Fed. Cir. 2006); <i>Robotic Vision Systems, Inc. v. View Engineering, Inc.</i> , 249 F.3d 1307, 1310 (Fed. Cir. 2001) (“Whether an invention was on sale within the meaning of § 102(b) is a question of law that this court reviews de novo; however, factual findings underlying a district court’s conclusions are subject to the clearly erroneous standard of review.”)
Public Use Bar § 102(b)	<i>Clock Spring, L.P. v. Wrapmaster, Inc.</i> , 560 F.3d 1217, 1324 (Fed. Cir. 2009); <i>Motionless Keyboard Co. v. Microsoft Corp.</i> , 486 F.3d 1376, 1383 (Fed. Cir. 2007)
Printed Publication Bar § 102(b)	<i>Orion IP, LLC v. Hyundai Motor Am.</i> , 605 F.3d 967, 974 (Fed. Cir. 2010); <i>ResQNet.com v. Lansa, Inc.</i> , 594 F.3d 860, 865 (Fed. Cir. 2010)
Priority of Invention § 102(g)	<i>Cooper v. Goldfarb</i> , 154 F.3d 1321, 1327 (Fed. Cir. 1998) (“Priority, conception, and reduction to practice are questions of law which are based on subsidiary factual findings.”); <i>Fujikawa v. Wattanasin</i> , 93 F.3d 1559, 1564, 1567 (Fed. Cir. 1996) (“The ultimate determination of reduction to practice is a question of law”; “Suppression or concealment is a question of law which we review de novo.”); <i>Checkpoint Sys., Inc. v. United States Int’l Trade Comm’n</i> , 54 F.3d 756, 761 (Fed. Cir. 1995) (“As the parties asserting invalidity, respondents at the ITC bore the burden of establishing, by clear and convincing evidence, facts which support the ultimate legal conclusion of invalidity under § 102(g).”); <i>Texas Inst., Inc. v. United States Int’l Trade Comm’n</i> , 871 F.2d 1054, 1068 (Fed. Cir. 1989) (due diligence for priority of invention under 35 U.S.C. § 102 (g) is a question of fact)

Doctrine	Authority
Nonobviousness § 103	<p><i>KSR Intern, Co. v. Teleflex, Inc.</i>, 550 U.S. 398, 427 (2007) (“The ultimate judgment of obviousness is a legal determination.”); <i>Daiichi Sankyo Co., Ltd. v. Apotex, Inc.</i>, 501 F.3d 1254, 1256 (Fed.Cir. 2007); <i>Winner Int’l Royalty Corp. v. Wang</i>, 202 F.3d 1340, 1349 (Fed.Cir. 2000) (“What a reference teaches and whether it teaches toward or away from the claimed invention are questions of fact”) (quoting <i>In re Bell</i>, 991 F.2d 781,784 (Fed. Cir. 1993)); <i>Sibia Neurosciences, Inc. v. Cadus Pharms. Corp.</i>, 225 F.3d 1349, 1356 (Fed. Cir. 2000) (“Determining whether there is a suggestion or motivation to modify a prior art reference is one aspect of determining the scope and content of the prior art, a fact question subsidiary to the ultimate conclusion of obviousness.”); <i>Graham v. John Deere Co.</i>, 383 U.S. 1, 17 (1966) (there are four factual questions underlying the obviousness determination: (1) the scope and content of the prior art is one of the four underlying fact; (2) differences between the subject matter claimed and the prior art; (3) level of ordinary skill in the art; and (4) objective indicia of nonobviousness (secondary considerations))</p>
Prior Inventor	<p><i>Solvay S.A. v. Honeywell Int’l, Inc.</i>, 622 F.3d 1367, 1375 (Fed. Cir. 2010); <i>Monsanto Co. v. Mycogen Plant Sci., Inc.</i>, 261 F.3d 1356, 1362 (Fed. Cir. 2001)</p>
Inventorship	<p><i>Sewell v. Walters</i>, 21 F.3d 411,415 (Fed. Cir. 1994) (inventorship is a question of law with “any facts found . . . in reaching an inventorship holding . . . reviewed for clear error”); <i>Ethicon, Inc. v. United States Surgical Corp.</i>, 135 F.3d 1456, 1460 (Fed. Cir. 1998); <i>Hess v. Advanced Cardiovascular Sys., Inc.</i>, 106 F.3d 976, 980 (Fed. Cir. 1997) (whether an inventor is improperly named or improperly omitted is a question of fact.)</p>

Doctrine	Authority
Enablement § 112	<i>Alza Corp. V. Andrx Pharms., LLC.</i> , 603 F.3d 935, 939 (Fed. Cir. 2010); <i>Ortho-McNeil Pharm, Inc. v. Mylan Labs., Inc.</i> , 520 F.3d 1358, 1365 (Fed. Cir. 2008); <i>Quaker City Gear Works, Inc. v. Skil Corp.</i> , 747 F.2d 1446, 1453-54 (Fed. Cir. 1984)
Estoppel Based on Standard Setting	<i>Rambus Inc. v. Infineon Technologies AG</i> , 318 F.3d 1081, 1087 n.3 (Fed. Cir. 2003)
Inequitable Conduct	<i>Therasense, Inc. v. Becton, Dickenson &amp; Co.</i> , 649 F.3d 1276 (Fed. Cir. 2011) (en banc)
Willful Infringement – Objective Prong	<i>Bard Peripheral Vascular, Inc. v. W.L. Gore &amp; Associates, Inc.</i> , 670 F.3d 1171 (Fed. Cir. 2012)
Unresolved Characterization	
Structural Equivalents under § 112 ¶6	<i>Lockheed Martin Corp. v. Space Sys./Loral, Inc.</i> , 324 F.3d 1308, 1319 (Fed. Cir. 2003) (“Once a court establishes that a means-plus-function limitation is at issue, it must identify and construe that limitation, thereby determining what the claimed function is, and what structures disclosed in the written description correspond to the ‘means’ for performing that function.”); <i>Vulcan Eng’g Co., Inc. v. Fata Aluminum, Inc.</i> , 278 F.3d 1366, 1373-76 (Fed. Cir. 2002) (holding that determining a corresponding structure, which includes equivalents to the disclosed structures, is a matter of claim construction); but see <i>In re Bond</i> , 910 F.2d 831, 833 (Fed. Cir. 1990) (observing that “structural equivalency under section 112 ¶6 is a question of fact,” citing <i>Pennwalt Corp. v. Durand-Wayland</i> , 833 F.2d 931, 933-34 (Fed.Cir. 1987) ( <i>in banc</i> )); <i>Asyst Techs., Inc. v. Empak, Inc.</i> , 268 F.3d 1364, 1373 (Fed Cir. 2001) (explaining that whether an accused structure is equivalent to the disclosed structure for purposes of § 112 ¶6 is a question of fact)

### 6.1.2 Summary Judgment and Claim Construction

Claim construction plays a central role in scheduling and managing summary judgment motions. Generally, the pretrial issues requiring the largest investment

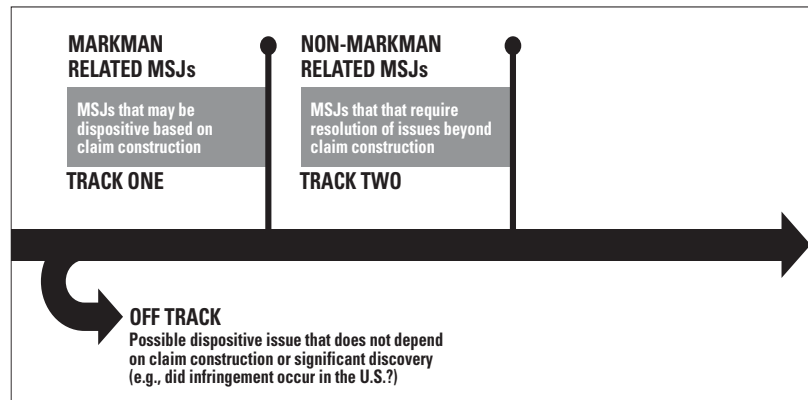
of judicial resources in a patent case are claim construction and summary judgment. Furthermore, most of the weighty issues in a patent case—the technical aspects of infringement, and most allegations of invalidity—depend in some way on claim construction. As a result, summary judgment on the main issues in a patent case (infringement and validity) generally cannot be resolved without construing at least some disputed claim terms. For this reason, most courts construe the key disputed claim terms before considering summary judgment motions. Attempting to tackle both claim construction and summary judgment at the same time is often seen as daunting, and taking them a step at a time may be the prudent course in certain cases.

In cases where multiple similar and interrelated claim construction disputes, which can generally be resolved using similar evidence, are presented, considerable efficiency results from addressing all claim construction issues together in a single proceeding. Resolving claim construction issues does not by itself resolve a case, however, unless it fosters settlement. Moreover, not all claim construction disputes are essential to resolving a case—sometimes construing just a single disputed claim term is all that is needed to decide a case-dispositive summary judgment motion. In those situations, it can be inefficient to spend the judicial resources needed to resolve all of the claim construction disputes in a case before considering summary judgment motions that could obviate further trial court proceedings. Assertive case management can help the court and the parties identify the best approach for each particular case.

### **6.1.3 Recommended Dual-Track Approach to Summary Judgment**

The tension between devoting judicial and party resources to claim construction while at the same time preparing for dispositive motions can be productively resolved in many cases by using a dual-track approach to the summary judgment process. On the first track, the fast-track, are motions that depend primarily or exclusively on claim construction. On the second track are motions that require resolution of substantial issues beyond claim construction. In rare cases, it may be worthwhile to consider a summary judgment outside either of these tracks—what we refer to as “off-track” summary judgment motions. Figure 6.1 illustrates the tracks along a time line.

**Figure 6.1**  
**Multi-Track MSJ Process for Patent Cases**



### 6.1. 3.1 “First-Track” Summary Judgment Motions

Since “first-track” motions are based on the resolution of certain claim construction issues, they most often seek summary judgment of non-infringement. For example, in *Planet Bingo v. Gametech Int’l*, 472 F.3d 1338 (Fed. Cir. 2006), the claims at issue required “establishing a predetermined combination as a winning combination.” *Id.* at 1340. The accused bingo machines determined winning combinations after the bingo game began. The parties disputed whether this could be encompassed by the claim term “predetermined.” The district court construed “predetermined” to mean a determination made before the game began. This precluded literal infringement. Based on this construction, and a finding that making a determination *after* the bingo game began could not be equivalent to making the determination *before* the game began, the district court granted summary judgment of non-infringement. The Federal Circuit affirmed. *See Planet Bingo v. Gametech Int’l. Inc.*, 472 F.3d 1338 (Fed. Cir. 2006). In this case, all that needed to be resolved was the construction of “predetermined” and the issue of what could be “equivalent” to “predetermined”— all other disputes, claim construction or otherwise, were mooted. *See also, e.g., Schoenhaus v. Genesco, Inc.*, 440 F.3d 1354, 1356 (Fed. Cir. 2006) (affirming issuance of “carefully crafted summary judgment opinion” that “construed two limitations of claim 1 of the patent” in lieu of a claim construction order).

Due to the interrelationship between claim construction and first-track motions, most first-track motions should be resolved as a part of, or in temporal proximity to, the claim construction process. As an initial matter, it is beneficial to manage cases proactively by determining whether, in each case, there are any issues that may be resolved by the construction of a single term or a small set of terms. Where such an issue exists, claim construction and first-track motions should be addressed concurrently. Claim construction is often complex. Counter-intuitively, considering first-track motions concurrently with claim construction may actually *simplify* the claim construction process by focusing the disputes and providing better context with which to understand them. It also has the potential to significantly reduce the expenditure of judicial and party resources by eliminating the need to consider all of the parties' claim construction disputes. Indeed, waiting to address such motions for a significant time after claim construction eliminates the potential efficiency of early resolution of the case based on the construction of a single term or a small set of terms. If the court does not have first-track summary judgment issues properly before it during the claim construction process, the court may find itself addressing most or all of the claim construction disputes presented by the parties, only to later find that only one of those disputes actually mattered to the resolution of the case.

Another benefit of hearing first-track summary judgment motions with claim construction is it can give the court important context for understanding the parties' claim construction disputes. Technically, the accused product is not a factor in claim construction. *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565, 1580 (Fed. Cir. 1991) ("The words of the claims are construed independent of the accused product."). Nonetheless, the Federal Circuit has expressly directed district judges to construe claims with an understanding of the ultimate issues and disputes in a case. *Id.* ("Of course the particular accused product (or process) is kept in mind, for it is efficient to focus on the construction of only the disputed elements or limitations of the claims"). Indeed, it is "highly undesirable" to consider claim construction issues "without knowledge of the accused devices," *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1350 (Fed. Cir. 2006), because these provide the "proper context for an accurate claim construction." *Lava Trading, Inc. v. Sonic Trading Mgmt. LLC*, 445 F.3d 1348, 1350 (Fed. Cir. 2006). Summary judgment briefing can be an effective vehicle for revealing the motivations underlying claim construction disputes. Of course, information about the issues in the case need not be provided to the court by summary judgment motions. For example, the court can obtain this information through a tutorial, at a case-management conference, or through the claim construction briefing or hearing.

An alternative possibility is to hear first-track motions prior to the normal claim construction process. This is generally not recommended, though it may make sense in some cases if the court is able to determine early in the case that there is a first-track motion based on a simple claim construction issue with a

strong chance of success. The reason this approach is generally not recommended is that it can disrupt and delay the case if the summary judgment motion is denied. Many districts have established local rules for patent cases that set up a structured series of disclosures leading up to claim construction briefing and a hearing. As discussed in Chapter 2, such procedures are recommended even if they are not required by the district's local rules. It generally does not make sense to postpone or interfere with this process just because one party argues that it has a strong first-track motion. As such, hearing first-track summary judgment motions concurrently with the court's typical claim construction schedule strikes a good balance. The case will remain on track even if the motion is denied or taken under submission at the hearing; if the motion is granted, the hearing would have been held early enough in most jurisdictions that the court and the parties will have avoided substantial time and expense on discovery and other activities that, ultimately, proved to be unnecessary. Moreover, if the court decides to grant the motion after the hearing, it need only issue an opinion on the claim terms whose construction is necessary to resolve the summary judgment motion. If, on the other hand, the court decides not to grant the motion, then the case can proceed like any other case with the issuance of a claim construction order.

### **6.1.3.2 “Second-Track” Summary Judgment Motions**

“Second-track” summary judgment motions involve substantial issues beyond how a claim is construed, and therefore should not normally be considered as part of the claim construction process. Claim construction issues and first-track motions are often interrelated and involve a common set of legal principles and evidence. It makes sense to consider them together. Second-track summary judgment motions involve different sets of legal principles and evidence in addition to underlying claim construction issues. Moreover, as discussed previously, most courts have found that it is best to resolve claim construction issues midway through a case, both to facilitate settlement and so that the parties can prepare for trial knowing what the claim construction is. *See* § 5.1.1. Unless the second-track motion is straightforward and unaffected by claim construction (for example, a challenge to standing, *see* § 2.2.1.1.2), making the effort to consider a second-track summary judgment motion before issuing a claim construction order diverts judicial resources from that goal.

### **6.1.3.3 Implementing a Dual-Track Approach to Summary Judgment**

This dual-track approach to summary judgment in patent cases depends on the ability to distinguish between first-track and second-track motions and to enforce the distinction. Because of their complexity or the specific facts at issue, some

cases do not present realistic opportunities to implement a dual track approach: there may be no issues that are purely claim construction driven or that can otherwise be resolved well before fact discovery is completed, or such issues that do exist can be shrouded by factual disputes about other issues and difficult to identify at the outset of the case. Courts seeking to implement a dual track approach can rely on submissions and interactive dialogue with the parties to help overcome this latter hurdle. For this and other reasons, implementing a dual track approach requires the court to manage the case actively and set expectations early, so that any potential first-track summary judgment motions are identified promptly, vetted by the court to determine whether they are indeed first-track motions, and ultimately briefed prior to or in parallel with the claim construction process. This helps ensure that Fed. R. Civ. P. 56(d) issues do not derail the court's ability to grant a meritorious first-track motion and dispose of the case early on.

The most essential component of this is providing early notice to the parties of the procedure the court intends to follow. The court should explain the first-track motion concept to the parties in a standing order for patent cases, at the initial case-management conference, or both. Setting proper expectations is especially important where the local rules of a court may limit the total number of summary judgment motions that may be filed, including jurisdictions that only allow one summary judgment motion, or that limit the total number of pages that may be filed with respect to summary judgment motions. For a dual-track approach to be effective, the parties need to know, for example, whether bringing a first-track motion will impede their ability to file a second-track motion later in the case, or have the assurance that it will not.

To efficiently manage the case, there should also be a deadline in the case schedule for a summary judgment motion believed to be a first-track motion. To avoid unfairness and/or problems with Fed. R. Civ. P. 56(d), there should also be a deadline for providing notice to the other party of the basis for any planned first-track motion, including at least the identity of any witnesses who will submit evidence in support of the motion. These deadlines could be the same, provided that the deadline is far enough in advance of the claim construction hearing to allow the opposing party time to perform reasonably necessary discovery, such as deposing the witnesses who submit declarations in support of the first-track motion.

Another way to streamline the process while avoiding Fed. R. Civ. P. 56(d) issues, is to require the movant to identify first-track motions very early in the case, then require the parties to take discovery on the issues in any first-track motions concurrently with claim construction discovery and disclosures. After this limited discovery is complete, the court can then hear the first-track motions with the claim construction hearing.

Courts also need to set expectations to avoid having the parties submit multiple first track summary judgment motions. One option is to limit each party

to a single first-track motion. Once the briefing is complete, the court could review it and decide whether to consider it along with claim construction. Another option is to require a party to obtain leave of court before filing a first-track motion. This may be the best approach to address the tension that may exist where a jurisdiction limits the total number of summary judgment motions that may be filed without leave to one motion. In such jurisdictions, courts should still encourage strong first-track motions, but the court should be clear during the case management conference or in the scheduling order as to whether the first-track motion will be a party's only chance at summary judgment during the course of the case.

Procedurally, the court could require that a party wishing to file a first-track motion submit a two- or three-page letter brief with the court within two weeks of submitting the Joint Claim Construction Statement required under some courts' Patent Local Rules. The letter brief would describe the proposed "first track" motion and why it should be heard with claim construction. The court could then evaluate how to proceed. This would also afford the opposing party notice of the basis of the motion, to avoid Fed. R. Civ. P. 56(d) problems.

Appendix 6.1 contains a sample standing order for first track summary judgment motions. It limits each party to a single first track summary judgment motion absent leave of court. It is designed to integrate with the Patent Local Rules originated by the Northern District of California, although it can be used in any district whether or not the district has adopted a version of those Patent Local Rules. If there are no Patent Local Rules, the court can simply remove the references in the sample order to those rules. The remaining text in the sample order stands on its own.

#### **6.1.3.4 Recognizing First Track Summary Judgment Motions**

Non-infringement motions based on a small set of claim terms are the most likely to be first-track motions. This is because judgment of non-infringement is appropriate if any single claim limitation is not met. *See* § 11.4.1.4. Often, the same or similar claim limitations appear in each of the independent claims. If those claim limitations are not met, literal infringement (and quite possibly non-literal infringement) cannot be established and the case, or at least some aspects of it, is resolved. Dependent claims need not be considered because they cannot be infringed if the independent claims are not infringed.

Another area of non-infringement which may potentially be a clear case for first-track summary judgment motions is where there is divided infringement. While recent decisions regarding this area of law have been vacated and are pending *en banc*, they state that a method claim can only be directly infringed if each step of the claimed method is performed by a single party. Moreover, the

acts of an alleged infringer's customers cannot be attributed to the alleged infringer unless the customer is acting as the accused infringer's agent. *See e.g., McKesson Techs., Inc. v. Epic Sys. Corp.*, 2011 U.S. App. LEXIS 7531, cv 2010-1291, at \*6-15 (Fed. Apr. 12, 2011); *Akamai Tech., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. Dec. 2010). If the *en banc* panel reaches the same conclusion, then cases with divided infringement issues will be prime candidates for a court to consider as first-track motions.

While non-infringement motions are the most common, first-track motions can also include certain invalidity motions, particularly motions for indefiniteness or lack of written description under § 112, or motions asserting the claims are not patentable subject matter under § 101. Even enablement motions under § 112 can be amenable to early resolution. Enablement and indefiniteness are both ultimately legal conclusions for the court, albeit based on underlying facts. *Warner-Lambert Co. v. Teva Pharms. USA, Inc.*, 418 F.3d 1326, 1337 (Fed. Cir. 2006) (enablement standard); *Datamize, LLC v. Plumtree Software*, 417 F.3d 1342 (Fed. Cir. 2005) (indefiniteness standard). While the issue of written description is a question of fact, a patent can nonetheless be held invalid “on its face” for lack of adequate written description. *Univ. of Rochester v. G.D. Searle & Co., Inc.*, 358 F.3d 916, 927 (Fed. Cir. 2004) (describing written description standard and listing cases where a patent was held invalid “on its face” under this standard). Importantly, enablement, indefiniteness, and written description are issues that often turn on the meaning of a single claim limitation that appears throughout the claims in dispute. For example, modifying the *Planet Bingo* facts slightly, the defendant could have argued that if “predetermined combination” was construed to include winning combinations generated after the bingo game began, the claim was not supported by the patent's written description. If the patent only described determining winning combinations before the game started, and emphasized the benefits of determining the combinations before the game started, the written description motion could be meritorious and would dispose of the case.

Whether a claim is patentable subject matter under § 101 is a question of law, and often motions that argue that claims are not patentable under 35 U.S.C. § 101 are resolvable without claim construction. *See, e.g., Fort Properties, Inc. v. American Master Lease, LLC*, 609 F. Supp. 2d 1052 (C.D. Cal. 2009), *aff'd*, 671 F.3d 1317 (Fed. Cir. 2012) (invalidating claims under § 101 without discussion of claim construction). Even if some claim construction is required, it may still make sense to consider a § 101 motion as a first-track motion. For example, one court granted summary judgment of invalidity under § 101 using the constructions proposed by the plaintiff, the non-moving party. *See CyberSource Corp. v. Retail Decisions, Inc.*, 620 F.Supp.2d 1068 (N.D. Cal. 2009), *aff'd*, 654 F.3d 1366 (Fed. Cir. 2011). Whether the court considers a § 101 invalidity defense in the context of a first-track or second-track motion, note that the legal framework for proving invalidity under § 101 is very much in flux. *See, e.g., Mayo Collaborative Servs.*

*v. Prometheus Labs*, 132 S.Ct. 1289 (2012) (reversing the Federal Circuit’s holding that the claims were valid); *Bilski v. Kappos*, 130 S. Ct. 3218, 3226-31 (2009) (rejecting the “machine-or-transformation” as the sole test for what constitutes patent eligibility under § 101, but holding that the concept of hedging risk was an unpatentable abstract idea); *Ass’n for Molecular Pathology v. United States PTO*, 653 F.3d 1329 (Fed. Cir. July 2011) (“Myriad”) (holding that isolated DNA molecules are patent eligible, method claim for screening potential cancer therapeutics are also patentable, but method claims directed towards “comparing” or “analyzing” two gene sequences are outside scope of § 101 as they claim only abstract mental processes) (remanded by the Supreme Court to the Federal Circuit for reconsideration in light of *Prometheus*). In particular, the Supreme Court’s decision in *Prometheus* seems likely to encourage summary judgment motions (especially those paired with invalidity motions based on anticipation or obviousness) because it sets forth a conceptual framework that either party may use to leverage prior-art-based invalidity contentions to present the district court with a narrow legal issue to decide under § 101. But it is yet too recent a decision to measure its overall impact, with respect to summary judgment and otherwise, because the manner in which the Federal Circuit and district court interpret and apply the Supreme Court’s holding and reasoning may affect the framework substantially.

Whether a summary judgment motion regarding infringement or validity will fall in the first track will depend on how many disputes the court needs to resolve, and of what type. Normally, a motion based on anticipation or obviousness will not be a first-track motion because to prove either, the moving party must show that every limitation in every claim is present in the prior art. This typically gives rise to a host of disputes, at least some of which are not governed primarily by claim construction issues. Thus, these motions are normally not first-track motions. However, it is possible for a question of anticipation or obviousness to turn on a small number of issues that are manageable early on in the case. For example, if it is beyond reasonable dispute that the patented invention is a specific improvement on a specific prior art device, the validity of the patent may turn on whether the specific improvement is obvious. Now that the Supreme Court has emphasized that obviousness is a legal conclusion for the courts, it is much more likely that fact patterns will arise where even under the patentee’s version of the facts, it is clear that the claimed inventions are obvious. *See KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 425, 127 S. Ct. 1727, 1745 (2007); *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1362 (Fed. Cir. 2007); *Tokai Corp. v. Easton Enters, Inc.*, 632 F.3d 1358 (Fed. Cir. 2011) (affirming summary judgment of obviousness); *Odom v. Microsoft Corp.*, 429 Fed. Appx. 967, 2011 U.S. App. LEXIS 9115 (Fed. Cir. 2011) (affirming summary judgment of obviousness). *See also* Section 6.2.1.1.2.

#### 6.1.4 Summary Judgment Independent from Claim Construction (Off-Track)

The discussion above focuses on motions which depend on claim construction. In a patent case, this includes most case dispositive issues. However, there are issues that typically do not require the claims to be construed before the motion is decided. For example, a territoriality issue—did the alleged infringement occur “in the United States”?—often will not involve claim construction.

For such motions, the above first-track/second-track approach does not apply as directly. Still, it remains true that making the effort to consider a summary judgment motion before issuing a claim construction order diverts the resources of both the court and the parties from the goal of teeing up and resolving the claim construction issues by the mid-point in a case. *See* § 2.1.1. Thus, in general, considering an off-track summary judgment motion before claim construction may make sense if the issue is potentially dispositive of the case as a whole or of a significant issue or issues. Indeed, where it is case dispositive and likely to succeed, a court should consider taking on that motion first, before devoting its time and resources to claim construction.

#### 6.1.5 Streamlining the Summary Judgment Process

Whatever the timing of summary judgment, courts can employ various tools to streamline the process. Chart 6.2 summarizes the principal approaches.

**Chart 6.2**  
**Approaches to Streamlining the Summary Judgment Process**

Approach	Advantages	Disadvantages
Letter briefs asking permission to file summary judgment motions	<ul style="list-style-type: none"><li>• The court has full view of the possible summary judgment issues and their potential to narrow the case.</li><li>• The court saves time and effort by prohibiting the filing of weak motions.</li></ul>	<ul style="list-style-type: none"><li>• Slightly lengthens the summary judgment process.</li><li>• The short summary contained in the letter briefing may give the court a distorted picture of the proposed motion.</li></ul>
Limiting the number of summary judgment motions or the	<ul style="list-style-type: none"><li>• Forces the parties to focus and identify their best arguments to the court; reduces the burden on the court of ruling on a stack of</li></ul>	<ul style="list-style-type: none"><li>• Discourages parties from bringing summary judgment motions earlier in the case.</li><li>• Limits the court’s opportunity to dispose of issues prior to trial</li></ul>

total number of pages	motions.	and create a more manageable trial.
Multiple rounds of summary judgment motions	<ul style="list-style-type: none"> <li>• May allow additional efficiency by narrowing the issues to be decided at any time.</li> </ul>	<ul style="list-style-type: none"> <li>• May increase the total number of motions filed and encourage parties to file motions on minor issues.</li> </ul>

### 6.1.5.1 Recommended Approach: Letter Briefs Followed by Summary Judgment Motions

Some courts employ a pre-motion letter briefing process to limit the number of summary judgment motions filed by the parties. Each party is required to submit a letter brief summarizing each proposed motion. The court then holds a telephone hearing during which each of the proposed motions is discussed. After this hearing, the court identifies which of the motions may be filed. One recommended variation of this practice, which has also been used by courts, is to allow the parties to file one motion without leave, and to require leave of court for any motions beyond the first.

The obvious advantage of this approach is that it gives the court an overview of the possible summary judgment issues and their potential to narrow the case. This allows the court to manage its docket with a better understanding of the impact of its decisions. The court can tailor its limits on summary judgment motions to suit the needs of each particular case.

Disadvantages of this approach may include an increase in resources required to manage the case, a somewhat longer summary judgment process, and possible distortion of complex issues by forcing the parties to unduly compress their arguments. However, compared to the benefit of not having to consider a large number of motions these risks are small, and a more flexible alternative allows the parties to file a single motion without leave of court. In many cases, one motion will be enough and the parties will be content to not file letter briefs requesting leave to file additional motions.

In general, if the parties have competent advocates, they should be able to convey enough information to the court in two to three pages and five minutes of oral argument to enable the court to evaluate whether the substance of a proposed motion justifies the effort of full briefing.

#### **6.1.5.2 Limiting the Number of Summary Judgment Motions or the Number of Pages of Summary Judgment Briefing**

Some courts limit the number of summary judgment motions the parties can bring during the life of a case; some limit the total number of pages of summary judgment briefing that can be filed; and others implement a limit based on various permutations of the above.

Where a court or jurisdiction limits the number of summary judgment motions that can be brought during the life of a case, or is considering doing so, it should inform the parties early in the case, ideally at the initial case-management conference, because any such limitations may affect the parties' litigation strategy and practice. Limiting summary judgment motions in this way has the significant advantage of forcing the parties to focus on and identify their best arguments, and it can significantly reduce the burden on the court. On the other hand, limiting the number of summary judgment motions can reduce the chance for early disposition of the case, for example because a party may not be willing to proceed on a potential first-track motion. This can also limit the court's opportunity to create a more manageable dispute by narrowing the issues early in the case. In general, this approach is not recommended because it lacks flexibility. These issues are magnified where a jurisdiction has a local rule or standing order limiting each party to one summary judgment motion per case. In those instances, the court should evaluate whether the default rule is well-suited in each case and should be clear with the parties from the outset about whether it will or will not count first-track motions against this limit.

Some courts employ a variation of this approach in which they do not limit the number of summary judgment motions, but instead require all motions to be addressed in a single brief conforming to the usual page limits required by the jurisdiction. This approach is not particularly effective in streamlining the summary judgment process. Because parties may elect to bring any number of motions, it does not necessarily reduce the number of issues that the court will have to decide. And by limiting each party to a single brief with the usual page limitations, it significantly reduces a party's ability to quote and discuss the importance of evidence supporting the motion. Thus, instead of easing the burden on the court, this approach often results in dense briefs that string-cite evidence, forcing the court to pick through voluminous evidence to reach the merits of the motion. The inefficiencies of this approach are most pronounced when a party brings two or three well-founded motions for summary judgment, but is not able to treat any one motion fully. Consequently, we recommend against this variation.

To streamline the process and reduce the burden on a court's resources, but also avoid the issues created by adherence to a strict motion limit or default page limit, some courts have utilized a variation in which the court considers the

potential issues in the case and then determines a reasonable limit for the total number of pages of summary judgment briefing that can be filed. This hybrid approach is preferable, because it will require the parties to consider their best arguments and be judicious in the number and scope of motions filed, but does not arbitrarily limit the number of motions that a party can bring. To determine an appropriate limit on the number of total pages of briefing, the court should indicate to the parties that it intends to implement such limitations early on in the case, and then during a case management conference in advance of summary judgment briefing discuss with the parties a reasonable limitation for total pages based on the potential motions in the case. Such a discussion will also help the court evaluate the merits of such motions and a reasonable page limitation for the motions that the court will allow the parties to file.

### **6.1.5.3 Multiple Rounds of Summary Judgment Hearings**

In addition to utilizing the multi-track approach to summary judgment briefing, other alternatives are also available to make patent cases more manageable and to more efficiently use judicial resources. For example, it can be useful to allow or encourage several rounds of summary judgment hearings. This approach makes the most sense in larger cases, in cases where a large number of motions are expected to be filed, or in cases where the parties identify narrow summary judgment motions on issues that require little or no discovery early in the litigation. This approach is most effective where the first round of motions is focused on issues that have the potential to narrow significantly the scope of the case. This allows the court to limit its expenditure of resources on issues that need not be raised later in the case if the issues can be narrowed early. The resolution of major issues early on in a case may also encourage settlement.

Another alternative for large patent cases where multiple patents are asserted is to require each patentee to identify “champion” patents, and then limit the proceedings to the champion patents until the infringement, invalidity, and other contentions regarding those patents are resolved. In most multi-patent cases, each party should be able to identify its strongest patents and the court may choose to proceed first with these champion patents. Use of this approach may help resolve a case by encouraging settlement if the issues on the strong patents may be resolved or narrowed in the early rounds.

A drawback of having multiple rounds or multiple hearings is that the approach may increase the total number of motions filed in the case and it may encourage parties to file motions on minor issues. Another drawback of multiple rounds is the potential delay that it may cause in the case. Thus, where multiple rounds are to be used, the court should, during the case management stage, discuss with the parties the number of rounds of summary judgment that it plans to utilize, whether it is open to hearing first-track motions, whether it plans

require the parties to designate champion patents, or whether the court plans to implement any total limitations regarding number of pages of briefing or the number of motions. As discussed above, the court can request that the parties notify it of any intended motions early in the case, and use that discussion to determine appropriate limits.

### **6.1.6 The Summary Judgment Hearing**

Hearings on motions for summary judgment in patent cases usually present the same issues as presented in other types of cases. But several issues—the length and division of time, live testimony, the use of graphics, and whether to hold a technology tutorial—raise distinctive concerns in patent cases.

**Chart 6.3**  
**Approaches to the Summary Judgment Hearing**

Approach	Advantages	Disadvantages	Examples
Live testimony	<ul style="list-style-type: none"><li>• Affords the court the opportunity to hear testimony focused on the issues on which the motion turns.</li></ul>	<ul style="list-style-type: none"><li>• Inconsistent with MSJ standard.</li><li>• Time-consuming.</li><li>• Invites cumulative testimony.</li></ul>	
Graphics	<ul style="list-style-type: none"><li>• May assist the court in understanding complex technical distinctions.</li></ul>	<ul style="list-style-type: none"><li>• Invites longer presentations.</li><li>• Challenge to keeping precise record.</li></ul>	PowerPoint slides

#### **6.1.6.1 Length and Division of Time**

The length of time needed for a summary judgment motion varies widely depending on the court's preferences and the scope and nature of the issues at stake. As an example, a motion seeking summary judgment of infringement implicates a broad scope of issues and may require significantly more time than a motion for summary judgment of non-infringement, which might focus on the absence of a single claim limitation. Typically, whatever time the court allots to

the hearing should be divided equally between the parties, and each party should be free to elect how best to use it.

#### **6.1.6.2 Live Testimony**

The factual issues relevant to a motion for summary judgment are sufficiently settled before a motion is brought that live testimony during the hearing is rarely appropriate. It can be unduly time consuming and invite cumulative evidence. But it can be useful in limited circumstances where declarations submitted by the parties do not squarely address each other, creating the perception of a question of material fact when, in reality, one may not exist. In such circumstances, live testimony may allow the court to probe discrepancies in the testimony that may affect whether summary judgment is appropriate.

#### **6.1.6.3 Graphics**

Most courts permit the parties to use graphics, such as PowerPoint slides, during their presentations. This can be particularly helpful to the court in patent cases, where visual aids may assist the court in understanding nuanced technical issues. Such presentations tend to be most helpful when they present issues in a functional manner—i.e., through the use of graphical illustrations and charts. Where they merely repackage the arguments in briefs with bullet points, such presentations can be inefficient.

#### **6.1.6.4 Technology Tutorial**

Because the technology implicated by the patents-in-suit, accused products, and prior art is often complex and unfamiliar to the court, a technology tutorial may assist in clarifying the issues to be decided. Whether this should occur in conjunction with summary judgment will vary depending in part upon the timing of summary judgment relative to claim construction—where technology tutorials are most prevalent, *see* Chapter 5—and the court’s needs. If the court held a tutorial in conjunction with a prior *Markman* hearing, it may not be necessary to hold a second one. But the court should consider carefully whether the scope of technical issues discussed at the *Markman* stage encompassed the technical information relevant to the summary judgment stage. It often does not because summary judgment frequently implicates a broader set of technical issues. If summary judgment is concurrent with, or precedes, claim construction, this counsels in favor of holding a tutorial in connection with the summary judgment hearing. The methodology of the tutorial can take various forms, including a neutral presentation by counsel, a presentation by each party’s experts or by a technical advisor to the court, and written submissions by the parties followed by

a question-and-answer session. These options are discussed more fully in § 5.1.2.2.

### **6.1.7 Expert Declarations Filed in Connection with Summary Judgment Motions**

Because summary judgment motions in patent cases will typically be both supported and opposed by expert declarations, a central issue in most patent summary judgment motions will be evaluating the extent to which expert declarations create (or fail to create) genuine issues of fact that preclude summary judgment.

#### **6.1.7.1 Some Expert Testimony Cannot Defeat Summary Judgment**

##### **6.1.7.1.1 Testimony About Conclusions of Law**

Expert opinions directed to a conclusion of law are insufficient to defeat summary judgment. *KSR Int’l Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1745 (2007) (“To the extent the court understood the *Graham [v. John Deere]* approach to exclude the possibility of summary judgment when an expert provides a conclusory affidavit addressing the question of obviousness, it misunderstood the role expert testimony plays in the analysis.”).

Moreover, expert opinions directed to a conclusion of law are generally considered irrelevant because it is the court’s role to decide issues of law. However, this distinction can be confusing in patent cases because there are a number of questions of mixed fact and law that may be raised in such cases, for example with respect to obviousness. Courts should therefore carefully evaluate the specific opinions that are being offered by any experts to determine whether such opinions are permissible or impermissible opinions to be considered on summary judgment, and the court should disregard the impermissible opinions.

##### **6.1.7.1.2 Conclusory Testimony**

The conclusory testimony of an expert, at least when standing alone, is not sufficient to defeat summary judgment. *Telemac Cellular Corp. v. Topp Telecom, Inc.*, 247 F.3d 1316 (Fed. Cir. 2001) (“broad conclusory statements offered by *Telemac*’s experts are not evidence and are not sufficient to establish a genuine issue of material fact”); *Arthur A. Collins, Inc. v. N. Telecom, Ltd.*, 216 F.3d 1042, 1046 (Fed. Cir. 2000); *In re Dembiczak*, 175 F.3d 994, 999 (Fed. Cir. 1999).

#### **6.1.7.1.3 Testimony Contradicting Clear Disclosure of Prior Art**

Expert testimony that purports to contradict the clear disclosure of a prior art reference is insufficient to defeat summary judgment. *Jamesbury Corp. v. Litton Indus. Prods. Inc.*, 756 F.2d 1556, 1563 (Fed. Cir. 1985) (overturning a jury verdict of anticipation), *overruled in part* by *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992).

#### **6.1.7.1.4 Testimony Contradicting Admissions of a Party**

In *PharmaStem Therapeutics, Inc. v. ViaCell, Inc.*, 491 F.3d 1342, 1362 (Fed. Cir. 2007), the Federal Circuit refused to give weight to expert testimony proffered by the patentee about the nature of the prior art that contradicted statements in the specification of the patent-in-suit about that art. As a result of these limitations, the mere existence of apparently conflicting expert testimony from both parties does not necessarily mean that questions of material fact preclude summary judgment. For additional limitations on expert testimony, *see* § 7.4.

#### **6.1.7.2 Legal Insufficiency of Expert Testimony**

Proffered expert testimony may also fail to navigate patent law's substantive requirements correctly, rendering it of little to no relevance. The most common failing in this regard concerns the timing of the substantive analysis. Whether a patent claim is obvious is measured at the time of invention. Thus, expert opinions about obviousness must focus on what would be known or obvious to a person of ordinary skill *at the time of invention*. But enablement is measured at the time the application was filed, *In re Wands*, 858 F.2d 731, 736-37 (Fed. Cir. 1988); infringement, including equivalency under the doctrine of equivalents, at the time of alleged infringement, *see, e.g., Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 37 (1997); and equivalency under § 112, ¶ 6, at the time the patent issued, *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999). An opinion based on an analysis that focuses on the wrong point in time does not address the substantive standard relevant to the motion. Likewise, an expert opinion about anticipation that does not address whether the asserted prior art reference is enabling may not satisfy the substantive standard. *See, e.g., Forest Labs., Inc. v. Ivax Pharms., Inc.*, 501 F.3d 1263, 1268 (Fed. Cir. 2007). An opinion that fails to address the substantive standard may have little to no probative value. As a result, it may be appropriate to exclude the testimony under Fed. R. Evid. 402 and 702.

### 6.1.7.3 Expert Testimony Beyond the Scope of the Expert Report

In patent cases, parties commonly argue that expert testimony regarding summary judgment should be stricken or disallowed because it goes beyond the scope of the expert's reports. This arises in a number of contexts:

- A *Celotex* “failure of proof” argument for summary judgment, based on the absence of opinion or evidence in an expert report, *see, e.g., Telemac Cellular Corp. v. Topp Telecom, Inc.*, 247 F.3d 1316 (Fed. Cir. 2001);
- An argument that a declaration opposing summary judgment should be stricken.
- Expert testimony through declaration that is contrary to deposition testimony.

The consequences of either allowing or disallowing expert testimony that is beyond the scope of the expert’s report should be examined carefully. However, courts should keep in mind the Federal Circuit’s clear support for allowing the district court discretion to make procedural rulings that are effectively case-dispositive. *See O2 Micro Int’l, Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1368-69 (Fed. Cir. 2006) (finding court did not abuse its discretion in excluding untimely expert reports).

Moreover, it is important for a court to also consider that allowing an expert declaration to stand for a point that is outside the scope of the expert’s report on the subject has the practical effect of granting a motion by that party to serve a supplemental expert report. This can be problematic and prejudicial both from a case management perspective and to the party against whom the declaration has been offered. Where such an expert declaration has been allowed, the scope of the trial will inevitably expand to include testimony on that new point. As discussed in § 7.5.2.3, allowing a supplemental expert report may also unfairly prejudice the party against whom it is offered by raising issues requiring a responsive expert supplementation. Because the substantive underpinnings of validity and infringement are intertwined, a supplemental expert report in the form of a declaration submitted in connection with a motion for summary judgment of non-infringement may justify a responsive supplementation not only on the issue of infringement but also on the issue of validity.

Unfortunately, courts often do not address this issue head-on. Faced with a request to strike an expert declaration filed in connection with summary judgment, courts commonly remain silent about the request to strike and simply decline to cite the declaration in the opinion. Alternatively, some courts will defer a ruling on the issue until later in the case. These practices should be avoided as they risk basing an important decision on an incomplete record and they reward a party that failed to proffer a proper, timely report with an unfair advantage. These approaches effectively inject the additional opinions from the declaration into the

case, but without any recognition by the court that this has occurred. At best, the receiving party may depose the expert, which will weaken any prejudice argument, and often leads the court to ultimately allow the opinions. But the result is often that the party against whom the opinions are offered has little or no opportunity to offer responsive expert opinions, especially because this issue typically arises late in the case. Instead, courts should explicitly address the request to strike as soon as possible and either strike the new matter or recognize that the declaration is a supplemental expert report. If the court permits the declaration as a supplementation, it should then provide the receiving party with an opportunity to depose the expert on the supplemental opinions and to offer responsive expert testimony of its own, thus allowing the parties to establish a complete record. Active management by the court will prevent the disclosing party from circumventing the court's schedule and improperly offering belated expert opinions. Section 7.5.2.3 explores these issues further.

### **6.1.8 Narrowing Trial Issues Through Fed. R. Civ. P. 56(g)**

Even where summary judgment is not appropriate, summary judgment proceedings may nevertheless be helpful in simplifying a patent case for trial. Fed. R. Civ. P. 56(g), as implemented in the 2010 Amendments, states that where “the court does not grant all the relief requested by the motion, it may enter an order stating any material fact — including an item of damages or other relief — that is not genuinely in dispute and treating the fact as established in the case.” This provision is particularly useful for patent cases because many of the facts necessary to prove infringement or validity are often undisputed and this rule can now be used to help narrow the issues in a case.

For example, as discussed in § 13.4.1.4, infringement requires that each claim limitation be present in the accused device. Thus, a patentee must present evidence at trial corresponding to each claim limitation. But the accused infringer often disputes the presence of only a small subset of these claim elements. If the court can determine, based on the evidence presented at summary judgment, which limitations are undisputed, Fed. R. Civ. P. 56(g) permits it to narrow the infringement portion of the trial to only those elements in dispute. This can significantly simplify a trial.

Although a court should apply Fed. R. Civ. P. 56(g) wherever possible, it must do so carefully, considering the scope of the motion and the relative burdens of proof. The court should utilize this rule only where the issues have been joined fully in the summary judgment proceedings. For example, when an accused infringer cites the absence of only one claim limitation in its non-infringement summary judgment motion, it is not necessarily admitting that there are no disputes as to the other limitations. The accused infringer may simply be choosing to move for summary judgment on its strongest non-infringement argument. As

another example, in some cases the party opposing the motion acknowledges in its briefing or oral argument that certain issues underlying the motion are not disputed. When this happens, a Fed. R. Civ. P. 56(g) order is appropriate.

## **6.2 Substantive Issues Commonly Raised During Summary Judgment**

Some issues in patent cases are more amenable to summary judgment than others. In part, this is because some issues, such as infringement or anticipation, are factual and some, such as obviousness, are primarily legal in nature. There are also different standards of proof applied—infringement requires only a preponderance of the evidence, while invalidity requires clear and convincing proof. And some motions require a narrow scope of proof, while others require that the movant prove a much broader set of facts. For example, non-infringement is more likely to be amenable to summary judgment than infringement, because a patentee must show that each limitation of a claim is found in each accused device. Conversely, an accused infringer need only show the absence of a single limitation to avoid infringement. As a result, the accused infringer's burden on summary judgment is more likely to be satisfied, because a narrower scope of proof is required. Finally, some issues are more amenable to summary judgment because the underlying facts are not typically disputed; only the conclusions to be drawn from them are in dispute.

### **6.2.1 Issues More Amenable to Summary Judgment**

This section explores the motions within validity, infringement, and damages that, in general, are more likely to be resolved at the summary judgment stage.

#### **6.2.1.1 Validity**

An accused infringer must prove invalidity by clear and convincing evidence. The Supreme Court has observed that while the standard for proving invalidity does not change, the fact that a material reference was not before the USPTO may make the standard easier to meet. *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2238, 2251 (2011) (“Simply put, if the PTO did not have all material facts before it, its considered judgment may lose significant force. And, concomitantly, the challenger's burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain. In this respect, although we have no occasion to endorse any particular formulation, we note that a jury instruction on the effect of new evidence can, and when requested, most often should be given.”).

In general, the high burden for invalidity makes summary judgment on validity issues more likely for patentees than accused infringers. But, as discussed below, the nature of several invalidity defenses often renders them amenable to summary judgment for either party.

#### 6.2.1.1.1 Patentable Subject Matter

Statutory subject matter is a question of law and hence is amenable to resolution at the summary judgment stage. Unfortunately, the test for determining whether a patent claim is within the scope of patentable subject matter is notoriously vague. *See generally* § 13.3.1. Although Section 101 of the Patent Act extends protection to “any” “process, machine, manufacture, or composition of matter” or “improvement thereof,” which are eligible for patent protection “subject to the conditions and requirements of this title,”<sup>1</sup> the Supreme Court’s precedents have recognized three specific exceptions to § 101’s broad patent eligibility: “laws of nature, physical phenomena, and abstract ideas.” *See Bilski v. Kappos*, 130 S.Ct. 3218, 3225 (quoting *Diamond v. Chakrabarty*, 447 U.S. 303, 309 (1980)). The Supreme Court has struggled to articulate the source – Constitutional, statutory, or jurisprudential/“common law” – for these limitations and provide clear guidance for determining whether claims fall within these exceptions.

Section 13.3.1 summarizes the development of the patentable subject matter limitations. Although neither the statute nor the legislative history explicates these limitations, several analytical approaches can be gleaned from the case law.

In evaluating *method* claims, four somewhat overlapping frameworks may be relevant: (1) the substantiality of non-“law of nature” components; (2) the machine-or-transformation test; (3) the mental steps doctrine, *see Gottschalk v. Benson*, 409 U.S. 63, 67 (1972); and (4) the abstractness doctrine, *Bilski v. Kappos*, 130 S. Ct. 3218, 3226-27 (2009). In applying these frameworks, courts should bear in mind the overarching goals animating patentable subject matter limitations: (a) to avoid impeding technological progress (also stated as “preempting” fields of invention, *see Gottschalk v. Benson*, 409 U.S. 63, 67 (1972)) by affording control to fundamental principles that are “part of the storehouse of knowledge of all [humankind]” such as “phenomena of nature,” the “qualities of [] bacteria,” “the heat of the sun,” “electricity,” and “the quality of metals,” *see Funk Brothers Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127 (1948); and (b) to ensure that patents are not unduly abstract or broad. This latter concern

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<sup>1</sup> The America Invents Act effectively excludes tax strategies and human organisms from patentability, although it does so outside of § 101. . . . Section 14 of the AIA deems “strategies for reducing, avoiding, or deferring tax liability” to be within the prior art and hence lacking novelty. . . . Section 33 of the AIA bars claims “directed to or encompassing a human organism.” Both provisions apply to patent applications pending or filed after September 16, 2011.

overlaps with § 112 disclosure considerations. See *O'Reilly v. Morse*, 56 U.S. (15 How.) 62, 112-121 (1854) (denying Samuel F.B. Morse's patent claim to all uses of electro-magnetism for communication out of concern that such a claim could interfere with the "onward march of science," while allowing narrower claims on his particular apparatus and methods of communicating via telegraph). Courts should keep in mind that patent law seeks to distinguish between basic laws of nature, physical phenomena, and algorithms which cannot be patented and the *application* of these principles to useful objects which can. See *Le Roy v. Tatham*, 55 U.S. (14 How.) 156, 174-75 (1853).

The "substantiality of non-'law of nature' components" derives from the Supreme Court's decisions in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S.Ct. 1289 (2012) and *Parker v. Flook*, 437 U.S. 584 (1978). *Prometheus* teaches that courts should treat laws of nature or algorithms as unpatentable and evaluate whether the remaining steps in a claimed process contribute anything beyond "well-understood, routine, conventional activity, previously engaged in by those in the field." *Prometheus*, 132 S.Ct. at 1299-1300; *id.* at 1297 ("If a law of nature is not patentable, then neither is a process reciting a law of nature, unless that process has additional features that provide practical assurance that the process is more than a drafting effort designed to monopolize the law of nature itself."). This test draws upon the Supreme Court's decision in *Parker v. Flook*, 437 U.S. 584 (1978), wherein the Court held that the patentee's "process is unpatentable under § 101, not because it contains a mathematical algorithm as one component, but because once that algorithm is assumed to be within the prior art, the application, considered as a whole, contains no patentable invention." *Id.* at 594. Although reaffirming its rulings in *Flook* and *Diamond v. Diehr*, 450 U.S. 175 (1981), the *Prometheus* decision offered little guidance about how to reconcile these decisions or apply them coherently. Cf. *Diehr*, 450 U.S. at 207-16 (Stevens, dissenting) (author of *Flook* opinion contending that *Diehr* is flatly inconsistent with *Flook's* approach).

Although the Supreme Court declined to adopt the Federal Circuit's "machine-or-transformation test" as the sole comprehensive standard of patentable subject matter, see *Bilski v. Kappos*, 130 S. Ct. 3218, 3226-27 (2009), the Court explained that the "machine-or-transformation" test is still a "useful and important clue, an investigative tool, for determining whether some claimed inventions are processes under § 101." Further the Court explained that limiting an abstract idea to one field of use or adding token post-solution components does not make that concept patentable. *Id.* at 3231.

In evaluating *composition* claims involving substances derived from natural materials, courts should focus on whether the claimed composition is "markedly different" from a product of nature. See *American Wood-Paper Co. v. The Fibre Disintegrating Co.*, 90 U.S. (23 Wall.) 566 (1874); *Association for Molecular Pathology v. USPTO*, 653 F.3d 1329 (Fed. Cir. 2011), *vacated and remanded in*

light of *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S.Ct. 1289 (2012), 132 S. Ct. 1794 (2012).

Courts are actively resolving § 101 invalidity defenses on summary judgment, although the precise boundaries of unpatentable abstract ideas remain elusive. *See e.g., Fort Properties, Inc. v. Am. Master Lease LLC*, 671 F.3d 1317 (Fed. Cir. 2012) (holding claims that required aggregating real property, making it subject to an agreement, and then issuing ownership interests to multiple parties, disclosed unpatentable abstract idea, and that claim limitation that required computer to generate plurality of deedshares did not impart patent-eligibility to claims that were otherwise directed to unpatentable abstract idea of a real-estate investment tool); *DealerTrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012) (holding that claims directed to a method of managing a credit application claimed the basic concept of processing information through a clearinghouse and are therefore invalid under § 101); *Classen Immunotherapies v. Biogen Idec*, 659 F.3d 1057, 1059-69 (Fed. Cir. Aug. 2011) (holding that a claim directed towards reviewing the effects of known immunization schedules does not put the knowledge to practical use but is directed toward abstract principles and therefore does not meet the § 101 threshold, but that claims that include the physical step of immunization are directed to a specific, tangible application and therefore cross the threshold); *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011) (holding that a method for detecting fraud in credit card transactions over the Internet did not pass the machine-or transformation test and that it was not otherwise patentable because it was drawn to a mental process); *but see Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011) (reversing district court’s determination of invalidity for lack of patent-eligible subject matter on the ground that the claimed invention – a method for distributing copyrighted products (e.g., songs, movies, books) over the Internet where the consumer receives a copyrighted product for free in exchange for viewing an advertisement – was not so abstract because it disclosed a practical application using a particular method).

The Supreme Court observed in *Flook* that the “obligation to determine what type of discovery is sought to be patented must precede the determination of whether that discovery is, in fact, new or obvious.” *Flook*, 437 U.S. at 593. The Court reinforced that principle in *Prometheus*, rejecting a call to shift the patent-eligibility inquiry entirely to analysis under §§ 102 and 103. *See Prometheus*, 132 S.Ct. at 1304. Thus, notwithstanding the ambiguity surrounding patentable subject matter standards, courts will need to confront § 101 invalidity challenges at the summary judgment stage.

### 6.2.1.1.2 Obviousness

The Supreme Court’s decision in *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 27 S. Ct. 1727 (2007), clarified the analysis of obviousness in a way that makes this defense appropriate for summary judgment in some circumstances. Obviousness is a question of law that is evaluated based on underlying factual questions about the level of skill in the art at the time the invention was made, the scope and content of the prior art, and the differences between the prior art and the asserted claim. *Id.* at 406 (quoting *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966)). These “*Graham* factors” also include secondary indicia, such as commercial success of the invention, a long-felt but unsolved need for the invention, and the failure of others, that may demonstrate that the claimed invention was non-obvious. *Graham*, 383 U.S. at 17-18. In *KSR*, the Court illustrated the application of these factors, explaining for example that “[w]hen there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense.” *KSR*, 550 U.S. at 421. Moreover, “most inventions that are obvious were also obvious to try.” *Id.* (note, though, that the reverse is not necessarily true). After the court has construed the claims, the parties typically dispute factual aspects of the *Graham* factors, the ways in which they are sought to be applied consistent with *KSR*, and the legal conclusion to be drawn from them. But such disputes, even if factual in nature, do not necessarily preclude summary judgment. However, any obviousness finding requires that the fact-finder consider all of the “objective evidence presented by the patentee.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999); *see also Rothman v. Target Corp.*, 556 F.3d 1310, 1322 (Fed. Cir. 2009) (approving district court’s charge “that the jury ‘must consider’ objective indicia of nonobviousness, such as ... licensing activity”).

First, factual disputes about the *Graham* factors, even if heated, may not be material. To evaluate the materiality of these disputes, the court can simply assume that the non-movant’s position about the factors is correct, draw inferences most favorable to that party in light of the assumed facts, and then evaluate the motion under that set of facts and inferences. For example, if an accused infringer moves for summary judgment of obviousness and it is apparent that there are factual disputes underlying the motion, the court can assume that the patentee’s position on the *Graham* factors is correct and then evaluate obviousness. If the court concludes that the claim is obvious under the patentee’s asserted facts, then the dispute about the underlying factors is not material and does not preclude summary judgment. Because obviousness is a question of law, the court does not have to conclude that “no reasonable juror” could find for the patentee, but only that there is clear and convincing evidence that the claimed

invention was obvious under the patentee’s asserted facts. This was essentially the approach taken by the district court, for example, in *Tokai Corp. v. Easton Enters, Inc.*, 632 F.3d 1358 (Fed. Cir. 2011). Specifically, “with regard to the level of skill in the art... the parties disagreed sharply. The [district] court determined, however, that the dispute was immaterial, as the court’s conclusion on obviousness was the same under either party’s asserted level of skill.” *Id.* at 1364. In the course of affirming the district court’s summary judgment of obviousness, the Federal Circuit observed that, “[s]ince the district court found that the asserted claims would have been obvious to a less sophisticated artisan, then under the facts of this case the court could not have arrived at a different conclusion by adopting the viewpoint of one with greater skill and experience.” *Id.* at 1369.

Second, *KSR* makes clear that conflicting expert testimony about the legal conclusions to be drawn from the underlying facts cannot defeat summary judgment. The court made this point explicitly: “To the extent the court understood the *Graham* approach to exclude the possibility of summary judgment when an expert provides a conclusory affidavit addressing the question of obviousness, it misunderstood the role expert testimony plays in the analysis.” at 426. As a question of law, the ultimate conclusion of obviousness or non-obviousness rests with the court. *Id.* Thus the court is *required* to ignore expert opinions about the ultimate legal issue (i.e., whether the claimed combination of limitations was “obvious”), although it should consider opinions directed at the *Graham* factors themselves (e.g., the scope and content of the prior art, and whether it collectively discloses each limitation of a claim).

Procedurally, *KSR* makes summary judgment on the ultimate issue of obviousness easier for either party to obtain. In this regard, *KSR* is equally applicable to other questions of law, such as indefiniteness, and should be considered in those contexts as well. Substantively, *KSR* makes summary judgment of obviousness substantially more accessible for accused infringers than under the old rule, as discussed in § 11.3.5.2. As a result, courts can expect patentees and accused infringers alike to file—and win—more obviousness motions than they did before *KSR*. See, e.g., *Unigene Labs, Inc. v. Apotex, Inc.*, 655 F.3d 1352, 1364 (Fed. Cir. 2011) (affirming summary judgment of non-obviousness); *Tokai*, 632 F.3d at 1371 (affirming summary judgment of obviousness); *Odom v. Microsoft Corp.*, 429 Fed. Appx. 967, 2011 U.S. App. LEXIS 9115 (Fed. Cir. 2011) (affirming summary judgment of obviousness); *Eisai Co., Ltd. v. Dr. Reddy’s Labs, Ltd.*, 533 F.3d 1353, 1355 (Fed. Cir. 2008) (affirming summary judgment of non-obviousness).

### 6.2.1.1.3 Anticipation

To prove that a patent claim is anticipated, an accused infringer must show by clear and convincing evidence that a single prior art reference contains each limitation of that claim. Conversely, the patentee need show the absence of only one limitation from the prior art disclosure. The combination of this limited showing and the high burden of proof on the accused infringer often combine to make this issue amenable to summary judgment of no anticipation. For the same reasons, summary judgment of anticipation, while possible, is less common.

### 6.2.1.1.4 Indefiniteness Under § 112, ¶ 6

Under § 112, ¶ 6, a patentee can draft its claims in “means-plus-function” form—e.g., claiming a “means for attaching” instead of claiming a nail—so long as it discloses in the specification structure that corresponds to the claimed function. If a patentee fails to disclose corresponding structure within the four corners of the specification, the claim is indefinite. *Budde v. Harley-Davidson, Inc.*, 250 F.3d 1369, 1376 (Fed. Cir. 2001). To constitute an adequate corresponding structure, an alleged corresponding structure must be (1) “clearly linked” to the claimed function to which it allegedly corresponds, (2) capable of performing that function, and (3) disclosed within the four corners of the specification (e.g., disclosure in the file history is insufficient). *Id.* at 1377. Disputes about whether the specification contains a disclosure adequate to satisfy these requirements are common. For example, in the software context, the parties commonly dispute whether the patent’s description of a general-purpose computer operating software that carries out a function provides sufficient structure. This is because, by itself, a general purpose computer is not sufficient structure. *Aristocrat Techs. Austl. PTY Ltd. v. Int’l Game Tech.*, 521 F.3d 1328, 1333 (Fed. Cir. 2008). Disclosure of an algorithm may be sufficient, if it is sufficiently programmed to turn the general-purpose computer into a special-purpose computer, *see id.*, but whether an algorithm in a given patent is sufficiently detailed to do so is often disputed. In this example, as in most cases, the merits of this defense depend almost entirely on the disclosure of the specification of the patent-in-suit (though, in some cases, also upon expert testimony concerning the knowledge of one of ordinary skill in the art). Consequently, the range of disputed facts is usually narrow, and the issue typically turns on the appropriate conclusions to be drawn from the underlying facts. The disputes about such conclusions are often expressed in competing expert declarations. Because indefiniteness is a question of law, such disputes between experts about the ultimate conclusion do not preclude summary judgment.

### **6.2.1.2 Infringement**

As noted above, *see* § 6.2, infringement is generally more amenable to summary judgment than is invalidity because of its lower burden of proof (preponderance as opposed to “clear and convincing”). But because a patentee must show that every limitation of an asserted claim is present in the accused device, it is easier to demonstrate factual disputes to preclude summary judgment of infringement. And because the ultimate issue of infringement is one of fact, infringement issues that often require inferences to be drawn from the known facts, such as finding equivalency under § 112, ¶ 6 and the doctrine of equivalents, are typically not well-suited to summary judgment because all such inferences are drawn against the moving party. In contrast, non-infringement and various other issues are often amenable to summary judgment, as discussed below. Of course, in any given case these guidelines may not apply. For example, it is certainly possible that summary judgment of infringement could be appropriate if there are only a few issues in dispute and those issues are effectively resolved as part of claim construction.

#### **6.2.1.2.1 Absence of Literal Infringement**

An accused infringer need only show the absence of a single claim limitation from the accused device to avoid literal infringement. Because literal infringement can be defeated on such a narrow ground, motions for summary judgment of non-infringement are very common.

#### **6.2.1.2.2 Whether Infringement Under the Doctrine of Equivalents Is Barred by *Festo***

Although infringement under the doctrine of equivalents is a factual question ill-suited to summary judgment, whether amendments of the patent during prosecution bar the patentee from asserting infringement under the doctrine of equivalents is a legal question well-suited to summary judgment. A patentee is barred from asserting infringement under the doctrine of equivalents as to a claim that was amended for reasons of patentability during prosecution unless the asserted equivalent was unforeseeable at the time of the amendment, the amendment bears no more than a tangential relation to the equivalent in question, or there is some other reason suggesting that the patentee could not reasonably have been expected to have described the equivalent. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 740-41 (2002); § 13.4.1.4.2.1.2. This inquiry depends largely on facts revealed by the prosecution history for the patent-in-suit. As a result, the court is often able to decide this issue at the summary judgment stage.

#### **6.2.1.2.3 Whether Infringement Under the Doctrine of Equivalents Would Violate the Wilson Sporting Goods Doctrine**

In *Wilson Sporting Goods Co. v. David Geoffrey & Associates*, the Federal Circuit held that there can be no infringement under the doctrine of equivalents if the asserted equivalents, combined with the remaining elements of the claim, encompass the prior art. 904 F.2d 677, 683 (Fed. Cir. 1990) (*overruled in part on other grounds* by *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83 (1993)); *see* § 13.4.1.4.2.1.3. For example, a patentee might assert that claim limitations 1-4 are met literally, and limitation 5 under the doctrine of equivalents. Wilson Sporting Goods precludes this argument if the prior art discloses literal limitations 1-4 combined with the element in the accused product that is asserted to be equivalent to claim limitation 5. Whether an asserted range of equivalents encompasses the prior art, thus barring the application of the doctrine as advanced by the patentee, is a question of law. *Id.* at 684. Because the court makes the ultimate decision on this issue, it is often amenable to resolution at the summary judgment stage.

#### **6.2.1.2.4 The Actions Accused of Infringement Did/Did Not Occur Within the United States**

Under § 271(a), making, using, selling, offering to sell, or importing an infringing product or method *within the United States* constitutes an act of infringement. A single transaction frequently implicates multiple jurisdictions. For example, a widget may be sold by a Tokyo company to an Indiana company pursuant to a contract negotiated in Oslo, with the widgets to be shipped to Indiana f.o.b. Taiwan. In these circumstances, parties often dispute whether the transaction occurred within *the United States* as required by section 271. Parties often style motions about this issue as motions *in limine* relating to damages. For example, the defendant may seek to exclude evidence supporting some of the alleged infringing sales because those sales allegedly occurred in a foreign country. But this issue is properly addressed as one of infringement. Because these motions are substantive, courts should treat them as motions for summary judgment, rather than as *in limine* motions, to ensure that the relevant issues are fully briefed and considered. *See* § 7.5.

Whether an allegedly infringing act occurred within, or outside of, the United States is a question of law. *See N. Am. Philips Corp. v. Lockheed Sanders, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994). Whether acts occurring within the United States are sufficient to constitute a sale, offer to sell, use, manufacture, or importation is a question of fact. *See, e.g., MEMC Elec. Materials v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1375 (Fed. Cir. 2005). Typically, the parties agree that a certain set of events took place in certain locations, but dispute the

conclusions to be drawn from these events as they relate to infringement. As a result, both questions—locus of the acts and characterization of the acts—are often amenable to summary judgment.

#### **6.2.1.2.5 The Absence of Evidence of Direct Infringement Bars Claims of Indirect Infringement**

Under §§ 271(b) and (c), a party can be held liable for indirect infringement by contributing to a third party's infringement or by actively inducing a third party to infringe. To establish indirect infringement, the patentee must prove that specific acts of direct infringement by third parties occurred. *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1380 (Fed. Cir. 2007). The analysis of direct infringement is the same for a third party as for a party and so is generally no more or less amenable to summary judgment. But, in some cases, the patentee does not focus its discovery efforts on gathering evidence of direct infringement by third parties. As a result, it is not uncommon for an accused infringer to bring a *Celotex* motion arguing that the patentee plaintiff can show no evidence of the direct infringement by third parties that is a predicate to a finding of indirect infringement against the defendant.

#### **6.2.1.2.6 “Divided” (Joint) Infringement: The Actions Accused of Infringement Are Made by Multiple Parties, Not Just the Accused Infringer**

The Federal Circuit has recently emphasized that where an accused infringer does not itself perform all the steps of an accused method, it cannot be liable for infringement unless it controls or directs performance of each step of the accused method. *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008) (reversing a jury verdict of infringement); *BMC Resources, Inc.*, 498 F.3d at 1380. Mere “arms-length cooperation” is not enough to show the necessary control or direction. *BMC Resources, Inc.*, 498 F.3d at 1381. Indeed, the most recent cases on this subject set forth the bright-line rule that “there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other person to perform the steps.” *Akamai Techs, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, 1320 (Fed. Cir. 2010); *see also McKesson Techs, Inc. v. Epic Sys Corp.*, 98 U.S.P.Q.2d 1281 (Fed. Cir. 2011). By contrast, this “single entity” rule appears not to apply to apparatus claims. *See, e.g., Centillion Data Sys, LLC v. Qwest Comms Int’l, Inc.*, 631 F.3d 1279, 1285 (Fed. Cir. 2011). In 2011, the

Federal Circuit granted *en banc* review of the *Akamai* and *McKesson* decisions and, as of this writing, the Court has not yet reached a decision in either case.

Additionally, and for either an apparatus or method claim, the law is clear that “[a] patentee can usually structure a claim to capture infringement by a single party,’ by ‘focus[ing] on one entity.’” *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1309 (Fed. Cir. 2011) (citing *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1381 (Fed. Cir. 2007)). “That other parties are necessary to complete the environment in which the claimed element functions does not necessarily divide the infringement between the necessary parties.” *Uniloc*, 632 F.3d at 1309 (noting a claim may require two parties to function, but may be infringed by just the one who uses the claimed invention). Thus, in some circumstances, a claim may recite multiple actors without presenting a divided infringement issue.

When a party other than the accused infringer performs one or more of the steps in a method claim, the issue of whether that step is performed under the direction or control of the accused infringer may be amenable to summary judgment. The issue is so narrow in scope that the material facts may not be in dispute. Thus, if this rule retains its vitality, summary judgment may be appropriate if those facts establish that a third party performed at least one step of the method outside the control or direction of the accused infringer.

#### **6.2.1.2.7 Absence of Evidence Showing The Required Mental State For Indirect Infringement**

There has, for some time, been debate about the mental state required for indirect infringement. The Supreme Court recently clarified the standard for inducement in *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011), holding that “induced infringement under § 271(b) requires knowledge that the induced acts constitute infringement” of the asserted patent. *Id.* at 2068. In reaching this conclusion, the Court relied upon – and embraced – its oft-overlooked decision in *Aro Mfg Co., Inc. v. Convertible Top Replacement Co., Inc.*, 84 S. Ct. 1526 (1964) (*Aro II*), which addresses the mental state for contributory infringement under § 271(c). There, a majority of the Court held “that § 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.” *Id.* at 1533; *see also Global-Tech*, 131 S.Ct. at 2067-68, (discussing *Aro II* and holding that §§ 271(b) and 271(c) require the “same knowledge” – that the induced act or combination to which the alleged infringer contributed was infringing.)

The Supreme Court’s clarification of the mental state for inducement and contributory infringement make disputes about whether the alleged indirect infringer possessed the requisite mental state more amenable to summary judgment. For example, where the patentee can point to no evidence showing that

the alleged infringer had knowledge of the patent when the acts occurred, summary judgment may be appropriate. Likewise, where an accused infringer can show that, even though it had knowledge of the patent, it had a good-faith belief that the allegedly infringing acts or combinations did not, in fact, infringe, summary judgment may also be appropriate.

#### **6.2.1.2.8 License and Exhaustion Defenses**

Patent licenses and the doctrine of patent exhaustion create a constellation of defenses that are often amenable to summary judgment. A straightforward license defense arises when an accused infringer asserts that the acts alleged to infringe are covered by a valid license to the patent-in-suit. While the defense often involves some factual issues, such factual disputes are often limited and the primary issues in dispute are typically legal – whether a valid license contract exists, whether that contract covers both the patent-in-suit and the acts accused of infringement, and so forth. Likewise, an implied license defense – where, typically, the purchaser of a licensed product is accused of infringement based on its use or incorporation of that product into another product – is at its core a series of contractual questions focused on the rights granted by the patentee to the component manufacturer, and on the scope of rights “sold” by the component manufacturer to the downstream customer now accused of infringement. Patent exhaustion, a closely-related (and often conflated) defense that arises when the patentee seeks to double-dip by enforcing its rights against both an up-stream and down-stream entity with respect to the same product, presents similar issues. Because each of these defenses typically involves a confined set of facts and presents legal or equitable issues that are decided by the Court, they can often be resolved, one way or the other, on summary judgment.

#### **6.2.1.3 Damages**

Many substantive issues within the damages sphere require the factfinder to draw factual conclusions from disputed evidence and so are not particularly well-suited for resolution on summary judgment. There are, however, a number of exceptions.

First, under § 287, damages against the infringer begin to accrue upon (a) actual notice of the patent or (b) upon constructive notice of the patent. When a patentee sells products embodying the invention, constructive notice can be established by marking those products with the patent number. But when method claims are asserted, the marking requirement may not apply and the patentee may be able to accrue damages from the time the patent issued. *See, e.g., Hanson v. Alpine Ski Area, Inc.*, 718 F.2d 1075, 1082-83 (Fed. Cir. 1983). There is often little dispute about whether the patentee sells an embodying product, has marked

that product with the patent number, or has provided actual notice of the patent to the accused infringer prior to suit. Thus, courts are not typically asked to address the factual question whether a patentee satisfied the marking requirement. Instead, the parties typically dispute whether, given the nature of the asserted and non-asserted claims in the patent-in-suit, marking was required at all. This is a narrow, legal issue that can often be decided at the summary judgment stage.

Second, when one side's expert relies on improper *legal* theories, it may be possible to adjudicate damages issues through pre-trial motion practice. For example, when a party seeks the benefit of the entire market value rule without evidence that “the patented feature creates the basis for customer demand or substantially create[s] the value of the component parts” it may be possible (and advisable) to rule on the issue prior to trial. See *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011); see also *Oracle America, Inc. v. Google Inc.*, 798 F.Supp 2d 1111 (N.D. Cal. 2011) (ruling on application of entire market value rule, proper date of hypothetical negotiation, Nash bargaining solution, and other legal issues).

#### 6.2.1.4 Willful Infringement

The Federal Circuit raised the standard for proving willful infringement to “objective recklessness” in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007). Under this heightened standard, the absence of willful infringement may in many cases be amenable to summary adjudication, particularly where the accused infringer was not aware of the patent prior to the lawsuit being filed. To establish willful infringement under *In re Seagate*, a patentee must satisfy two separate tests. First, “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *Id.* at 1371. The Federal Circuit recently explained that this objective test is “identical” to the objective baselessness standard that is to be applied in evaluating whether a case is exceptional under §285 for purposes of attorneys’ fees, which is the same standard applied by the Supreme Court to evaluate “sham” litigation. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs, Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012). This standard is satisfied only where “no reasonable litigant could realistically expect success on the merits.” *Id.* at 1008. In other words, “[i]f an objective litigant could conclude that the [defenses were] reasonably calculated to elicit a favorable outcome” they were not objectively baseless under §285 and, for the same reason, *Seagate*’s objective test would not be satisfied. *Id.* *Bard* also held that this objective inquiry is “a separate legal test” that must be decided by the court: “This court ... holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review.” *Id.* at 1006-

7. This is true, even where the underlying factual question (e.g., invalidity based on anticipation) is sent to the jury. *Id.* at 1007. If the objective test is satisfied, a second, subjective, test then becomes relevant: the patentee “must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.” *Seagate*, 497 F.3d at 1371.

In many cases, these tests will not be satisfied even when all inferences are drawn in favor of the patentee, making summary adjudication of this issue appropriate. As one example, denial of summary judgment as to any liability defense (e.g., denial of summary judgment of infringement; denial of summary judgment of no anticipation) should typically warrant summary adjudication that the objective test for willfulness is not satisfied and therefore that there is no willfulness as a matter of law (unless the denial as to the liability defense applies only to a subset of asserted claims or accused products) because, if the liability defense is sufficient to send to the jury after being tested through a summary judgment motion, it cannot be objectively baseless. As a counterpoint, if a court were to grant summary judgment as to all of an accused infringer’s liability defenses, that would suggest strongly that the objective test is satisfied, unless those liability summary judgment rulings were based on an underlying finding that was reasonably contested (e.g., a claim construction dispute that the accused infringer lost, but contested reasonably). And some willfulness claims for which the first test is satisfied will still fail the second test, for example because the patentee failed to identify sufficient evidence (when viewed through a clear and convincing lens) to withstand summary judgment. Conversely, it would not be surprising if cases in which the defenses were so specious as to satisfy the first test also involved facts showing that the frivolity of those defenses was known (or should have been known) sufficiently to warrant summary adjudication in favor of the patentee as to willfulness.

In addition to narrowing the issues for trial, resolving willful infringement claims on summary judgment, where appropriate, can have the practical effect of encouraging settlement – where summary judgment is granted and the possibility of treble damages is eliminated, the range of possible monetary outcomes is narrowed and the parties’ respective valuations of the case are necessarily brought closer together. Conversely, where a willful infringement claim survives summary judgment, the potential for enhanced damages is reinforced and the alleged infringer may alter its valuation of the case. Because willful infringement allegations are among the allegations in a patent litigation that are most likely to be incendiary, the effect that such claims being in (or out) has on the specific evidence that is to be presented at trial can also be significant.

### 6.2.2 Issues Less Amenable to Summary Judgment

The issues that are least amenable to summary judgment are typically those that have at least two of the following characteristics: (a) require a high burden of proof; (b) are questions of fact; (c) are broad issues requiring the movant to establish a wide range of facts; and (d) involve subjects about which the underlying facts are typically disputed.

For example, the contention that a patent claim is anticipated combines the high clear-and-convincing burden of proof with the requirement that the accused infringer establish that a single reference contains a disclosure of every limitation of the claim. This normally involves proving a wide range of facts in the face of vehement disagreement from the patentee, though of course in some cases anticipation may be an issue that is essentially resolved as a result of a broad claim construction. Infringement under the doctrine of equivalents has a different combination of characteristics: It is a factual question that requires the fact-finder to draw inferences from the underlying facts, and the parties typically rely heavily on conflicting expert opinions about whether the differences between the claim limitation and asserted equivalent are insubstantial. Again, however, in some cases the doctrine of equivalents may be an issue that is essentially resolved as a result of a broad claim construction.

The equitable issues of laches and estoppel typically involve heavily disputed underlying facts. The invalidity defenses of enablement and written description combine a high burden of proof with the fact that the parties typically rely heavily on conflicting expert testimony about what a person having ordinary skill in the art would have understood from the patent's disclosure. As a result of these characteristics, these issues are less amenable to summary judgment.

Another issue generally less amenable to summary judgment is a claim of inequitable conduct. This is particularly true in light of the Federal Circuit's recent *en banc* decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011). In *Therasense*, the Court set forth heightened standards for both parts of the two-part standard for an inequitable conduct defense. To satisfy the first part, the accused infringer must show, by clear and convincing evidence, that the patentee "acted with the specific intent to deceive the [Patent Office]." *Id.* at 1290. In cases where the alleged misconduct was the non-disclosure of prior art, the accused infringer "must prove by clear and convincing evidence that the applicant knew of the [prior art] reference, knew that it was material, and made a deliberate decision to withhold it." *Id.* To satisfy the second part of the test, the accused infringer must prove, by clear and convincing evidence, that the misconduct was "but-for" material. In the context of non-disclosure, but-for materiality means that "the [Patent Office] would not have allowed a claim had it been aware of the undisclosed prior art." *Id.* at 1291. *Therasense* provides one exception to but-for materiality – "[w]hen the patentee has engaged in affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit,

the misconduct is material.” *Id.* at 1292. Because the standard is high and the inquiry is fact intensive, it is rare that inequitable conduct can be affirmatively established on summary judgment. However, especially in light of the heightened standard, it is somewhat more likely that a patentee will be able to establish a lack of inequitable conduct on summary judgment.

**Appendix 6.1**  
**Sample Standing Order Setting a Schedule for First-Track**  
**Summary Judgment Motions**

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF

COMPANY, INC.,	§	
	§	
Plaintiff,	§	
	§	
vs.	§	CASE NO. X
	§	
ANOTHER COMPANY INC.,	§	
	§	
Defendant.	§	

STANDING ORDER RE: CLAIM CONSTRUCTION SCHEDULING

It is hereby **ORDERED** that the following deadlines are in effect for all patent infringement cases before the Court absent further order of this Court:

80 days prior to CC Hearing date	<p><b>[N.D.CA. Patent L.R. 4-3]</b> Joint Claim Construction and Prehearing Statement due. Parties shall jointly submit a claim construction chart that sets forth construction of those terms on which the parties agree; each party’s proposed constructions of each disputed term, together with an identification of all references from the specification or prosecution history that each party contends support its construction; an identification of the terms whose construction will be most significant to the resolution of the case up to a maximum of 10.</p> <p><b>Notice of Intent to File Summary Judgment Motion Based On Claim Construction Due.</b> A party that believes summary judgment can be granted based in whole or in primary part on the resolution of a claim construction dispute, and that wishes to file a motion for summary judgment to be heard in conjunction with claim construction, shall file a notice with the Court. The notice shall be no longer than 3 pages and shall (1) identify the claim construction dispute on which the summary judgment motion depends and (2) provide a brief summary of the party’s basis for believing that summary judgment can be granted based in whole or in primary part on resolution of that claim construction dispute. A party may not identify (or file) more than one summary judgment motion to be heard in conjunction with claim construction without leave of court. If a party wishes to obtain leave of court to file more than one motion, it must file a motion seeking leave no later than 30 days prior this deadline.</p>
65 days prior to CC Hearing date	<p><b>Motion for Summary Judgment Due.</b> Any summary judgment motions to be heard with claim construction must be filed.</p>
50 days prior to CC Hearing date	<p><b>[N.D.CA. Patent L.R. 4-4]</b> Discovery Deadline – Claim Construction Issues. The parties shall complete all discovery relating to claim construction, including any depositions with respect to claim construction of any witnesses, including experts.</p>

45 days prior to CC Hearing date	<p><b>Discovery Deadline – Opposition to Summary Judgment With Claim Construction.</b> The non-moving party shall complete all discovery relating to any summary judgment motion filed to be heard with claim construction, including any depositions of any witnesses, including experts, offering declarations in support of such summary judgment motions.</p>
35 days prior to CC Hearing date	<p><b>[N.D.CA. Patent L.R. 4-5(a)]</b> Opening brief regarding claim construction due from party claiming patent infringement.</p> <p><b>Summary Judgment Opposition Due.</b> Opposition brief due for any summary judgment motions to be heard with claim construction.</p>
21 days prior to CC Hearing date	<p><b>[N.D.CA. Patent L.R. 4-5(b)]</b> Responsive brief regarding claim construction due from party defending against claim of patent infringement.</p> <p><b>Discovery Deadline – Summary Judgment With Claim Construction.</b> The moving party shall complete all discovery relating to any summary judgment motion filed to be heard with claim construction, including any depositions of any witnesses, including experts, offering declarations in opposition to such summary judgment motions.</p>
14 days prior to CC Hearing date	<p>Parties to file a notice with the Court stating the estimated amount of time requested for the claim construction hearing. The Court will notify the parties if it is unable to accommodate this request.</p> <p><b>[N.D.CA. Patent L.R. 4-5(c)]</b> – Reply brief regarding claim construction due from party claiming patent infringement.</p> <p><b>Summary Judgment Reply due.</b> Reply brief due for any summary judgment motions to be heard with claim construction.</p>

*Chapter 6: Summary Judgment — DRAFT*

CC Hearing Date	The Claim Construction Hearing set by the Court. The Court will hear any Motion for Summary Judgment filed in compliance with the deadlines in this Order in conjunction with the Claim Construction Hearing or shortly thereafter. The Court will notify the parties if the hearing will be separate from the Claim Construction Hearing.
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# Chapter 7

## Pretrial Case Management

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- 7.1 Pretrial Conference
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    - 7.5.1.4 Motion to Bar Argument that Patent Is Not Infringed Because It Is Invalid
  - 7.5.2 Untimely Disclosures
    - 7.5.2.1 Motion to Preclude Undisclosed Fact Witnesses

- 7.5.2.2 Motion to Preclude Undisclosed Prior Art
  - 7.5.2.3 Motion to Preclude Untimely Expert Opinions
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    - 7.5.2.3.2 Affirmative Opinions Disclosed in Rebuttal Reports
    - 7.5.2.3.3 Limit Experts to their Reports
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    - 7.5.4.2 Motion to Preclude Reference to an Expert's Contrary Claim Construction Opinion
    - 7.5.4.3 Motion to Bar Evidence/Argument About Dropped Claims/Patents
    - 7.5.4.4 Motion to Bar Disclosure that the Patentee Seeks an Injunction
    - 7.5.4.5 Motion to Preclude Reference to Related Proceedings in the Patent Office
    - 7.5.4.6 Motion to Preclude Evidence Concerning Undisclosed Opinions of Counsel
    - 7.5.4.7 Motion to Preclude Evidence Based On Estoppel Resulting From Post-Grant Proceedings
    - 7.5.4.8 Motion to Preclude Reference To Presumption of Validity
- Appendix 7.1 Sample Pretrial Order for Patent Cases

Close judicial management of the preparations for trial is integral to ensuring smooth proceedings during trial. As discussed in previous chapters, early judicial management can help narrow the issues that require resolution by trial. There are many procedural and substantive trial issues that can be resolved in the weeks preceding trial to refine issues and avoid delay during trial. This chapter discusses the considerations that should be given to pretrial preparations to promote efficient proceedings during trial, with particular discussion of the patent case pretrial conference, jury instructions, limitations on expert testimony, and motions *in limine*. Note that in some cases, sound case management may require that some issues be addressed well *before* the pretrial conference.

## 7.1 Pretrial Conference

The complexity of patent cases creates a particular need for pretrial preparation to minimize jury down time and increase jury comprehension. The pretrial conference represents the final opportunity to anticipate and resolve problems that would otherwise interrupt and delay trial proceedings. Having an effective pretrial conference is best guaranteed by requiring counsel to confer on a series of issues and then identifying and briefing the areas of disagreement.

As will be apparent from the sample order that is provided as Appendix 7-1, most of these issues arise in any complex case. However, in patent litigation they can take on special dimensions. In this section, we explore the pretrial conference process.

### **7.1.1 Timing**

The pretrial conference should be held sufficiently in advance of trial, but long enough after claim construction and dispositive motion practice so that the court and counsel have a good idea of the boundaries of the trial and the interplay of issues that may need to be tried. Usually the conference is set from 6 to 8 weeks before trial.

### **7.1.2 Participation**

Because of the importance of the issues to be determined at the pretrial conference, the court should conduct this proceeding in person rather than telephonically. Lead trial counsel should be required to attend.

### **7.1.3 The Pretrial Order**

The objective of the pretrial conference is to generate an order that will govern the issues for trial and establish the ground rules for the conduct of the trial. Because of the special issues that often arise in patent cases, it is helpful to provide counsel in advance with a draft form of order that leaves blanks where appropriate, effectively providing a checklist of issues to consider. The form should include provisions that reflect the court's typical view on many aspects of the trial. However, counsel should be allowed to suggest deviations from those typical procedures where circumstances warrant.

### **7.1.4 Motions at the Pretrial Conference**

Patent cases are characterized by large numbers of motions directed at excluding or limiting the use of evidence, including *Daubert* motions attacking expert opinions. It is common practice, and very sensible, to resolve such issues substantially in advance of trial so that the parties return with their presentations appropriately honed in accordance with the court's limiting orders. The sample pretrial order includes instructions for identifying and briefing *in limine* motions. Of course, circumstances may justify additional such orders made during the trial; but frequently a great deal of delay and confusion can be avoided by making these determinations in advance. Doing so also can produce the collateral benefit of settlement, by giving the parties a clearer picture of what evidence will or will not be accepted. The sections that follow provide detailed advice on the most frequent pretrial motions directed at expert testimony and other evidence.

## **7.2 Trial and Disclosure Schedule**

Before any trial can begin, the court and the parties must settle on the schedule governing trial proceedings. While the overall trial schedule can be determined at the pretrial conference, the exact process and order of witnesses typically evolves during trial as a result of adjustments to evidence admitted, refused, or withdrawn. Therefore, it is impractical to finalize and commit the parties to a complete witness schedule in advance. The court should, however, encourage the parties to stipulate to a protocol for disclosing witnesses and associated trial exhibits during trial.

As the parties are in a better position to determine how much time is needed to prepare cross-examinations and objections to exhibits, the court should allow the parties to stipulate to a mutually agreeable disclosure schedule. In a typical patent case, a one- or two-day advance disclosure of witnesses and exhibits usually suffices. For example, a party intending to call a witness on Monday would disclose the witness and the exhibits to be used with the witness by a specified time on Saturday. The non-disclosing party would identify any objections to the exhibits by the next day. Whether more or less time is appropriate depends upon the complexity of the particular case.

Any established protocol should also cover the disclosure of demonstrative exhibits that may be used with a particular witness. However, demonstratives should be disclosed with sufficient time to allow the opposing party to raise objections prior to the presentation to the jury.

## **7.3 Jury Instructions**

### **7.3.1 Preliminary Instructions**

Many jurors are called to service without much understanding of trial practice or the legal system. Their understanding of the patent system is usually particularly limited. The problem is exacerbated because unlike many other legal frameworks (such as negligence), principles of patent law often do not line up with jurors' moral or "common sense" reasoning, especially without explanation. For example, some find it illogical that a defendant can be liable even if it didn't know about a patent. Some wrongly assume that a defendant's product cannot infringe the plaintiff's patent if the defendant has its own patent. Some believe that a device that was not patented cannot be "prior art" to a patent.

It is therefore good practice to give the jury preliminary instructions regarding their duties and the trial process before the start of trial. Providing the jurors with a legal framework before the presentation of evidence will help them understand what information they should be considering once trial begins. Examples of useful

preliminary instructions are included in many of the available model jury instructions. *See e.g.*, Federal Judiciary Center Benchbook for U.S. District Judges, Preliminary Jury Instructions in Civil Case; Fifth Circuit Pattern Jury Instructions—Civil (<<http://www.lb5.uscourts.gov/juryinstructions/>>); Eighth Circuit Manual of Model Jury Instructions ([http://www.juryinstructions.ca8.uscourts.gov/civil\\_instructions.htm](http://www.juryinstructions.ca8.uscourts.gov/civil_instructions.htm)); Ninth Circuit Manual of Model Jury Instruction—Civil ([http://www.akd.uscourts.gov/docs/general/model\\_jury\\_civil.pdf](http://www.akd.uscourts.gov/docs/general/model_jury_civil.pdf)); Eleventh Circuit Pattern Jury Instructions—Civil (<<http://www.ca11.uscourts.gov/documents/pdfs/civjury.pdf>>). Preliminary instructions should, at a minimum, set forth the duty of the jury, explain what constitutes evidence, explain the varying burdens of proof in a civil trial, and outline trial proceedings. They should also include a non-argumentative description of the technology involved, the accused products, and the patents.

Because jurors usually understand the patent system even less than they understand the general legal system, it is important to provide the jury with a short explanation of the patent system, the particular patents at issue, and an overview of the patent law applicable to the contentions of the case. The Federal Judicial Center has prepared a video that has often been used to provide a basic primer on the patent system. The video, together with a sample mock patent, is designed to be shown to prospective jurors in patent trials and provides background information on what patents are, why they are needed, how inventors get them, the role of the PTO, and why disputes over patents arise.

This video has been used to educate patent juries for many years. But, because of the substantial evolution of the law in recent years – both through Supreme Court and Federal Circuit decisions, as well as the enactment and the graduated implementation of the AIA – some portions of the video are no longer accurate and others are obsolescent. This calls into question whether it is appropriate to use the video. In part, this will depend upon the specific issues that the juries will be asked to decide – if the inaccuracies concern claims or defenses that are not at issue, then it may be appropriate to play the video; if they do concern such claims or defenses, then use of the video would be misleading without further clarifying instructions. As a result, the court should discuss with the the parties whether to play the video and should proactively inquire whether any aspects of the video that are relevant to the issues that the jury will be asked to decide are inaccurate or misleading in light of applicable law.

As an alternative to the FJC video, the court can address these issues in its preliminary instructions, for example by using preliminary instruction A.1 (“What A Patent Is And How One Is Obtained”) promulgated by the Northern District of California in its Model Patent Jury Instructions (Nov. 3, 2011). These instructions can be found in Appendix E. *See also* Federal Circuit Bar Association, Model Jury Instructions (Feb. 2012) (contained in Appendix E). Preliminary instructions

should also include an instruction setting forth the court’s construction of patent claim terms. The jurors should be instructed that they must accept the court’s constructions and are not allowed to construe terms on their own. *See Structural Rubber Prods. Co. v. Park Rubber*, 749 F.2d 707, 723 (Fed. Cir. 1984).

### 7.3.2 Final Instructions—Timing

In addition to preliminary instructions, the court should also instruct the jurors before they begin deliberations. While the court has discretion to instruct the jury before or after closing arguments are given, it is usually preferred to give instructions beforehand. Fed. R. Civ. P. 51, 1987 Advisory Committee Notes (delineating benefits of instructions before closing arguments). This is especially true in a patent case. Jurors are usually more focused and in a better position to listen to instructions before closing arguments. Jurors’ understanding of the arguments advanced during the arguments is improved when they have been instructed on the law applicable to the case. Instructing the jury before closing argument can also lead to more effective argument by the parties. Closing arguments can be tailored to meet the specific language of the instructions, enabling the parties to highlight the significance of particular evidence. Thus, instructing the jury before closing argument is recommended.

If the jury will be instructed after closing argument, some of the benefits listed above can be retained if jury instructions are finalized before closing argument and provided to the parties. This allows the parties to tailor their closing arguments to the instructions that will be given, which is especially helpful to the jury. Thus, finalizing the instructions and providing them to the parties before closing is recommended if the court chooses to instruct the jury after closing arguments.

### 7.3.3 Final Instructions—Substance

The patent law is complex, and so, typically, are jury instructions in patent cases. Fortunately, several organizations and courts have prepared model patent jury instructions. They serve as useful resources on which the parties can base their proposed instructions. *See* Appendix E. The model instruction sets differ stylistically. Moreover, the patent law has changed considerably in important ways over time, and at any given time, some instructions may have been updated to reflect a recent Supreme Court or Federal Circuit decision when others have not.

As a result, it generally makes sense to start from one of these sets of model instructions and modify or add to it as needed to address the issue of a particular case and the subsequent changes in law. One approach is for the court to select the set of model jury instructions it prefers and require the parties to prepare proposed instructions based upon that set. This allows the court to become familiar

with one set of instructions, while allowing the parties to propose changes based on changes in the law or the needs of the case. This approach has potential drawbacks, however, because some sets of model instructions do not address some issues, and as stated above, some sets of instructions will better reflect recent changes in the law. Another approach is to allow the parties to select which set of instructions makes the most sense to use as a model for a particular case.

The parties also often amend instructions to highlight the law particularly relevant to the arguments they intend to advance during trial. Allowing them to revise the model instructions to the particulars of the case can lead to argumentative and objectionable instructions, however. It is usually helpful to require the parties to submit “redlines” showing how they have revised the model instructions and provide any authority justifying their revisions.

### **7.3.4 Final Instructions—Common Disputes**

Experience has shown that many of the disputes over jury instructions arise frequently. This section discusses the most common disputes regarding jury instructions.

#### **7.3.4.1 Integration of Case-Specific Contentions**

Many disputes over jury instructions result from the integration of a party’s particular contentions into model jury instructions. Such particularized jury instructions may or may not be helpful to the jury. Generally, the court should attempt to exclude argumentative statements proposed by either side from the jury instructions. The “redline” mentioned above—which will show where any alterations have been made—is particularly helpful in highlighting this issue.

#### **7.3.4.2 Claim Construction Instruction**

The instruction on claim construction is important and part of virtually every patent case. If the court has held a claim construction hearing and issued a claim construction order, those constructions should be restated as a jury instruction. The parties may not argue a contrary construction. One common problem is that in an effort to preserve their claim construction positions for appeal, parties will often re-argue rejected claim constructions during the process of drafting jury instructions. This is inefficient. The court should streamline this process by instructing the parties to put the claim construction order in the form of a jury instruction, and allowing them to reserve their objections to any constructions on the record. *See* § 5.1.6.

#### 7.3.4.3 The “Presumption” of Validity Instruction

As most patent trials involve claims of invalidity, the patent owner will often try to incorporate into the instruction on invalidity a statement that patents are presumed to be valid. *See* § 282. The defendant usually objects.

In June of 2011, the Supreme Court squarely addressed the question of the appropriate burden of proof for validity challenges in *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2251 (2011). In that case, the Court held that the “clear and convincing evidence” standard applied to all factual questions underlying the issue of invalidity and regardless of whether or not the PTO was aware of prior-art upon which the validity challenge is based.

At the same time, the Court recognized that “if the PTO did not have all material facts before it, its considered judgment may lose significant force... And, concomitantly, the challenger's burden to persuade the jury of its invalidity defense by clear and convincing evidence may be easier to sustain.” *Id.* at 2251 The Court noted that

although we have no occasion to endorse any particular formulation, we note that a jury instruction on the effect of new evidence can, and when requested, most often should be given. When warranted, the jury may be instructed to consider that it has heard evidence that the PTO had no opportunity to evaluate before granting the patent. When it is disputed whether the evidence presented to the jury differs from that evaluated by the PTO, the jury may be instructed to consider that question. In either case, the jury may be instructed to evaluate whether the evidence before it is materially new, and if so, to consider that fact when determining whether an invalidity defense has been proved by clear and convincing evidence.

*Id.* For this reason, where a defendant challenges the validity of a patent based on prior art that either (a) was not before the PTO or (b) was before the PTO but which was not discussed or otherwise given substantive attention, the Court should consider instructing the jury that it may take this fact into consideration in evaluating whether the defendant has met the clear and convincing evidence standard.

In addition, it is worth noting that a concurrence (from Justices Breyer, Scalia and Alito) emphasized that many invalidity disputes turn “not upon factual disputes, but upon how the law applies to facts as given.” *Id.* at 2253. The Justices pointed out that where questions of this nature arise (such as in questions about whether the facts show that the invention was novel and non-obvious) the clear and convincing standard “has no application.” *Id.* They noted further that:

Courts can help to keep the application of today's 'clear and convincing' standard within its proper legal bounds by separating factual and legal aspects of an invalidity claim, say, by using instructions based on case-specific circumstances that help the jury make the distinction or by using interrogatories and special verdicts to make clear which specific factual findings underlie the jury's conclusions. See Fed. R. Civ. Pro. 49 and 51. By isolating the facts (determined with help of the 'clear and convincing' standard), courts can thereby assure the proper interpretation or application of the correct legal standard (without use of the 'clear and convincing' standard).

*Id.* Although this concurrence is not the opinion of the Court, it strongly suggests that courts should take care to craft jury instructions and verdict forms with an eye towards confining the applicability of the "clear and convincing" standard to factual questions, and to avoid their improper application to legal determinations.

Finally, it is also generally agreed that while juries should be instructed as to the higher burden of proof required to prove invalidity, they should not be told that there is a presumption of validity, which would be redundant and likely confusing. As the National Jury Instruction Project explains "In light of the procedural role of the presumption of validity, instructing the jury on the presumption in addition to informing it of the highly probable burden of proof may cause jury confusion as to its role in deciding invalidity." Committee Note to National Jury Instruction Project, Model Patent Jury Instructions 5.1. In line with this approach, the Federal Circuit Bar Association's Model Patent Jury Instructions, The Northern District of California Model Patent Jury Instructions and American Intellectual Property Law Association's Model Patent Jury Instructions also omit any reference to the presumption of validity. See also *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1258-59 (Fed. Cir. 2004) (finding district court did not err in declining to instruct jury on the presumption of validity because the jury had applied the clear and convincing evidence standard); *Avia Group Int'l, Inc. v. L.A. Gear Cal., Inc.*, 853 F.2d 1557, 1562 (Fed. Cir. 1988) (the presumption of validity "does not constitute 'evidence' to be weighed against a challenger's evidence.").

#### **7.3.4.4 The Obviousness Instruction**

The Supreme Court's decision in *KSR International Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007) was a significant change in the law that has a significant direct effect on jury instructions. *KSR* reversed the Federal Circuit's requirement that the evidence contain a "teaching, motivation, or suggestion" to combine the prior art used to show obviousness. *KSR* emphasized the need for courts to apply an "expansive and flexible" common-sense approach in evaluating validity, rather than

being constrained by the rigid requirement of a “motivation to combine.” *Id.* at 415.

*KSR* also re-emphasized the long-standing law that the question of obviousness is a legal question for the court. *Id.* at 426-27. Prior to *KSR*, the obviousness inquiry under § 103 was generally treated as secondary to the anticipation analysis under § 102, and was generally submitted to the jury for resolution along with anticipation. Often, the verdict form did not even separate the questions of obviousness and anticipation, including instead a single yes/no box for the question of validity. *KSR*’s insistence that obviousness was a legal determination for the court—one that should be made by the court when the obviousness of the claim is “apparent” even despite disputes about underlying facts—calls that practice into doubt. *Cf. Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 n.3 (Fed. Cir. 2008) (“While a special verdict that asks a jury whether a patent claim is obvious provides more insight than one which simply asks whether the patent is invalid, the former still does not provide any detail into the specific fact findings made by the jury”); *see also Richardson-Vicks Inc. v. Upjohn Co.*, 122 F.3d 1476, 1484-85 (Fed. Cir. 1997) (noting that the “preferred route [to make a jury verdict on obviousness more amenable to appellate review] would have been to submit the underlying factual issues to the jury in the form of a special verdict under rule 49(a)”; Paul J. Zegger et al., *The Paper Side of Jury Patent Trials: Jury Instructions, Special Verdict Forms, and Post-Trial Motions*, 910 PLI/PAT 701, 716 (2007) (“By compelling a jury to consider factual issues individually, special verdicts and interrogatories may improve the consistency of jury verdicts as well as the underlying decision-making processes that produce them.”) This is reflected, for example, in the Northern District of California’s model patent jury instructions, which provide two alternative model instructions on obviousness, one to be used when seeking an advisory verdict on the ultimate question of obviousness, and one to be used when only seeking resolution of the relevant factual questions. The AIPLA and FCBA model instructions have likewise been updated to reflect *KSR*, but were drafted to address only the situation in which the jury is asked to reach an advisory verdict on obviousness.

#### **7.3.4.4.1 Background: Pre-KSR Obviousness Law and Jury Instructions**

In 1966, in *Graham v. John Deere*, 383 U.S. 1, the Supreme Court laid out the basic test for obviousness that remains the law today. It held that:

under § 103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background the obviousness or nonobviousness of the subject matter is determined. Such secon-

dary considerations as commercial success, long felt but unsolved needs, failure of others, etc., might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.

*Id.* at 18. These three factual predicates, along with the “secondary considerations,” are known as the *Graham* factors. Evaluation of each of the *Graham* factors is a question of fact.

Traditionally, the question of obviousness has been submitted to the jury with instructions to consider the *Graham* factors and reach a conclusion as to obviousness. An instruction on the “nexus” requirement for secondary considerations is also sometimes given. Secondary considerations only support nonobviousness if they are tied to the alleged invention (i.e., have a “nexus”). *See, e.g., Ormco Corp. v. Align Tech., Inc.*, 463 F.3d 1299, 1311-1312 (Fed. Cir. 2006) (holding that if the feature responsible for a claimed invention’s commercial success was in the prior art, that success is irrelevant for purposes of determining obviousness); *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1345 (Fed. Cir. 2007) (same). Because “nexus” is a legal question, an alternative to a “nexus” instruction is exclusion of “secondary considerations” evidence not shown to have the required “nexus.”

#### 7.3.4.4.2 Post-KSR Obviousness Law and Jury Instructions

Since *KSR* emphasized that obviousness is a legal determination for the court, the Federal Circuit has exhibited a much greater proclivity to find patents invalid under § 103. *See, e.g., Tokai Corp. v. Easton Enters, Inc.*, 632 F.3d 1358 (Fed. Cir. 2011) (affirming summary judgment of obviousness; *Odom v. Microsoft Corp.*, 429 Fed. Appx. 967, 2011 U.S. App. LEXIS 9115 (Fed. Cir. 2011) (affirming summary judgment of obviousness) (unpublished); *Bayer Schering Pharma AG v. Barr Labs, Inc.*, 575 F.3d 1341 (Fed. Cir. 2009) (affirming finding of obviousness after bench trial); *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290 (Fed. Cir. 2007); *Pharmastem Therapeutics, Inc. v. Viacell, Inc.*, 491 F.3d 1342 (Fed. Cir. 2007) (reversing denial of JMOL to find obviousness); *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157 (Fed. Cir. 2007) (affirming finding of obviousness after bench trial); *In re Icon Health & Fitness, Inc.*, 469 F.3d 1374 (Fed. Cir. 2007); *Frazier v. Layne Christensen Co.*, 239 F. Appx. 604 (Fed. Cir. 2007) (affirming JMOL of obviousness)(unpublished). The renewed emphasis on the role of the court casts doubt on the practice of submitting the ultimate question of obviousness to the jury. It may now be better practice to limit the jury’s consideration of obviousness to the factual disputes as to the *Graham* factors, as reflected in the Northern District of California Model Patent Jury Instruction 4.3b (Alternative 1) and Sample Verdict Form § F (Alternative 1). *See* Appendix E. It is the court’s responsibility to reach a conclusion on the ultimate issue of obviousness. However, any obvious-

ness finding requires that the fact-finder consider all of the “objective evidence presented by the patentee.” *WMS Gaming Inc. v. Int’l Game Tech.*, 184 F.3d 1339, 1359 (Fed. Cir. 1999); *see also Rothman v. Target Corp.*, 556 F.3d 1310, 1322 (Fed. Cir. 2009) (approving district court’s charge “that the jury ‘must consider’ objective indicia of nonobviousness, such as ... licensing activity”).

Of course, courts remain free to seek an advisory verdict from the jury. The Northern District of California Model Patent Jury Instruction 4.3b (Alternative 2) and Sample Verdict Form § F (Alternative 2) provide this option. If the traditional advisory verdict approach is taken, however, courts should not rely on pre-*KSR* jury instructions. *KSR* was quite critical of pre-2007 Federal Circuit decisions in the area of obviousness and effected a substantial change in the law. Both the Northern District of California and FCBA Model Patent Jury Instructions have been updated to reflect the *KSR* decision. Another is the Patent Office’s detailed set of guidelines describing how to evaluate obviousness under *KSR*. 72 Fed. Reg. 57526-57535 (Oct. 10, 2007). These guidelines explain the law in a more operational manner and provide seven different rationales that can be used to support a finding of obviousness as well as the factual elements needed to support each of the seven rationales. They also provide at examples of actual cases finding obviousness under each of the seven rationales. *See* § 13.3.5.3.5 (Chart 13.4) (reproducing the PTO’s charts). While the Patent Office’s guidelines cannot be directly used as jury instructions, they are a useful resource for crafting instructions. Whatever instruction is adopted, it needs to reflect *KSR*’s mandate that an “expansive and flexible” approach be employed.

If the advisory verdict approach is taken, courts should carefully consider the structure of the verdict form. If the verdict form merely asks for the final conclusion of obviousness without specifying its underlying factual determinations, it can be difficult or impossible to understand what the advisory verdict implies. This can hinder the court’s ability to perform its duty of reaching a conclusion regarding obviousness. Moreover, it can easily create a need for a new trial. While at the time of this writing it is still relatively early in the post-*KSR* era, there may be some risk of a new trial if the jury’s decisions on the *Graham* factors (the factual underpinnings of obviousness) cannot be discerned from the verdict. *See, e.g., Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 n.3 (Fed. Cir. 2008); *see also Wyers v. Master Lock Co.*, 616 F.3d 1231, 1248 (Fed. Cir. 2010) (Linn, J. concurring) (“To facilitate review and reveal more clearly the jury’s underlying factual findings, this Court has encouraged trial court judges to provide juries with special interrogatories on obviousness.”). But this risk is mitigated by the Court’s general practice when faced with a verdict in which the jury was not asked to answer special interrogatories – the Court presumes the existence of factual findings necessary to support the jury’s verdict. *See Wyers*, 616 F.3d at 1248 (Linn, J., concurring). “Our review of a general verdict on obviousness thus entails two steps. We first presume that the jury resolved the underlying factual disputes in favor of

the verdict winner and leave those presumed findings undisturbed if they are supported by substantial evidence. Then we examine the legal conclusion de novo to see whether it is correct in light of the presumed jury fact findings.” *Id.* (quotations omitted).

The question of obviousness is often essential to the judgment. Unless the evidence meets the judgment as a matter of law (JMOL) standard for finding obviousness or nonobviousness, resolution of the underlying factual disputes is necessary, and each party has a right to have a jury resolve such disputes if they are material. The losing party at trial will typically seek JMOL on the issue of obviousness, which joins the issue of how the jury resolved the material underlying factual disputes. If the court then draws conclusions about how the underlying factual disputes were resolved, it runs the risk of having those conclusions challenged on Seventh Amendment grounds. Consider also the scenario where a jury finds that there is anticipation and obviousness, and either the district court or the Federal Circuit reverses the finding of anticipation because a specific limitation in one claim is not present in one of the references. At this point, with a single-question verdict form, it is not clear whether the jury’s error on anticipation affects its conclusion as to obviousness. Avoiding these situations, in addition to simply helping the court perform its duty of drawing a legal conclusion as to obviousness, are good reasons for the recommendation in the Northern District of California’s model verdict form that “the verdict form should require the jury’s finding on each factual issue so that the trial judge may make the final determination on the obviousness question.” See Appendix E.

Requiring the jury to make specific findings on the *Graham* factors does, however, have drawbacks. The most serious is that it is likely to lead to a complex verdict form. This is apparent from the Northern District of California’s model verdict form. Some courts may find that such a verdict form is simply too complex to be desirable, notwithstanding the risks discussed above.

Certainly, if a form like the Northern District of California’s form is used, it needs to be available to the parties before closing to give the parties the opportunity to tell the jury how their arguments and positions connect to the verdict form. A possibility for simplifying the verdict form used to ask the jury to make specific findings as to the *Graham* factors is asking only about the factors where the court believes there is a *material* dispute. While this could simplify the form, it poses the same type of new trial risk described above. It may be better simply to urge the parties to reach agreement on what the material disputes are. This is the approach contemplated by the Northern District of California’s model form.

#### 7.3.4.5 Willfulness

In August 2007, the Federal Circuit’s en banc decision in *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007), abolished the standard for willful infringement that had been established in 1983 in *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983). *Seagate* established a new standard for willful infringement, based on the notion of “objective recklessness.” *Seagate* also established a new two-part test for assessing whether willful infringement occurred. Obviously, any jury instruction on willfulness must follow the new test set forth in *Seagate*. That test is as follows:

A “patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *In re Seagate*, 497 F.3d at 1371.

“If this threshold objective standard is satisfied, the patentee must also demonstrate that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.” *Id.*

The Federal Circuit further clarified the law with respect to *Seagate*’s objective test in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs, Inc.*, 682 F.3d 1003 (Fed. Cir. 2012). Specifically, the *Bard* decision explains that the objective test is “identical” to the objective baselessness standard that is to be applied in evaluating whether a case is exceptional under §285 for purposes of attorneys’ fees, which itself is the same standard applied by the Supreme Court to evaluate “sham” litigation. *Id.* at 1007-8. This standard is satisfied only where “no reasonable litigant could realistically expect success on the merits.” *Id.* at 1007. In other words, “[i]f an objective litigant could conclude that the [defenses were] reasonably calculated to elicit a favorable outcome” they were not objectively baseless under §285 and, for the same reason, *Seagate*’s objective test would not be satisfied. *Id.* *Bard* also held that this objective inquiry is “a separate legal test” that must be decided by the court: “This court . . . holds that the objective determination of recklessness, even though predicated on underlying mixed questions of law and fact, is best decided by the judge as a question of law subject to *de novo* review.” *Id.* at 1006-7. This is true, even where the underlying factual question (e.g., invalidity based on anticipation) is sent to the jury. *Id.* at 1007.

One dispute that frequently arose in the past in the context of a willfulness jury instruction is whether the jury could be instructed to infer or presume anything from an accused infringer’s failure to obtain an opinion of counsel. Those disputes should no longer arise, because the America Invents Act explicitly amended the law to provide that “[t]he failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent...” 35 USC § 298.

At least two jury instruction disputes seem likely to arise from *Bard*: (1) whether, if the court decides the objective test in favor of the patentee before the case is submitted to the jury, the jury should be instructed (or informed by the lawyers) that the court reached this decision; and (2) whether it would be appropriate for the jury to be asked to provide an advisory verdict on willfulness generally, or on the objective test specifically. As to the first issue, it seems clear that the jury should not be informed – either by the lawyers or the court – that the court found the objective test to be satisfied before the jury has decided liability (i.e., where willfulness has not been bifurcated). Because such a decision is a finding that the accused infringer’s defenses were baseless, the substantial prejudicial effect on the jury’s decisionmaking cannot be expected to be limited to the jury’s determination of willfulness, but would likely extend to its consideration of those underlying defenses of non-infringement, invalidity, and the like. This would have the perverse, and highly prejudicial, effect of directing a verdict on liability *and* willfulness, but cloaking both decisions in the form of a jury verdict, which would be subject to more deferential review than the grant of JMOL. Rather, in this situation courts should either grant JMOL as to the underlying defenses and willfulness (if the court also finds that no reasonable jury could find for the accused infringer on the subjective test, as well), or permit the jury to decide those defenses and willfulness (or the subjective test specifically) without knowledge of the court’s finding as to the objective test. Courts should also look for opportunities to evaluate the objective prong at the summary judgment stage or in other pretrial proceedings (e.g., an evidentiary hearing) so that these issues are settled, where possible, before the jury hears opening statements. And where the court finds before trial that the objective prong is satisfied, it should, as appropriate, summarily adjudicate liability before trial. This would narrow the scope of the trial and expend less of the jury’s time for trial. It would also obviate the need for (and prevent prejudice from) what would essentially be a charade – an accused infringer presenting arguments and evidence on defenses that the court has already found to be specious and would presumably throw out on JMOL.

As to the question about what type of verdict a jury should be asked to render with respect to willfulness, it seems that the best practice in non-bifurcated cases would be for the court to ask the jury to decide a narrow question directed at the subjective test (for example, whether the accused infringer knew or should have known that it infringed a valid patent), essentially for the same reasons as discussed above with respect to instructions regarding obviousness. But, again for the same reasons as for obviousness, it appears permissible for a court to ask the jury to render a general verdict on willfulness (which the court would interpret as advisory with respect to the objective test and definitive with respect to the subjective test) or to seek an advisory verdict on the objective prong explicitly.

One further observation that encompasses both of these disputes bears mention. It may well be that courts wrangling with the balance between providing

clear instructions to (and questions for) the jury on the one hand, and preventing substantial prejudice to the accused infringer on the other hand, find that the simplest and most effective way of balancing these issues fairly is to phase or bifurcate willfulness such that it is tried after a jury has reached a verdict on liability.

It is important to note that the *Bard* decision issued just weeks before this edition went to print, which means that, as of this writing, the law may still be in flux and courts have not yet built experience applying these standards. In the years to come, courts addressing these and other disputes arising from willfulness claims should research the law in this area carefully to determine whether *Bard* has been extended, clarified, or modified, and how the standards it sets forth are being implemented by district courts.

#### 7.3.4.6 Inducement of Infringement

In 2011, the Supreme Court resolved a long-standing ambiguity in indirect infringement law when it held that “induced infringement under § 271(b) requires knowledge that the induced acts constitute infringement” of the asserted patent. *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). This decision harmonizes the required mental states for both forms of indirect infringement – inducement under § 271(b) and contributory infringement under § 271(c). *Id.* at 2067-68, (discussing its prior decision in *Aro II* and holding that §§ 271(b) and 271(c) require the “same knowledge”); *Aro Mfg Co., Inc. v. Convertible Top Replacement Co., Inc.*, 84 S.Ct. 1526 (1964) (*Aro II*) (“§ 271(c) does require a showing that the alleged contributory infringer knew that the combination for which his component was especially designed was both patented and infringing.”). This standard requires proving that the alleged infringer had a specific intent to induce acts it knew would infringe the asserted patent, as opposed to simply having the intent to induce acts that happen to infringe. The Supreme Court also recognized that the accused infringer therefore cannot induce infringement unless it knew of the patent. *Id.* at 2068.

In reaching this result, the Supreme Court expressly rejected the standard set forth in *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (*en banc*). In reviewing the district court decision underlying *Global-Tech*, the Federal Circuit found that “Pentalpha deliberately disregarded a known risk that SEB had a protective patent,” and that this was sufficient to satisfy *DSU*’s “knew or should have known” standard. *Global-Tech*, 131 S.Ct. at 2064-65. But the Supreme Court made clear that this standard is not viable: “deliberate indifference to a known risk that a patent exists is not the appropriate standard under § 271(b).” *Id.* at 2068; *see also id.* (describing “should have known” as a simple negligence standard).

In situations where an accused infringer is alleged to have deliberately avoided knowledge of the patent, the Supreme Court found that the appropriate touch-

stone is the doctrine of “willful blindness.” This doctrine varies somewhat between circuits, but all formulations contain “two basic requirements: (1) the defendant must subjectively believe that there is a high probability that a fact exists and (2) the defendant must take deliberate actions to avoid learning of that fact.” *Id.* at 2070.

As of the time of this writing, the Northern District of California’s model jury instructions are the only set of model instructions that have been updated to reflect the Supreme Court’s decision in *Global-Tech*. Note that, though they reference *Global-Tech*, the FCBA’s recent update to its model jury instructions retains the “knew or should have known” language derived from *DSU*. Accordingly, it is recommended that courts use the Northern District of California model instruction, or a modified version of it, when charging the jury on inducement of infringement.

It is also worth noting that, in amending the law governing the use of legal opinions, the AIA not only prevents plaintiffs from using the lack of a legal opinion as a tool to show willfulness but also prevents plaintiffs from arguing that the lack of a legal opinion can be used “to prove ... that the infringer intended to induce infringement of the patent.” 35 USC §298. Thus, the absence of an opinion cannot be used to infer the “specific intent” necessary to support a claim of inducing infringement.

#### 7.3.4.7 Damages

One of the most vexing issues in patent law today relates to the proper measure of damages. Crafting an appropriate jury instruction on compensatory damages for patent infringement is difficult. The first paragraph of § 284 provides that “the court shall award the claimant damages *adequate to compensate* for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer . . .” (emphasis added). Thus, this provision aims to put the patent holder in the financial position it would have enjoyed but for the infringement. It calls upon the court to determine the patent holder’s lost profits. As the Supreme Court has stated, the question to be asked is: “Had the infringer not infringed, what would the patent holder . . . have made?” *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 507 (1964); *see also Pall Corp. v. Micron Separations, Inc.*, 66 F.3d 1211, 1223 (Fed. Cir. 1995) (“the purpose of com-

pensatory damages is not to punish the infringer, but to make the patentee whole”);<sup>1</sup> *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1577 (Fed. Cir. 1989) (damages shall compensate the patentee for its pecuniary loss because of the infringement).

In the context of manufacturing patentees, compensatory damages can include: lost direct sales; price erosion (lost profits due to the lower price resulting from competition from the infringer); increased costs; and lost “convoyed sales” — parts, accessories, and repair or maintenance services that are functionally related to the patented products. *See generally* § 13.4.3.2. The Federal Circuit has developed exacting standards of proof for lost profits. To establish lost sales, the patent holder must ordinarily prove demand for the patented product, absence of acceptable non-infringing substitutes, manufacturing and marketing capability to exploit the demand, and the amount of per-unit profit. *See Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1358, 1545 (Fed. Cir. 1995) (en banc) (endorsing the test articulated in *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978)). Under the “entire market value rule,” the patent holder is entitled to recover “damages based on the value of the entire apparatus containing several features, where the patent related feature is the basis for customer demand.” *See State Industries*, 883 F.2d at 1580; *accord TWM Mfg. Co. v. Dura Corp.*, 789 F.2d 895, 901 (Fed. Cir. 1986); *King Instrument Corp. v. Otari Corp.*, 767 F.2d 853, 865 (Fed. Cir. 1985); *Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 656 (Fed. Cir. 1985).

Due to relatively strict standards of proof, lost profits can be difficult to establish in practice. Moreover, non-manufacturing entities will not be able to prove lost sales. Their injury is better characterized as lost licensing revenue. Thus, as an alternative to determining lost profits, § 284 sets a floor for compensatory damages: “in no event [shall the compensatory award be] less than a reasonable royalty for the use made of the invention by the infringer.”

In recent years, reasonable royalty jurisprudence has been an actively developing area of the law and it is likely to be so for some time. In a typical case, the parties will put forward economic experts to opine on the payment that would have resulted from a hypothetical arms-length negotiation between the patent holder and the infringer prior to the infringing activity based upon the assumptions that the patent was valid (and would be infringed by the defendant’s conduct) and the

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<sup>1</sup> Pecuniary damages are not meant to punish for infringement because treble damages are available for punishing willful infringement. The second paragraph

parties were truly willing and able to negotiate a license. Most often, this testimony would examine the wide range of factors set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). In theory, reasonable royalty testimony should establish three items: (1) the date of the hypothetical negotiation and when the royalty obligation begins, (2) the reasonable royalty rate per unit (or lump sum amount, where appropriate), and (3) the “royalty base,” or revenue to which the royalty rate must be applied.<sup>2</sup>

One common dispute concerns the royalty base against which the royalty rate is applied. In cases in which the patented technology represents the primary basis for demand for the defendant’s infringing product, such as a pharmaceutical case in which the patent claims a new drug, the reasonable royalty appropriately extends to the accused product’s entire revenue. In cases where the patent covers only one component of a multi-component product, such as one feature of a complex microcomputer, the reasonable royalty determination requires much greater care to ensure that the damage award measures the harm to the patent holder attributable to the infringing activity and not the contribution from other components of the product, the defendant’s good will in the marketplace, and other factors unrelated to the patent.

Even in cases in which the accused device incorporates many components beyond the patented technology, patent holders will typically advocate using the entire market value of the defendant’s product as the baseline for the reasonable royalty determination. They typically request a general instruction indicating that the patent holder is entitled to a reasonable royalty based upon the list of *Georgia-Pacific* factors. *Georgia-Pacific* factor 13 expressly considers the value of other components in the accused device to the overall market value of the accused device: “The 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.” *Georgia-Pacific Corp.*, 318 F. Supp. at 1120 (factor 13). But simply relegating this important issue to a long list of factors risks placing undue importance on the role of the patented technology in suit relative to the value of other components in the accused device. Essentially, this approach provides the jury with little genuine

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<sup>2</sup> Not all royalty agreements require a rate per unit sold. Some royalty agreements require a fixed payment per unit of time. Such agreements trade flexibility for a guaranteed income stream. They can also be easier to administer and audit. In some fields, such agreements are more common and may provide the basis for an alternative royalty rate calculation.

guidance about how to resolve the battle of the economic experts and can lead to results that defy the economic logic undergirding real-world licensing negotiations.

Indeed, one such recent jury verdict prompted the Federal Circuit to reemphasize the importance of tying the damages award to the relative contribution of the claimed invention in *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009) (finding that a \$358 million damages award was not supported by substantial evidence and remanding for new trial). In weighing Factor 13, the *Lucent* Court observed that “numerous features other than the [accused feature] appear to account for the overwhelming majority of the consumer demand and therefore significant profit.” *Id.* at 1333. Consequently, “[t]he only reasonable conclusion that can be drawn” from the factual evidence presented at trial is that the accused feature “is a minor aspect of a much larger software program and that the portion of the profit that can be credited to the infringing use of the [accused feature] is exceedingly small.” *Id.* Although it stopped short of holding that the entire market value rule cannot be used to calculate a reasonable royalty unless the accused feature is a substantial basis for consumer demand of the overall product, the Federal Circuit emphasized that when the base is premised on the entire product, the rate *must* reflect the accused feature’s contribution to demand for that product: “There is nothing inherently wrong with using the market value of the entire product, especially when there is no established market value for the infringing component or feature, *so long as the multiplier accounts for the proportion of the base represented by the infringing component or feature.*” *Id.* at 1339 (emphasis supplied).

To ensure that it appreciates this concept, the Court should educate the jury about the importance of evaluating the relationship between the accused feature and other aspects of the commercial product or service in its instructions in determining the value of that feature. The Northern District of California Model Patent Jury Instructions provide a helpful example. The Model Instruction that explains a reasonable royalty states in relevant part:

If the patent covers only part of the product that the infringer sells, then the base would normally be only that feature or component. For example, if you find that for a \$100 car, the patented feature is the tires which sell for \$5, the base revenue would be \$5. However, in a circumstance in which the patented feature is the reason customers buy the whole product, the base revenue could be the value of the whole product. Even if the patented feature is not the reason for customer demand, the value of the whole product could be used if, for example, the value of the patented feature could not be separated out from the value of the whole product. In such a case, however, the rate resulting from the hypothetical negotiation would be a lower rate because it is being applied to the value of the whole

product and the patented feature is not the reason for the customer’s purchase of the whole product.

N.D. Cal. Model Patent Jury Inst., 5.7 (“Reasonable Royalty – Definition”) (Nov. 3, 2011) (Appendix E).

As the Supreme Court recognized long ago, it would be “very grave error to instruct a jury ‘that as to the measure of damages the same rule is to govern, whether the patent covers an entire machine or an improvement on a machine.’” *Seymore v. McCormick*, 57 U.S. 480, 491 (1853); *see also Westinghouse Elec. & Mfg. Co. v. Wagner Co.*, 225 U.S. 604, 614-15 (1912) (“[The] invention may have been used in combination with valuable improvements made, or other patents appropriated by the infringer, and each may have jointly, but unequally contributed to the profits. In such case, if plaintiff’s patent only created a part of the profits, he is only entitled to recover that part of the net gains.”); *Garretson v. Clark*, 111 U.S. 120, 121 (1884) (“When a patent is for an improvement, and not for an entirely new machine or contrivance, the patentee must show in what particulars his improvement has added to the usefulness of the machine or contrivance. He must separate its results distinctly from those of the other parts, so that the benefits derived from it may be distinctly seen and appreciated. . . . ‘the patentee . . . must in every case give evidence tending to separate or apportion the defendant’s profits and the patentee’s damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative; or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature.” (quoting the lower court)). It is incumbent upon the district court to ensure that this important issue is not overlooked.

Another important consideration in determining the value of an accused feature is the extent to which that feature could have been replaced with a non-infringing alternative and, if so, the value of that feature over its replacement. The Federal Circuit has recognized the relevance of non-infringing alternatives in the context of reasonable royalty determinations:

Shell also urges that a reasonable royalty may not exceed the cost savings between its proposed non-infringing alternative installation . . . and the patented method. . . . Upon remand, the district court is free to entertain additional evidence by the parties on this fact issue in its re-determination of the damage award. The trial court may also consider any other evidence about non-infringing alternatives.

*Riles v. Shell Exploration & Prod. Co.*, 298 F.3d 1302, 1313 (Fed. Cir. 2002). Yet this critical consideration, too, can be difficult for a jury to appreciate in the context of the long list of *Georgia-Pacific* factors.

The following supplemental instruction ensures against this oversight by explaining the significance of non-infringing alternatives in determining the value of the accused feature:

[Patent holder] claims a reasonable royalty based on [alleged infringer's] sales of the [accused device/system] rather than sales of the [component] in the [accused device/system]. In these circumstances, a reasonable royalty should reflect the portion of the revenue from sales of the [accused device/system] that result from the improvement provided by the [xxx] patent over alternatives to the patented technology available to the [alleged infringer] at the time that the infringement began.

Where the patentee has claimed both a component and the previously known apparatus or system in which it is used, the instruction should direct the jury to the patented improvement, as explained typically in the patent specification or prosecution history.

This supplemental language should be used to augment the court's general instructions regarding reasonable royalty. *See, e.g.*, Model Patent Jury Instructions for the Northern District of California, Instruction 5.7 (Reasonable Royalty—Definition) (Nov. 3, 2011) (Appendix E). We note that this specific language regarding non-infringing alternatives has not been formally adopted in any model jury instructions. Nonetheless, it comports with general principles of damages apportionment law and the specific concerns emerging in patent cases involving accused devices incorporating multiple technologies and features.

Consistent with these principles, courts should afford defendants adequate leeway to offer evidence relating to prior judgments or to licenses covering attributes of the accused product not covered by the patent(s) in suit, where the defendants can show that there is a basis for comparing their value to the value of the hypothetical license (e.g., the relative value or importance of the accused and non-accused features covered by the licenses, the relative scope of the licenses, or the like). Thus, if the defendant has licensed other technologies in order to bring the accused product to market, then such licenses may have a bearing on the relative value of the accused product attributable to the patent(s) in suit. Courts should also permit introduction of evidence relating to the value of different components of an accused device to consumers of the product. This can come in the form of direct testimony of customers, survey evidence, and expert testimony from marketing professionals and economists. Such evidence directly addresses factor 13 of the *Georgia-Pacific* test and helps to determine whether the patented technology in suit or other components or factors are driving demand for the accused product.

## 7.4 Substantive Limitations on Expert Testimony

Critical to managing a patent trial is the court’s ability to control expert testimony. Of course, expert testimony of various forms is used in a variety of cases, and hence judges are familiar with both the concerns and the safeguards reflected in Federal Rule of Evidence 702 and the Supreme Court’s *Daubert* decision. But patent cases present special challenges for at least three reasons. First, because the factual evidence is often technically complex and difficult to understand, juries may place undue weight on expert testimony, especially when it simplifies (or purports to simplify) the issues that the jury has to decide. Second, many of the legal tests used to evaluate liability and damages incorporate—expressly or implicitly—concepts that largely, if not exclusively, depend upon expert testimony. Thus, experts are aggrandized in patent cases in ways not typical of other types of litigation. Finally, as discussed more fully below, the role that experts play in patent cases does not always fit squarely within the Fed. R. Evid. 702/*Daubert* framework. Consequently, managing the scope and content of the experts’ testimony is a critical component of trial management. This section explores issues that courts are likely to confront when evaluating the proper substantive limits of expert testimony in patent cases.

### 7.4.1 The Role of Experts in Patent Cases

Expert testimony in patent cases may be categorized into at least two distinct types. One, common to most other types of litigation, involves applying an accepted technical or scientific methodology to facts established during the trial to reach conclusions about factual issues. An expert might testify, for example, about the results of her analysis to determine the chemical composition of the accused product. Because this type of testimony is directed to an analysis that the expert regularly performs outside of a litigation context, it falls squarely within the Fed. R. Evid. 702/*Daubert* framework. Consequently, it presents few distinctive or novel issues and should be familiar to the court.

A second type of testimony presents more challenges. In patent cases, an expert is often asked to use her scientific, technical, or specialized knowledge to evaluate a hypothetical legal construct. For example:

- Who is a “person having ordinary skill in the art”?
- Would a “person having ordinary skill in the art” believe at the time of alleged infringement that differences between the patent claim and the accused product are “insubstantial”?
- At the time the patent application was originally filed, would a “person having ordinary skill in the art” have had a motivation to combine known ideas to create the claimed invention? (Note that, although a patent challenger is not required to show that one of ordinary skill in the art would have had a

specific motivation to combine prior art references, such a showing may be helpful to the obviousness analysis. See *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 418 (2007); § 13.3.5.2.)

- What royalty rate would the patentee and the infringer have agreed upon had they participated in a negotiation at the time of first infringement knowing that the patent was valid and infringed?

Obviously, it is more difficult for a court to perform its gatekeeping function effectively when this type of testimony is at issue. Because it reflects a hypothetical legal construct, it necessarily departs from the type of peer-reviewed, generally accepted methodology contemplated by Fed. R. Evid. 702 and *Daubert*. Yet, this second type of expert testimony forms the bulk of expert testimony in patent cases. As a result, the majority of issues discussed in this section arise from this type of analysis.

#### **7.4.2 Timing and Procedure: When and How Should the Court Exercise Its Gatekeeping Role?**

The first step for the court to take in managing expert testimony in patent cases is to decide when to exercise its gatekeeping role and the process by which to do so. Although many courts permit parties to raise *Daubert* challenges in summary judgment or *in limine* motions, courts are most effective when they establish a separate mechanism for resolving *Daubert* challenges.

One problem with addressing *Daubert* issues as part of summary judgment or *in limine* briefing is that neither provides an adequate means for fleshing out the record on the factual and legal issues relevant to the sufficiency of expert testimony. Summary judgment briefing is inadequate for this purpose because there is little overlap between either the facts or the legal standards for deciding summary judgment and *Daubert* issues. And because both issues are substantial, there typically is not room in a summary judgment brief to do justice to both. The *Daubert* challenge usually gets short shrift: either as a conclusory statement, paragraph, or section tacked on to provide justification for the court to overlook what would otherwise be a question of fact created by expert testimony; or as a series of essentially thematic statements that seek to underscore the purported flaws in the opposing party's position, but nevertheless fail to assist the court because they do not squarely address the legal standard for excluding the expert's opinions.

Dealing with *Daubert* issues at the *in limine* stage presents different challenges, but usually reaches the same result: an insufficient record for thoughtful analysis. *In limine* motions reflect the harried environment in which they are prepared and decided. Briefing is typically sparse and argument short. Although this provides an efficient way to resolve simple evidentiary disputes, it is not an effective way to resolve the more complicated issues presented by a *Daubert* challenge. At a mini-

mum, the court should have thorough, summary-judgment-length briefs from each party, but even this may not be enough in some cases. The court may also need to hear directly from the expert during an evidentiary hearing. And this is true whether the motion is styled as a *Daubert* motion or, as is often the case, as a motion *in limine* asking the court to preclude an expert from testifying for a purportedly simple, straightforward reason that, when considered carefully, implicates an issue related to reliability. See, e.g., discussion of conclusory expert opinions in § 7.4.3.3.1.

A more effective way for courts to consider these issues is to include a specific briefing/hearing schedule for *Daubert* motions in its Case Management Order. See § 2.4 and 2.6.2. The schedule should be timed such that motions are filed after experts are deposed on their reports, but well before the pretrial conference. Many courts hear *Daubert* challenges at the same time as, but separate from, summary judgment motions. Timing the briefing and hearing this way will ensure that a full record is available, but also give the court adequate time to consider the merits of each challenge.

In addition, early consideration of *Daubert* challenges prevents the risk of a party being denied any expert at trial, which in some circumstances can be a harsh sanction for a correctible error. For example, as we discuss in § 7.4.3.3.2.1.3, a common *Daubert* challenge to a damages expert is based on an alleged incorrect date for the hypothetical negotiation for the determination of a reasonable royalty. Determining that date can be challenging, not only because it depends on technical information related to infringement that is usually beyond the purview of damages experts, but also because the trial court's summary judgment rulings can have a profound effect on that date. So it can happen that while a damages expert's *methodology* can be perfectly adequate, the *factual basis* for the analysis is incorrect as a matter of law. Of course, once informed by the court's summary judgment rulings, the expert can revise her analysis to include the correct information, so if the question is raised through an *in limine* motion on the eve of trial, it may seem unjust to grant the motion and strike the expert. Because of scenarios like this one, and because *Daubert* issues are usually known to the parties through expert reports and depositions well in advance of trial, resolving *Daubert* challenges well before the pretrial conference is good practice.

Expert opinions regarding damages warrant special mention in this context. As discussed in § 2.6.2, district courts frequently wrestle with complex issues related to the reliability and admissibility of damages-related opinions. A variety of factors generate frequent challenges to damages-related theories and evidence, and lead those disputes to be raised with the court at the very end of the case: damages law is evolving rapidly, which generates disputes about the viability of damages theories and expert methodologies; unlike the typical expert opinion on patent liability issues, damages opinions implicate and can draw from economic, mathematical, and financial valuation methodologies that are peer-reviewed and

testable, as well as industry experience in patent valuation in the licensing and acquisition context, and the interplay between this body of established non-patent-litigation valuation methodologies and the *Georgia-Pacific* factors commonly used to calculate damages in patent cases creates myriad disputes; neither patent local rules nor case management orders typically require disclosure of damages contentions, as is done with infringement and invalidity; parties tend to focus less extensively on damages theory development and discovery than they do on liability issues; challenges to damages theories most often come in the form of *Daubert* motions, which are filed after the close of all discovery and, unfortunately, in some instances contemporaneously with motions *in limine*.

As noted, such disputes are almost always raised with the court at the end of the case. As a result, a court that believes that an expert's opinions may not be reliable is typically faced with imperfect options: (a) excluding the expert and leaving the party with no expert testimony regarding damages at trial; (b) continuing the trial date and providing the party proffering the expert a do-over; or (c) allowing the testimony, despite its reservations, with the belief that the jury will see the weakness in the opinions and the intent that, if not, the court will correct the the outcome through remittitur, JMOL or a motion for new trial. In our experience, most courts appear to take the third option (allowing the opinion at trial with the intent to address deficiencies later). Unfortunately, while there are some notable examples of district courts overturning high damages awards based on inadequate expert opinions (*see, e.g., Mirror Worlds LLC v. Apple, Inc.* 784 F. Supp. 2d 703 (E.D. Tex. 2011)), courts that opt for this approach are too often uncomfortable correcting reliability problems with an expert's trial testimony in view of a jury verdict. In most situations, the second option (excluding the opinions but allowing a new report) is the fairest of these imperfect options. But courts that follow this path should in most circumstances give the party one chance, and no more, to correct the deficiencies so as to prevent abuse. Allowing multiple do-overs encourages parties to game the system, drains judicial and party resources, and wreaks havoc on the trial schedule.

Of course, the best course is to avoid these problems by resolving the disputes that lead to *Daubert* challenges to damages opinions earlier in the litigation process. Section 2.6.2 discusses some case management tools that may be used to identify and resolve challenges to damages theories and evidence earlier in the case.

### 7.4.3 Specific Substantive Limitations on Expert Testimony

This section explores substantive limitations on expert testimony that either arise from the unique attributes of a patent case, or have a significant or unusual impact on patent cases. Motions invoking these limitations typically fall into one of three broad categories: (1) they allege that the expert opinions are directed to

improper subject matter; (2) they allege that the expert is unqualified to render the opinion in question; or (3) they allege that the expert’s analysis is insufficiently reliable to be admissible under Fed. R. Evid. 702.

#### **7.4.3.1 Improper Subject Matter**

Motions to preclude expert testimony directed at “improper” subject matter, which commonly arise when experts offer opinions about the research and development (R&D) leading to the patent or the prosecution of the application, usually make one of two allegations: (1) that the expert improperly speculates about what another person was thinking at a given time; or (2) that the expert is giving an opinion on a matter of law, which usurps the role of the judge. Each of these bases presents distinct issues for the court to consider.

##### **7.4.3.1.1 State of Mind of Another Person, Usually an Inventor, Prosecutor, or Examiner**

An objection that an expert improperly speculates about what another person thought, believed, or knew most frequently arises when an expert gives an opinion about why the inventor took a particular course of action during the R&D that led to the patent-in-suit. Perhaps the most common example is where an expert offers opinions that an inventor was motivated by a particular goal, or found some aspect of the research particularly challenging. A less common, but real-world, example is that an expert might review documents describing the inventor’s field of study and then offer an opinion that the inventor would have known that a particular laboratory had expertise in that field. This issue also arises in expert testimony about patent prosecution, for example, when an expert offers opinions about why a prosecutor elected not to submit a reference or why an examiner cited or did not cite a piece of prior art when that information is not stated explicitly in the prosecution history.

The moving party generally argues that the expert is simply speculating about the state of mind of the inventor, prosecutor, or examiner. As a result, the opinion is not based on scientific, technical, or specialized knowledge and is not the proper basis for an opinion. Indeed, it is really an argument that should be made through a lawyer, not an expert. And if asserted as fact, it should be presented through a witness with personal knowledge, such as the prosecutor or inventor himself. In response, the party offering the testimony typically argues that the expert does not seek to offer an opinion as to what the inventor, examiner, or prosecutor was actually thinking. Instead, the expert is opining, based on her expertise in the relevant field, what was typical or standard practice for someone in that situation to do.

The court should evaluate this type of motion on a case-by-case basis. Whether the testimony is appropriate will depend in part upon whether the expert stops short of testifying about what the inventor, examiner, or prosecutor actually believed. If so, the court should also evaluate whether knowledge about the standard practice among similarly situated people will be helpful to the jury in answering the question at hand, or distracting in a way that may affect the result for an inappropriate reason.

#### **7.4.3.1.2 Matters of Law**

This type of objection to expert testimony arises when the expert intends to testify about what legal requirements apply to a particular person or situation. Most commonly, this occurs when an expert is testifying about the prosecution of the patent-in-suit. For example, the expert might seek to inform the jury that the law requires a prosecutor to disclose all material prior art of which she is aware. Or the expert may wish to testify about the standard for materiality. Although most common in connection with testimony about patent prosecution, this issue may arise in other contexts as well. For example, an expert might attempt to offer testimony that a class of conduct is legally actionable by stating that offering a warranty on a product sold before the patent issued can constitute active inducement of infringement.

The moving party typically argues that an opinion about the state of the law inappropriately usurps the role of the judge, whose duty it is to instruct the jury about the law. Because the moving party is correct that an expert generally may not testify about the state of the law, *see, e.g., Hygh v. Jacobs*, 961 F.2d 359, 363-64 (2d Cir. 1992); *United States v. Wilson*, 133 F.3d 251, 265 (4th Cir. 1997); *Aguilar v. Int'l Longshoremen's Union Local #10*, 996 F.2d 443, 447 (9th Cir. 1992); *United States v. Brodie*, 858 F.2d 492, 496 (9th Cir. 1988), the party offering the testimony typically argues that the expert is offering testimony about a permissible subject, such as Patent Office practice and procedure. *See, e.g., Buckley v. Airshield Corp.*, 116 F. Supp. 2d 658, 662 (D. Md. 2000). If the court determines that the proffered opinion purports to set forth the governing law, it should exclude the testimony.

#### **7.4.3.2 Inadequate Qualifications**

In most cases, challenges to an expert's credentials present the same issues in a patent case that they do in any other case. As a result, most issues related to these motions do not merit special treatment with respect to patent litigation. But one patent-specific issue does arise with some frequency: whether a technical expert must have experience in the specific technology that is accused of infringement. For example, in a case in which a certain type of car door is the subject of the in-

fringement claim, the expert may have a Ph.D. in mechanical engineering and computational and applied mathematics, but no experience in the automotive industry and no experience designing car doors. Should the expert be precluded from testifying on aspects of automotive door design?

The movant will typically argue that although the expert may have education, training, and experience that qualifies her as an expert in other fields, her lack of experience with the accused technology prevents her from having the specialized knowledge necessary to offer reliable opinions about the accused products. The party offering the expert will usually argue that experience with the accused technology is not a *per se* requirement, and that the witness's education and training—although not specific to the accused product—provide the requisite foundation for the opinion. This issue, the argument goes, should be directed to the weight that the jury gives to the testimony, not its admissibility.

Although experience with the technology at issue is not a *per se* requirement, it may in some cases be necessary to provide foundation for the opinions being proffered. Compare *Tormenia v. First Investors Realty Co., Inc.*, 251 F.3d 128, 136 (3d Cir. 2000), with *United States v. Marler*, 614 F.2d 47, 50 (5th Cir. 1980). Consequently, the outcome should be determined by the specific opinions that the expert intends to offer. For example, the expert with a Ph.D. in mechanical engineering mentioned above may be sufficiently qualified to compare the mechanical aspects of the accused door with the patent claims, but may not have the requisite knowledge to testify about manufacturing standards applicable in the automotive industry. Thus, the court will need to resolve this issue on a case-by-case basis, above all by applying its common sense to determine whether the expert has sufficient foundation to offer the opinions in question.

### 7.4.3.3 Unreliable Analysis

The third category of disputes about the substantive admissibility of expert opinions centers on whether the analysis leading to the opinions was reliable. Generally, the party challenging the expert's opinion makes one of two assertions: (1) that the expert's opinion is conclusory; or (2) that the expert misapplied an accepted methodology. The first type of motion most often arises with technical experts; the latter with damages experts and those testing or analyzing accused products.

#### 7.4.3.3.1 Conclusory Expert Opinions

Most commonly, disputes about conclusory expert opinions take the form of motions *in limine* that seek to preclude a technical expert from offering an opinion about a general issue, because the expert provided only a conclusory opinion

about that issue in the expert's report. Motions of this nature are most commonly filed to exclude opinions about obviousness and infringement under the doctrine of equivalents. The "conclusory" opinions sought to be excluded typically take one of two forms. One is a bald statement at the beginning or end of the expert's report offering the expert's conclusion about the ultimate issue, such as the following, after a discussion of literal infringement:

Moreover, to the extent that there are any differences between the accused product and Claim 1, they are insubstantial and the accused products infringe under the doctrine of equivalents.

The other is an opinion that, although addressing a specific claim element and product, does no more than parrot an accepted test for determining the ultimate issue, such as the following:

Although claim 1 requires "a layer" that performs both functions, the combination of two layers in the accused product achieves substantially the same functions in substantially the same way to achieve substantially the same result as would a single layer.

In both cases, the opinion sought to be excluded is usually preceded or followed by a discussion of the general technology of the patent-in-suit, a discussion of the accused product (or asserted prior art reference), and a detailed discussion of literal infringement (or of anticipation), but there is no other mention of equivalents (or obviousness).

The moving party typically argues that "the only" discussion in the expert report related to equivalents (or obviousness) is a single conclusory opinion such as the ones set forth above. As a result, it is impossible to determine the basis for and test the reliability of the expert's conclusions. Citing a wealth of case law, the party argues that the conclusory opinion is insufficient. *See, e.g., Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1278 (Fed. Cir. 2004). Because conclusory opinions devoid of analysis are indeed inadmissible, the party offering the testimony usually counters that the statement is merely a summary of the conclusion, which is based on the detailed discussions found elsewhere in the report.

This type of motion generally requires more than a cursory review of the expert's report and provides a good example of why *in limine* motion practice is not a good vehicle for deciding *Daubert* issues. Although seldom styled as a *Daubert* motion, this dispute implicates the court's gatekeeping role under Fed. R. Evid. 702. Indeed, the court must determine whether the other sections of the report reflect the reliable implementation of a reliable methodology that provides foundation for the challenged opinion. But instead of a thorough analysis of these sections under Fed. R. Evid. 702 and *Daubert*, the court is almost always presented with a bare excerpt from the report, a few stern quotations from the Federal Circuit, and no time to dig deeper before deciding the motion. An effective strategy

for addressing this issue is for the court to set a separate briefing schedule for *Daubert* motions. In any event, the outcome should be determined on a case-by-case basis and will depend on whether the other sections of the report do, indeed, support the opinion alleged to be conclusory.

#### **7.4.3.3.2 Unreliability of the Methodology or Its Application**

Although disputes of this nature could arise with respect to any expert, they most commonly arise in patent cases in connection with the computation of damages. *See generally* § 13.4.3.2. Consequently, all of the examples discussed here relate to methods for calculating damages. The law requires that a patentee be awarded damages “adequate to compensate for infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer.” § 284. In practice, this means damages based on a “reasonable royalty” will be an issue in almost every patent case, because a “reasonable royalty” is the “floor below which damage awards may not fall.” *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1544 (Fed. Cir. 1995). Expert testimony supporting a reasonable royalty analysis raises two clusters of issues. The first cluster concerns the methodology used to calculate the royalty; the second concerns the scope of the base to which the royalty rate is applied. In addition, a growing number of cases involve the use of surveys to establish the value of an accused feature, to show the volume of use for purposes of establishing direct infringement by third parties that underlies a claim of indirect infringement or proving damages, among other reasons. Because the surveys are litigation-driven and often involve modifications to peer-reviewed methodologies or limited or allegedly non-representative sample sizes, experts proffering opinions based on such surveys are commonly the subject of *Daubert* challenges. For general background on survey methodology, see Shari Seidman Diamond, Reference Guide on Survey Research, in The Federal Judicial Center and National Research Council of the National Academies, Reference Manual on Scientific Evidence 361 (3<sup>rd</sup> ed. 2011).

##### **7.4.3.3.2.1 Misapplication of the Georgia-Pacific Factors**

Courts have generally accepted the multifactor analysis set forth in *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970), as the framework for calculating a reasonable royalty. *See, e.g., Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568 (Fed. Cir. 1988), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004). Under this framework, the proffered expert attempts to de-

termine what the royalty would have been had the parties conducted a negotiation at the time of first infringement, with both parties willing to enter into a license, having knowledge that the patent was valid and infringed. (The negotiation is, of course, hypothetical and counterfactual, as shown by the existence of the suit.) *Georgia-Pacific* (*GP*) lays out 15 factors to be considered as part of this hypothetical negotiation. Because the framework is so widely used, most *Daubert* challenges to expert opinions on damages stem from the purported misapplication of the *GP* factors.

#### **7.4.3.3.2.1.1 Consideration of Factors Not Specified in *Georgia-Pacific***

Although application of the 15 *GP* factors is nearly universal, some experts rely upon other factors in some cases. For example, an expert with years of licensing experience in a particular industry may elect to consider additional factors used in that industry when calculating a reasonable royalty for patents in that industry. As another example, if the patent-in-suit was purchased from the patentee by the plaintiff, an expert might consider the value attributed to that patent during the acquisition. Or, an expert might offer an opinion that takes into consideration the cost to design around the patent, the cost of removing the infringing feature from the accused product, the value attributed to the technology by respondents to marketing surveys, or myriad other factors.

When an expert does this, the opposing party often seeks to exclude the opinion on the basis that the expert departed from the accepted methodology by considering additional factors. The party offering the testimony usually counters that the specific factors outlined in *GP* are an accepted, *but not required*, tool for evaluating the outcome of a hypothetical negotiation. Indeed, the *GP* factors are not exclusive. *Georgia-Pacific*, 317 F. Supp at 1120. If the expert can provide information sufficient to show that the additional factor considered is generally accepted as relevant to valuation and was reliably applied in this instance, the court should allow the opinion.

#### **7.4.3.3.2.1.2 Selective Use of the *GP* Factors**

Similarly, experts often combine several of the *GP* factors or decline to apply one or more factors in a given case. The issue is essentially the same—*GP* provides the core framework and factors that may be used in evaluating a royalty within that framework, but there is no express requirement that every factor be applied in every case. In considering a motion brought on this ground, the court should evaluate the totality of the analysis to determine whether it reflects the overall

framework, rather than evaluate the expert's consideration (or lack of consideration) of each factor in isolation.

#### **7.4.3.3.2.1.3 Use of an Incorrect Date for the Hypothetical Negotiation**

Another commonly brought motion seeks to exclude an expert opinion on the grounds that the expert used the wrong date for the hypothetical negotiation. This most often arises where multiple patents are asserted. For example, a common approach when multiple patents are at issue is to assume that the royalty for all patents is determined during a single negotiation that occurred at the time of first infringement of the earliest-infringed patent. This is especially true when the patents are part of the same patent family.

The movant usually argues either that the expert's use of an incorrect date conflicts with the legal standard or that it renders the analysis unreliable. Of course, the party offering the testimony disagrees, arguing that it is the jury's province to determine which of the factual scenarios upon which the expert's analyses are based is more accurate. Thus, the issue goes to weight, not admissibility. The non-movant usually has the better argument. If the expert can identify a plausible explanation for the date selected that is consistent with the flexible hypothetical construct (e.g., the opinion covers a multiple-patent scenario, or reflects one party's contention about when infringement began), then the motion should be denied. *See, e.g., Brunswick Corp. v. United States*, 46 U.S.P.Q.2d 1446 (Fed. Cir. 1998) (unpublished). But, in the case where the date used bears no logical relationship to the date of first infringement, the court should grant the motion. *See, e.g., Unisplay S.A. v. Am. Elec. Sign Co., Inc.*, 69 F.3d 512, 518 (Fed. Cir. 1995); *Hanson v. Alpine Valley Ski Area, Inc.*, 718 F.2d 1075, 1079 (Fed. Cir. 1983) ("the key element in setting a reasonable royalty . . . is the necessity for return to the date when infringement began.").

#### **7.4.3.3.2.1.4 Use of Facts that Post-Date the Hypothetical Negotiation**

A fourth frequently filed motion concerns the extent to which experts can rely upon events that occurred after the date of first infringement in their analysis of the GP factors. The movant typically contends that the analysis is legally deficient or unreliable because it relies exclusively, or partially, upon such facts. In response, the party offering the testimony typically argues that the post-infringement facts are helpful, and sometimes required, to be considered to ensure that the result of the hypothetical negotiation does not stray too far from actual events. Here, both parties can have legitimate points and the resolution depends on a subtle distinc-

tion: the expert must base her opinion on facts that predate the hypothetical negotiation, but may look to post-negotiation facts as a reality check.

In *Fromson v. Western Litho Plate & Supply Co.*, the Federal Circuit discussed the role that facts occurring after the date of the hypothetical negotiation can play in the analysis:

The methodology encompasses fantasy and flexibility; fantasy because it requires a court to imagine what warring parties would have agreed to as willing negotiators; flexibility because it speaks of negotiations as of the time infringement began, yet permits and often requires a court to look to events and facts that occurred thereafter and that could not have been known to or predicted by the hypothesized negotiators.

853 F.2d 1568, 1575 (1988), *overruled on other grounds by Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1343 (Fed. Cir. 2004). This language in *Fromson* flows from the Supreme Court’s discussion of post-infringement facts in *Sinclair Ref. Co. v. Jenkins Petroleum Co.*:

But a different situation is presented if years have gone by before the evidence is offered. Experience is then available to correct uncertain prophecy. Here is a book of wisdom that courts may not neglect. We find no rule of law that sets a clasp upon its pages, and forbids us to look within. . . . To correct uncertain prophecies in such circumstances is not to charge the offender with elements of value non-existent at the time of his offense. It is to bring out and expose to light the elements of value that were there from the beginning.

289 U.S. 689, 697 (1933). Nevertheless, an expert is not free to disregard entirely the date of first infringement and base her opinion entirely upon post-infringement facts:

Burns was not discussing what royalty rate a hypothetical negotiation would have yielded *at the time infringement began*. Instead, Burns was testifying to what the parties might arrive *at the time of trial*. Such testimony was not directed to the proper reasonable royalty criteria and therefore cannot support the jury’s verdict.

*Unisplay, S.A. v. Am. Elec. Sign Co., Inc.*, 69 F.3d 512, 518 (Fed. Cir. 1995). *See also Hanson*, 718 F.2d at 1081 (“The issue of the infringer’s profit is to be determined not on the basis of a hindsight evaluation of what actually happened, but on the basis of what parties to the hypothetical license negotiations would have considered at the time of the negotiations.”).

From this medley of pronouncements about the relevance of post-negotiation facts, the conclusion emerges that an expert must ground her opinion in facts that would have been known on the date of the hypothetical negotiation, but may also consider post-negotiation facts to color her analysis such that it does not depart dramatically from actual events. Thus, if the court finds that the analysis is based

primarily or exclusively upon post-negotiation facts, the opinion should be excluded. On the other hand, if the court finds that the expert is merely relying on post-negotiation facts to supplement her analysis of pre-negotiation facts, the opinion should be admitted.

#### **7.4.3.3.2.2 Use of an Incorrect Base for Damages**

Another damages-related dispute that merits discussion concerns the appropriate base from which damages are to be measured. Most commonly, this dispute arises in one of two situations: (1) where the patentee accuses a component of a larger system or product of infringement but seeks a royalty base that includes the entire system or product; or (2) where the patentee seeks to include products sold in connection with the infringing product (allegedly “convoyed sales”) in the royalty base. Typically, this dispute takes the form of a motion *in limine* to preclude the patentee from presenting evidence or argument concerning damages based on the entire system or upon “convoyed sales.”

Some such disputes are not directed at the reliability or helpfulness of expert testimony, *per se*, but rather focus on whether the patentee has a legal basis for seeking damages that extend beyond the infringing device. Such disputes are best presented through summary judgment (in cases where the theory has been developed through discovery) or motions *in limine* (in cases where the accused infringer seeks to prevent argument or testimony that has been hinted at, but not developed, through discovery). In other cases, parties seek to challenge the methodology by which an expert apportions the value of an accused feature in a multi-feature product and therefore raise such issues in a *Daubert* motion. In light of the *Lucent* decision, holding that in the reasonable royalty context the base can be the entire product *so long as* the rate accounts for the relative contribution of that feature in comparison with other features (*see* § 7.3.4.7, *supra*) the majority of disputes of this nature in the reasonable royalty context are likely to focus on the methodology or reliability of the analysis, and thus be brought in a *Daubert* motion.

#### **7.4.3.3.2.3 Reliance On A Legally Insufficient Methodology**

The principal area in which this is likely to arise in patent cases is with respect to the so-called “25% Rule” used by some experts in calculating reasonable-royalty damages, and similar methodologies. The essence of the “Rule” is that a patentee should recover 25% of the profits garnered by the accused infringer from its sale of an accused product. In *Uniloc USA, Inc. v. Microsoft Corporation*, the Federal

Circuit held as a matter of law that the “25% Rule” is an unreliable methodology by which to calculate a reasonable royalty:

This court now holds as a matter of Federal Circuit law that the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation. Evidence relying on the 25 percent rule of thumb is thus inadmissible under Daubert and the Federal Rules of Evidence, because it fails to tie a reasonable royalty base to the facts of the case at issue.

632 F.3d 1292, 1315 (Fed. Cir. 2011).

In the wake of *Uniloc*, two types of disputes are likely to arise. First, an assertion that an expert is surreptitiously relying on the 25% Rule in his or her analysis. And, more commonly, that the expert is relying on some other “rule of thumb” (e.g., IBM’s historical 1%-per-patent rate) or is applying a methodology in a manner that fails to take the specific facts of the case into account (e.g., utilizing Nash bargaining and assuming without analysis that the parties would split the incremental profit 50/50, 60/40, or by some other arbitrary ratio). In both types of disputes, the court should evaluate the methodology underlying the expert’s opinions, as well as the manner in which that methodology is applied, in light of the Federal Circuit’s explicit basis for excluding opinions that rely on the 25% Rule: that the “rule of thumb” failed to weigh the specific facts of a given case to reach the royalty that would be reasonable in light of that specific fact pattern. Applying this reasoning, other methodologies – or applications of methodologies – that fail to draw their conclusions from the specific facts of the case at hand should be excluded.

#### 7.4.3.3.2.4 Litigation Surveys

In recent years, it has been more common for a party – typically the patentee – to proffer expert testimony based on a survey conducted specifically for the litigation to support its damages calculation (or other contentions), for example by showing the alleged value of the accused feature or the alleged invention, by estimating the percentage or overall volume of use of the accused feature or product, or by estimating the extent to which a feature drives sales of the product into which it is incorporated. *See, e.g., Lucent*, 580 F.3d at 1333-1334. The opposing party often objects to the reliability of the survey on the grounds that it does not comply with generally accepted and peer-reviewed methodologies for conducting surveys. For example, the party opposing the survey may argue that the questions were not properly formulated or balanced, that the process by which responses were tabulated involved subjectivity or was otherwise unreliable, that the sample was not representative, that the sample size was too small, and the like. *See, e.g., Lucent Technologies, Inc. v. Microsoft Corp.*, 2011 U.S. Dist. LEXIS 130571, at \*45-50 (N.D. Cal. Nov. 10, 2011).

Unlike much of the expert testimony offered in patent cases, survey-based opinions arise from a field with well-documented and peer-reviewed methodologies upon which a court can and should rely to evaluate the reliability of the particular survey in question. *See generally* Shari Seidman Diamond, Reference Guide on Survey Research, in The Federal Judicial Center and National Research Council of the National Academies, Reference Manual on Scientific Evidence 361 (3<sup>rd</sup> ed. 2011). Moreover, the court should consider carefully not just the methodology used to conduct the survey, but also whether the conclusions drawn by the survey expert (and experts relying on the opinion of the survey expert) about the data are both consistent with the issues that the survey was designed to measure and whether the survey is genuinely helpful to evaluating the ultimate factual or legal issue in support of which it is proffered.

#### **7.4.4 Motions Seeking to Prevent Lay Witness Opinions and Expert Witness Fact Testimony**

Because of the multifaceted role that expert witnesses play in patent cases, it can be difficult to draw the appropriate distinction between a technical expert witness and a technically skilled fact witness, such as an inventor. In addition to her opinions, an expert witness may have personal knowledge of facts relevant to disputed issues. Further complicating trial management, fact witnesses may be just as credentialed as expert witnesses and be all too willing to offer their opinions about a multitude of subjects.

To manage this situation, the court should employ a simple guiding principle: the relationship between fact testimony and expert testimony does not change simply because a fact witness has a technology background or the expert witness has personal knowledge of relevant facts. To the extent that the witness has personal knowledge of relevant facts, she may testify about them whether or not they are technical in nature so long as the fact-witness disclosure requirements are met. She may also testify as to lay witness opinions, but may not offer opinions of an expert nature unless she is disclosed as an expert witness. If a witness is to offer expert opinions at trial, she must satisfy both the disclosure and reliability requirements.

### **7.5 Managing Patent Trials through Motions *In Limine***

As is discussed throughout this guide, active management of patent cases is crucial at every stage of the litigation. But nowhere is such management more important than during a patent jury trial—just ask a befuddled juror required to apply an infringement analysis to a multiplicity of claims and accused products amid a bewildering set of technical facts. Motions *in limine* provide the court with an

opportunity to establish procedures and substantive limitations that will streamline the evidence, shorten the trial, and reduce jury confusion.

Courts should consider a number of questions with respect to each motion:

- Is this a motion that needs to be decided now, or should it wait for additional context and information to be elicited at trial?
- What is the relationship between the substantive issue to which the evidence sought to be excluded is related and other substantive issues in the case?
- Is the evidence sought to be excluded potentially relevant to multiple issues?
- Is the motion effectively dispositive?
- Should the motion have been brought at the summary judgment stage?

The court should bear in mind that although substantive to some degree, these motions largely implicate procedural requirements and the balancing test of Fed. R. Evid. 403. For this reason some courts choose to hear motions *in limine* at the outset of a trial so that they are better acquainted with the disputes that are likely to arise, and then continue some portion of them until the issues are fleshed out during the course of the proceeding. If the court takes this path, it should admonish counsel to ask for a side bar before introducing evidence that was the subject of a continued motion. In addition, courts should be wary of simply deferring *all* evidentiary decisions in light of the fact that resolving them during trial can extend and interrupt the proceedings and place additional burdens on the jury.

### **7.5.1 Maintaining the Integrity of the Infringement/Validity Framework**

Patent cases incorporate a number of legal standards that can be difficult for an advocate to explain and even more difficult for a jury to apply. For example, as discussed in § 13.4.1.4, to determine whether an accused product infringes a particular claim, one must compare each limitation of that claim with the accused product to assess whether the limitation is satisfied, either literally or under the doctrine of equivalents. *See, e.g., Aquatex Indus., Inc. v. Techniche Solutions*, 419 F.3d 1374, 1382 (Fed. Cir. 2005). This analysis must be applied for each accused product and for each claim. Set in the context of a complex technology, this exercise is virtually guaranteed to confuse at least some members of a jury. No wonder, then, that parties undertake significant efforts to identify shortcuts to proving infringement and validity.

The first constellation of frequently filed, patent-specific motions arises as a response to these efforts. Typically styled, in whole or in part, as seeking to focus the evidence on the required legal standard, these motions ultimately seek to close down shortcuts to proving infringement and invalidity. Because these issues arise in nearly every patent case, a substantial portion of pretrial filings, including motions *in limine*, is often pitched to the court as attempting to require the opposing

party to adhere to the proper legal standard. But, of course, not all motions pitched that way are actually directed at maintaining the integrity of the legal standards. Indeed, they often seek to preclude legitimate evidence relevant to a different issue by contending that it improperly alters the infringement or validity analysis. This section highlights four commonly brought motions implicating these issues.

#### **7.5.1.1 Motion to Bar a Comparison Between the Accused Product and an Embodying Product (or Between Prior Art and an Embodying Product)**

This motion is typically brought by the accused infringer to prevent the patentee from comparing the accused product to the patentee's product, but not exclusively so. The movant generally argues that the comparison should be barred under Fed. R. Evid. 403 because it has no probative value as to infringement and there is a substantial risk of jury confusion resulting in an improper infringement analysis.

From a substantive standpoint, a party clearly cannot be permitted to argue that a comparison between commercial products shows that the patent is or is not infringed. Of course, no sophisticated litigant would openly offer the comparison for this purpose. Instead, the respondent typically argues that the comparison has probative value for an issue other than infringement. For example, a patentee may argue that the comparison is probative of whether the infringement was willful because it shows that the accused infringer copied the patentee's product. Or, after putting on evidence concerning differences between the accused products and claim limitations, an accused infringer might argue that the comparison will help the jury understand the evidence that has already been presented.

In either case, the risk of confusion is high because (in most cases) it is easier to compare two products than to compare a product with the (often confusing) language of a patent claim. For this reason, allowing comparisons with an embodying product often creates an especially high risk of confusion. Thus, at a minimum, the party that wishes to make such a comparison must be instructed that it cannot argue or attempt to infer that the comparison itself bears on infringement. Note that one or both of the parties may appropriately refer to embodying products in other contexts that do not implicate the concerns and potential confusion outlined above. For example a patentee may refer to a commercial embodiment to argue that the alleged invention was commercially successful to rebut an argument that the alleged invention was obvious. Likewise, an accused infringer may refer to a commercial embodiment to argue that the asserted claims are invalid, because a product or process embodying them was offered for sale in the United States more than a year before the application for the patent was filed.

Because of the risks of confusion, the court should consider deferring its ruling on a motion to exclude a comparison between the accused product and an embodying product until it can fully appreciate the context in which the comparison will be shown to the jury. If the court elects to defer this or any other motion *in limine*, it should impose strict conditions on how the motion will be addressed during trial. For example, it should bar the parties from using the comparison in opening statements and instruct the parties that the dispute over this evidence absolutely will not be addressed in the presence of the jury. Instead, the party offering the evidence should be required to notify the court on the day preceding the trial day on which the evidence will be offered. In addition, the court should hear the motion before trial begins for that day. If the offering party or the court believes that testimony yet to be elicited will provide relevant context, the court should require the offering party to provide an offer of proof rather than hear the motion in the middle of the trial day. These measures, strictly enforced, will help prevent the disputed evidence from being “inadvertently” elicited in the jury’s presence.

#### **7.5.1.2 Motion to Bar Presentation of Embodying Products as Physical Exhibits**

A more extreme version of the motion discussed above is to ask the court to bar introduction of the embodying product as a physical exhibit. The movant typically argues that the embodying product should be excluded under Fed. R. Evid. 403 because it has no probative value for infringement, but risks confusing the jury and resulting in an improper infringement analysis. The party seeking to offer the embodiment as a physical exhibit typically makes one of two arguments in response. One typical argument is that the sample is relevant to an issue other than infringement. For example, a patentee might argue that the physical sample is a prototype corroborating pre-filing development work and is thus highly relevant to the patent’s priority date, which is in turn relevant to invalidity. Another typical argument is that a physical embodiment will help the jury understand the technology and thus understand the infringement and invalidity issues that it will have to decide.

Even if the embodying product has no legal relevance, this does not mean that it should be excluded, *per se*. The court should not discount the importance of providing the jury with a mechanism that will help it understand the technology and technical issues in dispute. It is entirely appropriate to admit a physical sample for this purpose. But whether the physical sample in question will help illuminate the relevant technical issues for the jury depends entirely on the context in which it is offered. In addition to evaluating the difficulty of the technology and the issues in dispute, the court may find it helpful to evaluate the quality of the

other tools being offered to the jury and attempt to gauge the jury's response to them before admitting this evidence solely for that purpose. As a result, the court should consider deferring resolution of the motion until it is in a position to evaluate these factors.

### **7.5.1.3 Motion to Bar Evidence that the Accused Infringer Has Patents of Its Own**

This motion is brought by the patentee to prevent the accused infringer from introducing its own patents into evidence. The typical argument is that there is no legitimate purpose for introducing the patents because they are not relevant to any disputed issue. Thus, their introduction is a “frolic and detour” that will waste time. Moreover, the argument typically points to the risk that the jury will be confused by the introduction of the new patents and the technologies they claim. This risk is heightened dramatically, patentees typically argue, when the patents in question claim improvements over the patent being asserted (e.g., the asserted patent claims a car with round wheels and the improvement patents claim a car with round *rubber* wheels). In such a case, there is a risk that the jury will misinterpret the existence of an improvement patent as providing a basis for finding no infringement. This happens because juries can fail to grasp the fundamental concept that multiple patents can cover a single product, and thus fail to appreciate that the existence of an improvement patent does not shield its holder from liability for infringement of a more basic patent. *See, e.g., Bio-Tech Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1559 (Fed. Cir. 1996).

Of course, this argument founders if the accused infringer identifies a legitimate purpose for introducing its own patents. For example, a patent in which the accused infringer described its products as being different from the asserted patent may be relevant to the reverse doctrine of equivalents or to a lack of the intent required for inducement. In addition, the figures or description contained in an accused infringer's patent may help the jury understand aspects of the accused products better than any other piece of evidence available. This may be particularly important where the technology is complex or abstract.

Depending upon the argument for relevance advanced by the accused infringer, the court may benefit from deferring the motion until some evidence has been elicited so that it may better gauge whether the purpose advanced is legitimate or pretextual. If legitimate, the court can head off jury confusion by including in its instructions the admonition that a patent gives its holder the right to exclude others from making the invention, not the right to practice it, and illustrating this point with concrete examples.

#### 7.5.1.4 Motion to Bar Argument that Patent Is Not Infringed Because It Is Invalid

In this motion, the patentee seeks to prevent the accused infringer from arguing that it does not infringe the patent because the patent is invalid or unenforceable. Infringement and validity are separate issues that should be decided separately. See, e.g., *Cardinal Chem. Co. v. Morton Int'l*, 508 U.S. 83, 96 (1993); *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.3d 1524, 1535 (Fed. Cir. 1987); see also *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 S. Ct. 76, 773 n.10 (2007). Likewise, infringement and enforceability are distinct issues. *Gardco Mfg, Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (Fed. Cir. 1987). As a result, this motion should be granted.

#### 7.5.2 Untimely Disclosures

The second constellation of frequently made motions *in limine* concerns evidence that is asserted to have been disclosed in an untimely fashion. Untimely disclosures, whether relating to documents, expert opinions, or fact witnesses, are certainly not unique to patent cases. Indeed, tardy disclosures in patent cases often result from the same root causes, and have the same effects, as tardy disclosures in other cases. But one characteristic sets patent cases apart—the relativity of the parties’ basic contentions.

In patent cases, there is a fundamental tension between infringement and invalidity: the broader the claim, the more likely it is to be infringed, but the less likely it is to be valid, and vice versa. This tension causes parties to take positions that are relative to the other party’s positions. For example, a defendant may argue that an asserted claim does not cover its products because claim limitation X is different from product element Y, but that if Y is within the scope of X as the patentee asserts, then the claim is invalidated by prior art that also contains element Y. Likewise, a patentee may argue that a claim element is missing from a prior art reference, but if present as the defendant asserts, additional products containing that element infringe. More subtly, the products and prior art at issue determine which disputes are joined at the claim construction, summary judgment, and trial stages. As a result, the discovery (or exclusion from evidence) of a single prior art reference, for example, may fundamentally affect the invalidity and infringement arguments of both parties. For this reason, several jurisdictions have established local rules that require infringement and invalidity contentions to be exchanged at certain points during discovery. See Appendix D (summary of districts with Patent Local Rules or standard practices that affect patent cases). Courts in jurisdictions that have not adopted such rules should consider implementing similar procedures through a standing or scheduling order.

The relativity of the parties' contentions affects the way that courts should evaluate and redress complaints of untimely disclosed evidence in several ways. First, it is important that the court resolve these motions as quickly as possible, and in any event before opening statements. Whether a belated disclosure is justifiable and/or excusable depends upon facts that should be available to the court before trial, and so trial evidence is not likely to shed light on the proper result. Moreover, because the admission or exclusion of the evidence could fundamentally alter both parties' trial strategies, it is important that the court resolve such disputes before the parties lay out their trial themes during opening statements.

Second, an apparent untimely disclosure may be justified in light of the circumstances. For example, the discovery and production of a prior art reference on the day before discovery closes may be timely, depending on the court's rules, but it also may warrant supplementation of interrogatory responses or disclosure of additional evidence by the opposing party after discovery closes. Or, in cases in which the court holds claim construction proceedings after discovery closes, an unexpected construction may justify a cascade of new contentions and evidence.

A third, related, point is that the court should treat each belated disclosure independently. Indeed, it is often inequitable to treat both parties' disclosures the same way. For example, one party's belated expert report may be justified in light of the circumstances, while the opposing party's belated report is unjustified. Not only would applying parity to this situation be unfair, the addition of new facts may itself create new inequities. Instead, the court should first determine which belated disclosures, if any, will be excused, and then evaluate what, if any, remedial disclosures are necessary to prevent prejudice to the receiving party. For example, the court may find that it is equitable to allow a party to rebut the other party's belated report, but not to allow it to supplement its existing reports on other issues.

Finally, although the standards for disclosure vary between districts, a court should remember that the general purpose of infringement contentions and invalidity contentions is not to provide a level of detail on par with an expert report. See e.g. *Fenner Invs., Ltd. v. Hewlett-Packard Co.*, 2010 U.S. Dist. LEXIS 17536 (E.D. Tex. Feb. 26, 2010). Rather, the purpose of infringement and validity contentions is to provide notice of infringement and invalidity theories and identify evidence sufficient to illustrate how the party intends to apply those theories to the evidence, with the full scope of proof and evidence of infringement and invalidity being set forth in expert reports—prepared and served after the completion of fact discovery. *Id.*

With these principles in mind, we turn to three commonly filed motions *in limine* arising from belated disclosures.

### **7.5.2.1 Motion to Preclude Undisclosed Fact Witnesses**

This motion seeks to exclude witnesses identified on a party's trial witness list who were not disclosed in that party's initial/supplemental disclosures or interrogatory responses. It largely implicates the same issues as do similar motions in other types of cases, and should typically be handled the same way. But the court should consider the above discussion in evaluating whether the witness disclosure was timely in light of the circumstances.

### **7.5.2.2 Motion to Preclude Undisclosed Prior Art**

In evaluating a patentee's motion to exclude undisclosed or belatedly disclosed prior art, the court should be aware of at least two patent-specific issues. The first, which derives from the Patent Act itself, is that an accused infringer must disclose the prior art that it intends to assert at trial at least 30 days prior to the first day of trial. § 282.<sup>3</sup> The second is the substantial effect that admitting or excluding even one reference could have on the litigation. These issues are discussed in turn.

Accused infringers attempting to inject new prior art into evidence after the close of discovery typically invoke § 282 as justification for allowing the reference despite the late disclosure. Patentees typically respond that § 282 does not excuse compliance with federal rule, local rule, and court-imposed deadlines. Patentees have the better argument. "[A]lthough § 282 sets a minimum period for the identification of prior art to be introduced as evidence of anticipation, a specific judi-

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<sup>3</sup> Section 282 provides in pertinent part that:

In actions involving the validity or infringement of a patent the party asserting invalidity or noninfringement shall give notice in the pleadings or otherwise in writing to the adverse party at least thirty days before the trial, of the country, number, date, and name of the patentee of any patent, the title, date, and page numbers of any publication to be relied upon as anticipation of the patent in suit or, except in actions in the United States Claims Court [United States Court of Federal Claims], as showing the state of the art, and 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 said matters may not be made at the trial except on such terms as the court requires.

cial directive for the timing of discovery establishes the procedures to which the parties are bound.” *ADT Corp. v. Lydall, Inc.*, 159 F.3d 534, 551 (Fed. Cir. 1998). Thus, the court should evaluate this failure to comply with its discovery schedule through the same lens as it would any other transgression to determine whether the belated disclosure was somehow justified in light of the circumstances.

Accused infringers attempting to excuse a failure to serve a § 282 disclosure complying with the statute typically argue that the prior art was disclosed sufficiently through earlier discovery responses. Patentees typically argue that this is insufficient because compliance with judicially established deadlines cannot excuse a failure to comply with a statutory requirement. The patentees typically have the better of this argument, too, although it can be a much closer case. A failure to comply with § 282 may be grounds for exclusion, even if the prior art was produced in discovery or identified in discovery responses. *Ferguson-Beauregard v. Mega Sys. LLC*, 350 F.3d 1327, 1347 (Fed. Cir. 2003). But exclusion is not required. See, e.g., *Eaton Corp. v. Appliance Valves Corp.*, 792 F.2d 874, 879-80 (Fed. Cir. 1986); but see *Applera Corp. v. MJ Research, Inc.*, 389 F. Supp. 2d 344, 351 (D. Conn. 2005) (excluding prior art for failure to comply with § 282 and noting that the Federal Rules have tightened since *Eaton* was decided). In this situation, the court should measure whether the purpose of the rule—that the patentee be advised that the prior art will be *asserted at trial*—has been served. *Eaton*, 792 F.3d at 879 (“What counts is notice of intent to rely.”). If the patentee knew of the accused infringer’s intent to rely on the art at trial, then it *may be* equitable, depending upon the circumstances, to excuse the failure to comply with § 282. For example, in a jurisdiction that requires invalidity contentions by local rule, it does not seem equitable to require a later document specifically titled “Section 282 Notice” to admit a prior art reference that had been identified earlier in the case as part of those contentions. A court may well find that the invalidity contentions serve the purposes of the statute.

This motion implicates broader issues, as well: whether the belated disclosure is justifiable in light of some action on the part of the patentee or the court, and the extent to which allowing the reference will have downstream effects. Like a newly disclosed theory of infringement, a newly identified prior art reference may have significant potential to drive the parties to refine or outright alter their positions concerning any issue, to add or drop claims, and to affect expert testimony presented at trial. As a result, allowing even one new prior art reference to be added after the close of discovery may trigger a cascade of new evidence or arguments. For example, a new piece of prior art asserted as part of a combinatorial obviousness attack may require new arguments about motivations to combine, secondary considerations of non-obviousness, and the proper application of *Georgia-Pacific* factors in a damages analysis. This, in turn, may result in experts straying beyond the bounds of their reports (to comment on evidence presented at trial), and a whole host of related evidentiary issues. In light of this follow-on ef-

fect, the court may require substantial justification before excusing belated disclosure of prior art.

On the other hand, allowing supplemental art may be an appropriate remedy to counterbalance discovery violations on the part of the patentee. For example, in many cases patent owners will (either with or without permission) change their infringement theories after claim construction, during expert depositions (and after expert reports) or as trial approaches. Where those changes have been either allowed or tolerated, it may be appropriate to allow the defendant to inject new prior art into the proceedings. This is true because, in many cases, a defendant's invalidity theory will depend upon how the plaintiff intends to read the prior art on the accused product. This is true especially where the defendant intends to make a "practicing the prior art" defense. The equities will vary with every fact pattern, so there is no "best" approach, other than to consider carefully how the decision is likely to impact the trial as a whole.

### **7.5.2.3 Motion to Preclude Untimely Expert Opinions**

The third type of commonly filed motion centers around whether and to what extent experts are permitted to testify at trial beyond the expert reports prepared according to the schedule set forth in Fed. R. Civ. P. 26 or by the court's scheduling order. Typically, this motion comes in one of three forms.

#### **7.5.2.3.1 Opinions Not Disclosed in Reports**

The first variant seeks to preclude experts from testifying about issues that were not identified in any timely served report. Commonly, these opinions come to light through a declaration filed in support of a summary judgment motion or a supplemental report served after the close of expert discovery.

Although the court should address this type of motion as soon as possible, many courts do not address the untimeliness of opinions included in summary judgment declarations at the summary judgment stage, instead keeping silent on the issue or explicitly deferring a ruling until later in the case. The danger in this approach is that it effectively decides the issue in favor of admissibility: without guidance from the court, the receiving party deposes the expert, the prejudice argument is weakened, and the court ultimately allows the opinions, either alone or in connection with a tradeoff that allows both parties to disclose opinions outside the normal schedule. But although a one-for-one exchange of reports may appear fair on its face, for the reasons discussed above, it may significantly handicap the receiving party. It also allows the disclosing party to circumvent the court's schedule and undermines the court's ability to manage its docket.

When belated opinions are styled as “supplemental reports,” the danger is that the court will treat supplemental reports as interchangeable and adopt an “all-in or all-out” approach. While sometimes appropriate, this approach risks significant prejudice—the scope of opinions set forth in supplemental reports may differ significantly, one report may have downstream effects while the other does not, and one belated disclosure may be justified while the other is not.

#### **7.5.2.3.2 Affirmative Opinions Disclosed in Rebuttal Reports**

The second variant seeks to exclude affirmative opinions that were disclosed for the first time in “rebuttal” reports served pursuant to Fed. R. Civ. P. 26(a)(2)(C) or the court’s scheduling order. As Fed. R. Civ. P. 26(a)(2)(C) states, these “rebuttal” disclosures are made “solely to contradict or rebut” expert opinions disclosed by the other side. Thus, it is clearly improper to label affirmative opinions as “rebuttal” in nature and to evaluate them under that standard. Instead, the court should treat such disclosures for what they are: “supplemental” opinions, which should be evaluated according to the principles set forth in § 7.5.2.3.2.

#### **7.5.2.3.3 Limit Experts to their Reports**

The third variant seeks to prevent experts from testifying on direct examination about opinions that go beyond their reports. In principle, this motion should be granted. But, in practice, it is often difficult to draw a clear line. On the one hand, experts should not be limited to a recitation of their reports. On the other hand, the more flexibility the expert has to restate her opinions, the more likely it is that the ultimate opinion will contain substantive differences that prejudice the other party. Furthermore, context can be very important in discerning which departures from the report are appropriate and which are not.

For these reasons, the court should attempt to resolve this motion early, but may need to defer decision concerning certain issues until trial. Rather than grant a blanket motion stating that experts are limited to reports, which will encourage objections during the expert’s testimony, the court should address this general subject on an issue-by-issue basis. It can do so in several ways. First, if a party has concerns directed at certain issues—e.g., a function-way-result analysis of potential equivalents—before trial, the party should be required to brief these issues specifically in its motions *in limine*. If specific concerns arise during trial, but before the expert is put on the stand (e.g., through exchange of graphics or witness binders), the party opposing the testimony should be required to raise the issue in advance, outside the presence of the jury, to allow the court to evaluate the issue before the expert is called to testify. Finally, parties calling an expert should be en-

couraged to resolve potential disputes in advance. One way to do so would be to require an expert to move on to a completely different subject when an objection about scope is made so that the objection can be resolved outside the presence of the jury. By implementing these procedures, the court can prevent surprise testimony and reduce the number of disputes that are joined in the jury's presence.

### 7.5.3 Precluding Claims/Defenses

A third constellation of motions seeks to preclude a party from presenting evidence concerning a particular claim or defense. Four examples illustrate common issues:

*Doctrine of Equivalents:* The accused infringer brings a motion to preclude the patentee from presenting any evidence concerning the doctrine of equivalents. The thrust of the argument is often that there is no expert testimony (or no expert testimony that is sufficiently detailed to be admissible, *see* § 7.4.3.3.1) explaining why the element of the accused product has “insubstantial differences” from the relevant claim limitation. Without such testimony, so the argument goes, there is no evidence to show that the differences are insubstantial, and therefore no way to prove infringement under the doctrine of equivalents. Therefore, evidence or argument directed at the doctrine should be precluded as prejudicial and likely to confuse the jury.

*Prosecution History Estoppel:* Another common motion is predicated on prosecution history estoppel. Under that doctrine, a plaintiff who makes a narrowing amendment during prosecution is barred from relying on the doctrine of equivalents to “recapture” the scope which he surrendered. *See Trading Technologies Int’l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1355 (Fed. Cir. 2010) (“Under prosecution history estoppel, a patentee may not seek to recapture as an equivalent subject matter surrendered during prosecution.”); *PODS, Inc. v. Porta Stor, Inc.*, 484 F.3d 1359, 1367 (Fed. Cir. 2007) (“prosecution history estoppel limits the range of equivalents available to a patentee by preventing recapture of subject matter surrendered during prosecution of the patent.”) (internal citations omitted). In many cases, prosecution history estoppel arises when an applicant adds a limitation in an attempt to distinguish prior art. It can also arise, however, where an applicant makes an express disclaimer of claim scope in an argument to the examiner. *See Medtronic Inc. v. Guidant Corp.*, 465 F.3d 1360, 1373 (Fed. Cir. 2006) (“unmistakable assertions made to the Patent Office in support of patentability can give rise to a surrender for purposes of the recapture rule.”) (internal citations omitted).

*Obviousness:* The patentee brings a motion to preclude the accused infringer from presenting evidence that a claim is obvious in light of one or more prior art references. Typically, the patentee makes one of two arguments:

- that the accused infringer identified no evidence that one of ordinary skill in the art had a motivation to combine the references (note that evidence of a specific motivation to combine reference for obviousness purposes is no longer required, although the Supreme Court has stated that it may be helpful to the analysis. *See KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 418 (2007); *see also* § 13.3.5.2); or
- that the accused infringer identified no adequate expert testimony to explain the elements of obviousness. Thus, evidence or argument directed at the specific obviousness combination—or obviousness generally—would be irrelevant, prejudicial, and likely to confuse the jury. But note that obviousness is a legal issue that does not always require expert testimony, although it may be helpful. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1270 (Fed. Cir. 1986) (argument that expert testimony is required “borders on the frivolous”).

**Damages:** The accused infringer brings a motion to preclude any evidence of damages prior to the filing of the lawsuit (or the date on which the patentee provided notice of the patent, if earlier). Typically, the accused infringer argues that § 287 bars pre-notice damages unless the patentee marks products covered by the patent with the patent number, and that the patentee has identified no evidence of the required “marking.” Therefore, evidence concerning pre-notice damages would be irrelevant and prejudicial. The patentee may argue in response that a reasonable royalty analysis depends on the “time of first infringement,” and pre-notice activities must be addressed as part of that analysis.

As these examples illustrate, there is often no clean line between a true motion *in limine* and a summary judgment motion in disguise. One way to resolve this question is to focus on the differences between the motion *in limine* and summary judgment processes. At the summary judgment stage, the briefs are longer, contain more factual detail, and present a fuller explication of the relevant legal standards than at the motion *in limine* stage. Likewise, summary judgment arguments tend to be longer and the court typically takes much more time to resolve a summary judgment motion than it does a motion *in limine*. When presented with a borderline motion *in limine*, the court should consider whether the issue would benefit from fuller examination. In most cases, it will and the court should deny the motion. *See Kimball ex rel. Kimball v. RJ Reynolds Tobacco Co.*, No. C03-664JLR, 2006 U.S. Dist. LEXIS 27138 (W.D. Wash. April 26, 2006) (“The court assumes that counsel is aware of the differences between dispositive motions and motions *in limine*. The court is thus surprised and disappointed to find numerous dispositive motions pending only days before trial.”).

Merely denying the motion, though, deprives the court of an opportunity to weed out issues for which a party will not be able to carry its burden of proof. As a result, the court should advise parties during the initial Case Management Con-

ference that it will treat certain exclusion/preclusion motions, such as those identified above, as summary judgment motions. *See* Chapter 2. With fair warning, parties may elect to bring these motions at the summary judgment stage, giving the court an opportunity to resolve these disputes with adequate time for evaluating the record.

#### **7.5.4 Miscellaneous Patent-Related Motions**

In addition to the three constellations of motions discussed above, several other motions *in limine* with patent-specific implications arise in many cases.

##### **7.5.4.1 Motion to Bar Evidence/Argument Inconsistent with Claim Construction**

This motion can be brought by either party and asserts that the opposing party seeks to re-argue, or present evidence that conflicts with, the court's construction of a particular claim term. Typically, the moving party argues that claim construction is an issue of law to be decided by the court and that arguing or presenting inconsistent evidence to the jury intrudes into the province of the court. Consequently, the argument goes, a party should not be permitted to ask the jury to construe a claim term or to present evidence that clearly implicates a contrary construction.

Taken at face value, the movant's argument is sensible—claim construction is a legal exercise that must be performed by the court. *See Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 391 (1996); § 5.2. But this motion is often more complicated because parties also employ this reasoning to exclude legitimate arguments and evidence directed at issues that do not rely on claim construction. For example, a written description defense is premised on a comparison between the construed claim and the originally filed specification to determine whether the patentee was in possession of the claimed invention at the time the application was filed. *See, e.g., Moba, B.V. v. Diamond Automation, Inc.*, 325 F.3d 1306, 1320-21 (Fed. Cir. 2003). If an accused infringer were to argue that the inventor was not in possession of the invention as claimed because the construed claim lacks a limitation corresponding to a feature of the embodiments discussed in the specification, this does not invite the jury to rewrite the court's claim construction, at least expressly. The argument is directed to a different issue. Likewise, a non-infringement defense based on the reverse doctrine of equivalents is premised on a comparison of the accused product to the originally filed application. *See, e.g., Scripps Clinic & Research Found. v. Genentech*, 927 F.2d 1565, 1581 (Fed. Cir. 1991). Therefore, an accused infringer offering evidence of that comparison is not

seeking to rewrite the court's claim construction, but rather to satisfy a different legal standard.

Because the argument that an alleged infringer is seeking to diverge from the court's claim construction is so easily used to thwart a genuine defense, it is important that the court evaluate carefully whether there is a legitimate purpose for introducing the evidence or making the argument, and not simply take the motion at face value. Moreover, because the decision may have far-reaching effects (especially if the court's ruling has the effect of precluding a defense), the court should rule on this motion before trial begins.

#### **7.5.4.2 Motion to Preclude Reference to an Expert's Contrary Claim Construction Opinion**

Experts in patent cases are often asked to provide opinions at multiple stages in the case. They will, for example, often be asked at the claim construction stage to offer an opinion directed to explaining how a person having ordinary skill in the art would have understood a term at the time the patent application was filed. Once the court has construed the claims, the experts will be asked at the "expert discovery" stage to offer opinions applying the court's construction to reach conclusions related to infringement and validity. When multiple experts offer conflicting opinions about claim construction, at least one expert's opinion is necessarily at odds with the court's ultimate construction.

This motion is brought to prevent one party from cross-examining the other party's expert based on statements made to support a losing claim construction position. Typically, the argument is that the opinion has no relevance to infringement or validity. Moreover, the jury is likely to misunderstand why the expert is "changing" positions—because she must apply the court's construction—and may unfairly discount the expert's credibility. One counterargument is that the substance of the claim construction reveals inconsistencies beyond the meaning applied to the claim term. For example, an expert might opine at the claim construction stage that a prior art technique was widely known, but opine later in the case that the technique was known only to a few artisans. In this example, the inconsistency—and the blow to credibility—has nothing to do with the ultimate conclusion that the expert reached about claim construction; the testimony is simply inconsistent. As a result, the court should consider allowing the use of such prior opinions based upon a case-by-case balancing of probative value and potential prejudice. In some instances, the court should consider deferring decision on the motion until the direct examination of the expert is complete so as to better appreciate the import of the alleged inconsistency.

#### **7.5.4.3 Motion to Bar Evidence/Argument About Dropped Claims/Patents**

This motion is brought by the patentee and seeks to preclude any reference to the fact that the patentee initially asserted more claims or patents than it is pursuing at trial. Typically, the patentee argues that the claims/patents were dropped for efficiency and that this change does not reflect the merits of the liability arguments concerning those claims/patents in any way. As a result, the argument goes, this fact has no probative value. Moreover, there is substantial risk of prejudice because the jury is likely to assume that the claims were dropped because the patentee believed them to be invalid or not infringed.

Accused infringers typically argue that the fact that the patentee dropped claims or patents does have probative value, at least when willful infringement or an antitrust counterclaim is asserted. In the former situation, the fact that the patentee initially asserted additional/different patents or claims before pursuing the patents/claims asserted at trial may affect the reasonableness of the accused infringer's response. Therefore, as the argument goes, this fact is relevant to whether the accused infringer reasonably believed that it had a right to continue its allegedly infringing conduct. In the antitrust counterclaim scenario, the counterclaim plaintiff may seek to show that the patentee has engaged in an unwarranted campaign to instill fear, uncertainty, and doubt into the marketplace by falsely asserting patent infringement.

There is no clear-cut way to resolve this motion. The outcome is highly fact-dependent. The accused infringer may in some case legitimately seek to use the information to rebut willfulness or for some other purpose. Even so, this motion should be decided before opening statements. In most cases, waiting for testimony to be elicited during trial will not provide additional clarity about which side has the better argument. In the case of antitrust counterclaims, this issue weighs in favor of bifurcating the trial (affirmative patent infringement claims tried first; antitrust counterclaims addressed in a second trial phase) so as to avoid confusing the jury.

#### **7.5.4.4 Motion to Bar Disclosure that the Patentee Seeks an Injunction**

This motion is brought by the patentee and seeks to preclude any evidence or argument to the jury disclosing that the patentee seeks an injunction. Because a request for an injunction seeks equitable relief, it is decided by the court, rather than by the jury. Typically, the patentee argues that disclosing the request for injunction has no probative value and would prejudice the plaintiff by potentially generating sympathy that could affect the jury's decision making on liability. The accused infringer often responds that mentioning the possibility of an injunction

is no more prejudicial than disclosing the size of the damages award sought (which, of course, is disclosed, unless the case is bifurcated), and that the information may be relevant to other issues in the case, such as the accused infringer's state of mind for willfulness (e.g., that the accused infringer evaluated the patent seriously because it knew the plaintiff would be seeking an injunction). If relevance to an issue before the jury is shown, the motion should generally be denied. But the court should evaluate the motion carefully to discern whether, given the specific facts of the case, the risk of prejudice trumps the probative value of the argument or evidence.

#### **7.5.4.5 Motion to Preclude Reference to Related Proceedings in the Patent Office**

This motion is often, although not always, brought by the patentee, who seeks to preclude any reference to a pending re-examination or re-issue involving the patent-in-suit. Typically, the argument is that the parallel proceedings have no relevance until they are completed—when the claims are ultimately issued intact, modified, or rejected. Moreover, there is considerable risk that the jury will misunderstand the significance of the proceedings and will inappropriately weigh this evidence. In response, the opposing party typically counters that the parallel proceeding has substantial probative value concerning invalidity or inequitable conduct. For example, if the Patent Office decides to re-examine the patent-in-suit because of a particular prior art reference, that fact supports the argument that the reference is material, which is relevant to inequitable conduct. Conversely, if the Patent Office reissued a patent over a prior art reference, this supports the argument that the reference is not material. *See, e.g., Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1237 (Fed. Cir. 2003).

Because the evidence will often have some probative value, but also some potential for prejudice, the court should consider carefully what, exactly, from the parallel proceedings can be used, and for what exact purpose. This judgment may be better informed once trial has begun, when the court can evaluate the precise context in which the evidence will be presented.

#### **7.5.4.6 Motion to Preclude Evidence Concerning Undisclosed Opinions of Counsel**

Historically, the parties in many patent case have asked the court to decide whether, and to what extent, the fact that an opinion of counsel relating to the patent-in-suit was obtained or not obtained, or disclosed or not disclosed, can be presented to the jury. There is no duty for an accused infringer to obtain an opinion of counsel. *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en*

*banc*). Moreover, the Federal Circuit has made clear that the jury can no longer be instructed that it may draw an adverse inference from the accused infringer's decision not to obtain an opinion of counsel, or not to rely upon one at trial. *Knorr-Bremse Systeme Fuer Nutzfahrzeuge v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (*en banc*). But the *en banc* court in *Knorr* expressly reserved the question whether non-disclosure is one of the facts making up the totality of the circumstances that is considered in determining willfulness. *Id.* at 1346-47. Likewise, it left unresolved the extent to which a jury should consider a decision not to obtain an opinion. *Id.* Subsequent cases have suggested that these factors may be considered as part of the totality of the circumstances. *See, e.g., Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1347 (Fed. Cir. 2011). In 2011, however, Congress resolved these questions definitively when it enacted the America Invents Act, which contains new 35 U.S.C. § 298. That section provides that “The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.” 35 U.S.C. § 298. In light of this provision, the court should grant a motion *in limine* that seeks to exclude evidence that an accused infringer failed to obtain, or to disclose in the litigation, an opinion of counsel regarding the asserted patent, when that evidence is proffered for the purpose of establishing willful infringement or indirect infringement. If such evidence is proffered for some other purpose, the court should weigh carefully whether the asserted probative value of such evidence outweighs the prejudice that led Congress to enact this prohibition.

#### **7.5.4.7 Motion to Preclude Evidence Based On Estoppel Resulting From Post-Grant Proceedings**

In the America Invents Act (“AIA”), Congress enacted two new post-grant proceedings to collectively replace *inter partes* reexaminations: post-grant reviews (which must be filed within 9 months of issuance or reissuance of a patent) and *inter partes* review. Both new proceedings carry with them provisions that estop the party that brought them against the patent (or the real party in interest or privy) from asserting – either in a civil action in district court or in an action brought before the International Trade Commission – “that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that [post-grant review or *inter partes* review].” *See, e.g.,* 35 U.S.C. §§ 315 (*inter partes*), 325 (*post-grant*). The estoppels take effect once a “final written decision” has been issued in the proceeding. Because these new post-grant proceedings will not be instituted until the Fall of 2012, and because the statutes provide a 15- to 21-month window for completing the review from the time the request for review

is made, the first wave of estoppels from such reviews can be expected to take effect some time in 2014. In addition, AIA-related changes in the handling of *inter partes* reexaminations conducted under the current statute, which also contains estoppel provisions, may lead to final resolution of *inter partes* reexaminations that are currently backlogged, and, concomitantly, give rise to related estoppels.

Once estoppels do take effect, courts are likely to be presented with motions *in limine* brought by a patentee seeking to exclude argument and evidence related to invalidity arguments that were presented, or allegedly should have been presented, during a post-grant proceeding. Resolving motions directed to prior art or other invalidity arguments that were explicitly considered by the Patent Office during the proceeding should be straightforward. Motions directed to prior art or argument that the patentee alleges *should have been* raised during the proceedings will be more difficult. Though no specific standard has yet been delineated, courts should consider, among other facts, whether the basis of invalidity now asserted could actually have been raised in the post-grant proceeding (note that post-grant reviews consider a different universe of invalidity arguments than *inter partes* reviews); whether the prior art or other basis for invalidity was actually known by the requesting party when the request was made; if it was not known, the efforts made to discover bases for invalidity and the difficulty of uncovering, at that time with the resources available, the basis for invalidity now asserted; whether expert testimony, discovery, positions taken by the patentee during litigation, and other aspects of litigation, were reasonably necessary to discover the basis for invalidity or appreciate its significance.

As a practical matter, this last point is especially important. Often in litigation, the accused infringer makes the argument that prior art discloses the asserted patent claims only as those claims are interpreted by the patentee in furtherance of its infringement allegations (in other words that, if properly construed, the patent claims cover neither the accused product nor the prior art; if construed as broadly as the patentee contends, then the patent claims cover the prior art). This type of conditional argument may not arise until litigation, because the patentee may not take such positions until well into the case, and long after a request for a post-grant proceeding is filed. Similarly, what may be reasonable diligence to expect of an accused infringer engaged in litigation, for example in the context of preparing patent local rule invalidity contentions, may well be unreasonable to expect of an entity before litigation begins. Conversely, reserving for potential litigation prior art that the accused infringer had identified and knew was significant to the validity of the patent claims at the time it filed the post-grant proceeding request conflicts with the clear purpose of the statute, which is to reduce the likelihood of parallel litigation. As this discussion illustrates, motions of this kind are likely to be fact-intensive. The court should weigh these and other factors pertinent to the given situation and evaluate such motions on a case-by-case basis.

#### **7.5.4.8 Motion to Preclude Reference To Presumption of Validity**

As noted previously it is now generally considered improper to instruct a jury on the presumption of validity in addition to instruction on the “clear and convincing” burden of proof. *See* §7.9.4.3. For this same reason, defendants often ask courts to enter an order forbidding a plaintiff from mentioning the presumption of validity. The court has broad discretion to decide for itself whether such a reference is likely to be confusing or to undermine the court’s efforts to clarify concepts through its jury instructions. In recent years, however, courts have granted this motion more frequently in order to better align the arguments presented by the attorneys with the court’s jury instructions. *See e.g. Alloc, Inc. v. Pergo, Inc.*, 02-C-0736, 2007 WL 5289735 (E.D. Wis. Nov. 21, 2007) (“In the interest of making concepts as clear to the jury as possible, the court will direct that the parties refrain from referring to the “presumption of validity,” since the parties may refer to the same concept as the Alloc Parties' burden of proof”); *Voda v. Cordis Corp.*, CIV-03-1512-L, 2006 WL 5347777 (W.D. Okla. May 10, 2006) (“The court will instruct the jury on the appropriate burden of proof. Defendant's motion to preclude plaintiff from referring to the presumption of validity is therefore GRANTED.”).

**Appendix 7.1**  
**Sample Pretrial Order for Patent Cases**

**IN THE UNITED STATES DISTRICT COURT**  
**FOR THE \_\_\_\_\_ DISTRICT OF \_\_\_\_\_**

_____	§			
	§			
<b>Plaintiff,</b>	§	<b>Civil</b>	<b>Action</b>	<b>No.</b>
			_____	
	§			
<b>vs.</b>	§			
	§			
_____	§			
	§			
<b>Defendant.</b>	§			

**PROPOSED PRETRIAL ORDER**

[Instructions to parties and counsel provided in this document are enclosed within brackets and should be omitted from the document when the Proposed Pretrial Order is prepared for submission.]

### **Trial Counsel for the Parties**

[Each party shall identify the names, law firms, addresses, telephone numbers, and email addresses for the attorneys who will try the case on behalf of that party.]

### **Jurisdiction**

[The parties shall identify the basis for the Court’s jurisdiction.]

### **Nature of the Action**

[The parties shall provide a brief description of the nature and background of the action.]

### **The Parties’ Contentions**

[Plaintiff shall provide an identification and brief description of its contentions. In a patent-infringement case, Plaintiff’s statement (or in a declaratory judgment action, Defendant’s statement) shall include at least the following information:

- a. The specific patent claims to be asserted at trial (i.e., the set or subset of previously-identified asserted claims);
- b. The specific products to be accused of infringement at trial (i.e., the set or subset of previously-identified accused products);
- c. Whether the patentee intends to rely at trial on the doctrine of equivalents to establish infringement for any claim;

- d. Whether the patentee intends to assert indirect infringement at trial and, if so, under what theory (i.e., contributory infringement and/or inducement) and as to which claims and products;
- e. The type of infringement damages to be sought at trial (i.e., lost profits, reasonable royalty, or both); and
- f. If the accused infringer asserts that one or more of the asserted patent claims is obvious, whether the patentee intends to rely on any “secondary indicia” of non-obviousness to rebut this contention and, if so, which specific indicia (e.g., commercial success of \_\_\_\_\_ (product), recognition as shown by \_\_\_\_\_ (award), etc.).

Defendant shall provide an identification and brief description of its contentions. In a patent-infringement case, Defendant’s statement (or in a declaratory judgment action, Plaintiff’s statement) shall include at least the following information:

- a. Whether the accused infringer intends to assert at trial that one or more of its products does not infringe one or more asserted claims; and
- b. Whether the accused infringer intends to assert at trial that one or more of the asserted patent claims is invalid. If so, the accused infringer shall provide at least the following additional information:

- a. The specific patents, publications, devices, or other prior art to be asserted at trial as anticipating or rendering obvious one or more of the asserted claims (i.e., the set or subset of previously-identified asserted prior art);
- b. Whether the accused infringer will assert at trial that one or more asserted claims is invalid under 35 U.S.C. §101; and
- c. Whether the accused infringer will assert at trial that one or more asserted claims is invalid under 35 U.S.C. §112 and, if so, the specific grounds to be asserted (i.e., written description, lack of enablement, and/or indefiniteness).]

### **Uncontested Facts and Stipulations**

[The parties shall identify undisputed facts that are relevant to their contentions, as set forth in Section IV, and stipulations regarding trial procedures (e.g., exchange of demonstratives, disclosure of deposition designations and objections, and the like), the subject matter to be tried, or that otherwise bear on the trial.]

### **Contested Legal and Factual Issues**

[Each party shall identify the specific issues of fact and law that are relevant to their contentions, as set forth in Section IV, and are contested.]

### **Jury and Non-Jury Issues**

[The parties shall identify whether they request trial by a jury or by the Court. If the case is to be tried to a jury, the parties shall identify any equitable, legal, or other issues that they contend should be decided by the Court, through a bench trial or otherwise.]

### **List of Witnesses**

[Each party shall submit with the Proposed Pretrial Order a list of witnesses that it will call or may call at trial, and specify for each such witness: a) whether that witness is expected to testify live or by deposition; b) whether the witnesses will provide factual or expert testimony; and c) any objections that have been made to the witness being called to testify. Plaintiff's witness list shall be submitted as Exhibit 8A to the Proposed Pretrial Order; Defendant's witness list shall be submitted as Exhibit 8B.]

### **List of Exhibits**

[Each party shall submit with the Proposed Pretrial Order a list of exhibits that it may seek to offer into evidence at trial, along with the objections, if any, that have been made to each such exhibit. Plaintiff's exhibit list shall be submitted as Exhibit 9A to that proposed order; Defendant's exhibit list shall be submitted as Exhibit 9B.]

### **List of Pending Motions**

[Each party shall identify the motions that it has filed that remain pending with the Court.]

### **Jury Instructions**

[If the case is to be tried to a jury, the parties shall submit a joint set of preliminary instructions as Exhibit 11A to the Proposed Pretrial Order and a joint set of final instructions as Exhibit 11B to the Proposed Pretrial Order. The Court may use these proposed instructions to charge the jury, or may modify them or use other instructions as is warranted. The parties should exchange proposed preliminary instructions and proposed final instructions in accordance with the Court's scheduling order, and, in any event, well in advance of the submission of the Proposed Pretrial Order. The parties should meet-and-confer as necessary to reach agreement regarding a joint set of instructions. In Exhibits 11A and 11B submitted with the Proposed Pretrial Order, each instruction shall be separately numbered and no more than one instruction may be included on a single printed page (though some instructions may span multiple pages). Where the parties disagree about whether a particular instruction should be given, or about the specific language to be used in an instruction, the party proposing the instruction shall include it in the set, in the place in which it would appear if adopted, with the notation "PROPOSED BY PLAINTIFF [OR DEFENDANT]" and shall provide a brief (i.e., 1 to 2 paragraph) explanation why this instruction should be adopted, in-

cluding citations to all relevant authority. Immediately following this proposed instruction, the party opposing the instruction shall include on a separate page a similarly brief explanation why the proposed instruction should not be adopted, including citations to all relevant authority. Where the parties propose competing language for an instruction, this same procedure shall be followed consecutively for each proposed version of the instruction, such that the consecutive pages for that instruction appear as follows: 1) Instruction X, Proposal A; 2) Objection to Proposal A; 3) Instruction X, Proposal B; 4) Objection to Proposal B.]

### **Verdict Form**

[If the case is to be tried to a jury, the parties shall submit as Exhibit 12 to the Proposed Pretrial Order a proposed verdict form. If the parties are unable to agree on a verdict form, each party shall submit a proposed verdict form, along with a short (no more than 2 pages) explanation why its proposed form should be adopted, including citations to all relevant authority. Plaintiff's proposed verdict form and accompanying argument shall be submitted as Exhibit 12A to the Proposed Pretrial Order; Defendant's proposed verdict form and accompanying argument shall be submitted as Exhibit 12B to that proposed order.]

### **Trial Length and Logistics**

[Each party shall specify the number of hours that it contends is appropriate for each party for each of the following: a) voir dire, b) opening statements, c)

presentation of evidence, and d) closing arguments. If any party intends to request phasing, bifurcation, or other procedure concerning the trial length or ordering of evidence, that party shall include such request in its statement herein, along with a short explanation of the basis for the request. A party opposing the request may include a similarly short statement explaining briefly its opposition to the request. If the request is the subject of a motion presently pending before the Court, the parties shall identify that request in this section, but omit the short statements concerning that request.]

Dated: \_\_\_\_\_.

[Counsel Signatures]

# Chapter 8

## Trial

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- 8.1 Procedural Issues
  - 8.1.1 Separate Trials
    - 8.1.1.1 Bifurcating Legal and Equitable Issues
      - 8.1.1.1.1 When to Bifurcate
      - 8.1.1.1.2 Use of an Advisory Jury
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  - 8.1.2 Trial Logistics
    - 8.1.2.1 Time Limits
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        - 8.1.2.2.2.1 Evidentiary and Witness Presentation
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      - 8.1.2.3.4 Jury Notetaking
      - 8.1.2.3.5 Allowing Juror Questions
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- 8.6 Bench Trials

In previous chapters, we discussed approaches for managing patent cases during the various stages of pretrial litigation. While case management during the pretrial phase goes a long way in ensuring smooth proceedings during trial, patent trials present their own distinctive challenges.

In a patent case, the involvement of a lay jury, which typically lacks knowledge concerning the complex and highly technical issues in question, colors almost all aspects of trial. Inherent complexity and inappropriate argumentation can result in unsupportable or inconsistent findings of fact by a confused jury. An inordinate amount of time and resources after trial may be spent trying to unravel and remedy such findings. Thus trial, like all other phases of a patent case, benefits from early and close judicial management.

As the Federal Circuit has remarked, a court’s “discretion is at its broadest on matters of trial management.” *Mass. Inst. of Tech. v. Abacus Software*, 462 F.3d 1344, 1367 (Fed. Cir. 2006). This chapter reviews the procedural and substantive considerations that factor into the exercise of the court’s discretion, and discusses approaches for structuring proceedings and narrowing issues to facilitate the jury’s and the court’s fact-finding role.

## 8.1 Procedural Issues

Before any trial can begin, the court must define the scope of trial and the ground rules governing its proceedings, including bifurcation and trial logistics. And when a jury is involved, the court should also establish procedures for assisting the jury’s comprehension of the technologies involved. These issues must be addressed to some degree in all civil trials, but are of particular import in the patent litigation context, where cases often involve numerous complex and technical claims and defenses.

This section discusses the advantages and disadvantages of particular approaches to these process issues. Specifically, we explore when to hold separate trials for the different issues disputed in patent cases. We discuss under what circumstances a particular trial schedule and organization works best. We then con-

sider what procedures a court can adopt to assist the jury in understanding a patent case's often highly technical trial presentations.

### 8.1.1 Separate Trials

The first question in any patent trial is whether all the issues involved should be resolved in a single proceeding. The trial court has broad discretion with regard to trial management. Federal Rule of Civil Procedure 42(b) provides:

The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim ... always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.

Nonetheless, the court's discretion is not without limits. When deciding whether issues should be separately tried, trial courts must ensure that a litigant's constitutional right to a jury is preserved. "Maintenance of the jury as a fact-finding body is of such importance and occupies so firm a place in our history and jurisprudence that any seeming curtailment of the right to a jury trial should be scrutinized with the utmost care." *Dimick v. Schiedt*, 293 U.S. 474, 486 (1935).

It is generally more efficient to have one trial and one appeal. See *Johns Hopkins Univ. v. CellPro*, 160 F.R.D. 30, 35 (D. Del. 1995). Thus, bifurcation in patent cases is the exception, not the rule, and appropriate only if it will promote judicial economy and not be inconvenient or prejudicial to the parties. See *F & G Scrolling Mouse L.L.C. v. IBM Corp.*, 190 F.R.D. 385 (M.D.N.C. 1999) (burden on moving party to show bifurcation will (1) promote greater convenience to parties, witnesses, jurors, and the court, (2) be conducive to expedition and economy, and (3) not result in undue prejudice to any party); *Spectra-Physics Lasers, Inc. v. Uniphase Corp.*, 144 F.R.D. 99, 101 (N.D. Cal. 1992) (denying motion to bifurcate trial into separate liability and damages phases where defendant failed to meet its burden).

Patent cases are often complex, however, sometimes involving different technologies, non-patent claims with overlapping facts, and various legal and equitable claims and defenses. Whether all these issues should be resolved in a single trial depends upon the facts and circumstances of the particular case. Factors to be considered when deciding whether to bifurcate include whether the issues, and the evidence required for each issue, are significantly different; whether they are triable by jury or the court; whether discovery has been directed to a single trial of all issues; whether a party would be prejudiced by a single or separate trials; and

whether a single trial would create the potential for jury confusion. *McDaniel v. Anheuser-Busch, Inc.*, 987 F.2d 298, 305 n.22 (5th Cir. 1993); *Angelo v. Armstrong World Indus., Inc.*, 11 F.3d 957, 964 (10th Cir. 1993); *Hirst v. Gertzen*, 676 F.2d 1252, 1261 (9th Cir. 1982); *Kimberly-Clark Corp. v. James River Corp.*, 131 F.R.D. 607, 608-09 (N.D. Ga. 1989).

Ultimately, considerations regarding the manageability and comprehensibility (particularly for jurors) of the various issues presented in the case should govern the decision to bifurcate and hold separate trials. From a case management standpoint, bifurcation can assist the court in segregating from juror consideration evidence that may be integral for one issue, but irrelevant and prejudicial for another issue in the case. Bifurcation can also assist jurors by focusing jurors' attention on one issue at a time, helping to avoid confusion that can result from overwhelming jurors with multiple complex issues as once. At the same time, there are efficiencies that result from resolving all issues in one proceeding that should not be disregarded when deciding whether to bifurcate, or even trifurcate patent cases.

#### **8.1.1.1 Bifurcating Legal and Equitable Issues**

Many of the defenses to a patent infringement action are equitable in nature. In addition to non-infringement and invalidity, many defendants assert inequitable conduct, patent misuse, laches, or equitable estoppel that would render an asserted patent unenforceable. There are also affirmative patent issues, such as joint inventorship, that are equitable in nature. While the facts underlying the merits of infringement and invalidity issues and defenses are within the province of a jury, equitable issues and defenses are exclusively within the court's purview.

##### **8.1.1.1.1 When to Bifurcate**

Because legal and equitable issues are decided by different factfinders, it is common and appropriate to hold separate jury and bench trials on the different issues. Separate trials are particularly appropriate where the equitable issues involve facts that are irrelevant or only marginally relevant to the liability issues to be decided by the jury, or which may prejudice a party's case on infringement or validity. For example, allegations of inventor misconduct before the PTO relevant to an inequitable conduct defense, while irrelevant to infringement, may influence a jury's decision on that issue by suggesting that the inventor is untrustworthy. Separating the equitable issues for the court will avoid jury confusion and ensure that the juries' decision is based on proper and relevant evidence.

Moreover, a separate and early trial on the equitable defenses can sometimes promote resolution of the case. See *Agfa Corp. v. Creo Prods. Inc.*, 451 F.3d 1366, 1371-75 (Fed. Cir. 2006) (affirming trial court's discretion to conduct a bench trial

on the equitable issue of unenforceability before infringement or validity are tried to a jury (citing *Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (Fed. Cir. 1987)). Where the alleged infringer has a strong equitable defense, a trial on those issues may lead to an early unenforceability finding, obviating the more expensive and technically involved jury trial phase on infringement and validity.

While holding two separate proceedings can be more burdensome, there are procedures for increasing the efficiency of multiple trials. Jury trials and bench trials can be conducted in parallel to reduce the burden on witnesses who may have relevant testimony for both phases. By trying the legal issues to the jury in the morning sessions, and then conducting the bench trial in the afternoon, the court can coordinate the availability of witnesses and conserve both judicial and party resources.

Bifurcating legal and equitable claims can, however, implicate Seventh Amendment concerns if the bench trial is held prior to a jury determination of legal claims. In this circumstance, care must be taken not to impinge upon a party's right to a full jury trial on its legal claims when trying equitable claims separately. *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 508 (1959). Facts relevant to a party's legal claims must be decided by a jury. To the extent there is significant factual overlap between the legal and equitable issues, it may be improper for the court to decide the equitable issues before a jury determines the legal issues. For example, the Federal Circuit found it improper to hold a bench trial on the equitable issue of correction of inventorship before the jury could decide the state law fraud issue whether the patentee misrepresented being the sole inventor of the patent to the PTO and third parties. *Shum v. Intel*, 499 F.3d 1272, 1277-79 (Fed. Cir. 2007). The relationship between the equitable and legal issues is the determinative factor: Whether there is commonality between the factual disputes underlying the equitable and legal issues such that determination of the equitable issue by the court effectively denies a party the right to a jury trial on the legal issues. Thus, bench trials on equitable issues can be held before a jury trial on legal issues without violating the Seventh Amendment if resolution of the respective questions turns on different factual foundations. See generally *Ethicon v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998) (upholding district court's finding of improper inventorship and dismissal of infringement issue because infringement question did not share common factual foundation with the inventorship issue); *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1190 (Fed. Cir. 1993) ("The defense of inequitable conduct in a patent suit, being entirely equitable in nature, is not an issue for a jury to decide. . . . A patentee has no right to a jury trial respecting the factual element of culpable intent as part of the defense of inequitable conduct.").

Efficiency is another consideration in deciding whether to bifurcate legal and equitable issues. It may be more efficient to present all the evidence in one pro-

ceeding. For example, evidence of patent misuse, an equitable issue for determination by the judge, is often the same evidence used to support antitrust allegations, where it is used to determine factual issues by the jury. Courts should consider whether evidence that otherwise should be limited to a court hearing on equitable issues is also relevant to issues that the jury will determine. While not dispositive on the question of bifurcation, it is appropriate to consider whether efficiencies can be achieved by having the same evidence presented simultaneously to the jury and the court. Courts should continue to consider and weigh the potential benefits of efficiency against the potential for prejudicial misuse of evidence by the jury.

#### **8.1.1.1.2 Use of an Advisory Jury**

Although reserved for the court, equitable issues need not be tried separately. All issues can go to the jury by consent of the parties. Fed. R. Civ. P. 39(c). Even without consent, the court may try the equitable issues with an advisory jury. *Id.* The jury's verdict on the equitable issues is merely advisory, and a court may consider it but is not bound by the decision. The advantage of an advisory jury is that it enables all issues to be presented within one proceeding; a major disadvantage is that it risks contaminating the jury's consideration of the legal issues (for example, invalidity) with evidence relevant only to the equitable claim (for example, inequitable conduct). Moreover, a jury's fact finding can constrain the court's determination on equitable issues, and courts need to be conscientious not to disregard findings of fact that implicate legal claims.

In light of these considerations, it is often preferred to have equitable issues, such as inequitable conduct, tried separately to the court following the jury's consideration of the legal issues. A separate proceeding after the jury's fact finding provides the court the benefit of the jury's factual determinations (avoiding any Seventh Amendment issues), while eliminating the risk of juror confusion or prejudicial misuse of evidence relevant only to the equitable issues. Only the evidence relevant to the equitable issues and not presented to the jury need be presented during the separate court proceeding. As a result, a separate court trial on inequitable conduct, for instance, typically only requires an additional one or two days. The additional time needed for a separate court trial on inequitable conduct is often counterbalanced by not having to present this additional evidence to the jury or spend time during the jury phase discussing possible limiting instructions regarding evidence relevant only to equitable issues.

### 8.1.1.2 Separate Proceeding on Willfulness

In the past, the rationale for separating willfulness was that the inquiry raised many issues that could be confusing to the jury and improperly affect its infringement findings. Under prior law, evidence of willfulness addressed the subjective intent of the alleged infringer, which usually is not relevant to infringement. Moreover, alleged infringers often relied on opinion of counsel to defend against claims of willful infringement. Evidence obtained as a result of the corresponding waiver of the attorney-client privilege could be used to establish intent, but not as evidence of infringement.

The Federal Circuit's decision in *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*), changed the willfulness inquiry from being focused solely on subjective intent to one that also measures objective recklessness. Evidence of state of mind, which previously dominated the willfulness inquiry, is not relevant to a determination of whether an alleged infringer acted despite an objectively high likelihood that its actions constituted infringement, which is the first of the two-part test for willfulness. *Id.* at 1371. This determination of objective recklessness is made by the judge, although it may depend on factual findings by the jury as to underlying issues such as obviousness or anticipation. *Bard Peripheral Vascular, Inc., v. W.L. Gore & Assocs.*, 682 F.3d 1003 (Fed. Cir. 2012).

Moreover, under *Seagate*, alleged infringers no longer have an affirmative duty to investigate whether they are infringing and have no duty to obtain opinion of counsel. Of course, to establish willfulness, the patent holder must show that the alleged infringer knew or should have known of the objective risk, so the willfulness inquiry retains some of its subjective nature. But, on balance, adjudication of willful infringement is less likely to implicate privileged information or intent issues than it was under the previous standard.

While the *Seagate* standard reduces the relevance of intent issues in determining willfulness, all of an accused infringer's defenses, including equitable defenses, may become relevant in determining whether the accused infringer subjectively knew or should have known that its conduct was reckless. Traditional considerations of whether the prejudicial impact of evidence relating to claims of inequitable conduct will outweigh any probative value with respect to an allegation of willful infringement should continue to control a court's decision to bifurcate adjudication of willfulness, inequitable conduct, or both.

### 8.1.1.3 Bifurcating Damages

Liability and damages issues frequently are susceptible to bifurcation. *F & G Scrolling Mouse L.L.C v. IBM Corp.*, 190 F.R.D. 385, 388 (M.D.N.C. 1999). The determination of damages presents its own set of issues separate and apart from

the complexity of the liability aspects of most patent cases. Proof of lost profits or a reasonable royalty can involve voluminous data and complicated financial analyses by economic experts. This evidence can be difficult to understand and may have little relationship to patent liability issues. Separating these issues can sometimes reduce the complexity of the case while increasing the jury's ability to understand the evidence being presented.

Bifurcation of damages can also expedite a trial if the alleged infringer prevails on liability. Even if the patentee prevails on liability, there is a chance that the parties will settle the remainder of the case without the need for a damages phase.

Often, however, the patentee will seek to pursue adjudication of damages following the liability stage, which results in significant duplication of effort in staging a second trial. Furthermore, patentees have a legitimate argument that bifurcating damages can skew the verdict against them, since the jury knows it can go home earlier if it rules for the accused infringer on liability. In practice, most courts decline requests to bifurcate damages.

#### **8.1.1.4 Bifurcating Different Patents**

Patent cases often involve counterclaims for patent infringement. While a plaintiff may assert one set of patents, a defendant may counterclaim for infringement of its own patents. Often the technologies between the plaintiff's asserted patents and the defendant's asserted patents are the same, such that trial on both sets of infringement claims would involve the same expert witnesses and the same fact witnesses. In those cases, it may be more efficient to have both the patent infringement claims and counterclaims go forward in one trial. *See Hilleby v. FMC Corp.*, 25 U.S.P.Q.2d 1413, 1416 (N.D. Cal. 1992).

Where the patents asserted in the counterclaim implicate different technology, different facts, different defenses, and different witnesses, trying all these issues together in one proceeding may be inappropriate. Sorting through different technologies and the different related claims and defenses can be unmanageable for both the court and the jury. In such cases, the court should consider bifurcating plaintiff's patent action from defendant's patent counterclaims and holding separate trials.

Typically, the plaintiff's case should proceed first, with trial on defendant's patents following. The second trial should proceed immediately after the first to avoid any unfair advantage that may result from resolving one set of patent infringement allegations before the other.

### 8.1.1.5 Bifurcating Non-Patent Causes of Action

In addition to patent causes of action, parties often assert related causes of action, such as antitrust, contract, and trade secret. To streamline the case and make issues more comprehensible, it can sometimes be helpful to separate trial on the non-patent causes. Whether bifurcation is appropriate depends on the interrelationships of the causes of action asserted and the specifics of the case.

Antitrust is a common counterclaim to a patent infringement action. Equitable defenses to patent infringement, such as patent misuse, can also implicate antitrust issues. Antitrust claims involve a different body of law and a different factual inquiry than patent infringement or invalidity. The Federal Circuit has recognized that bifurcating antitrust claims is a common and accepted practice. See *In re Innotron Diagnostics*, 800 F.2d 1077, 1086 (Fed. Cir. 1986). When bifurcating antitrust claims, it is usually advisable to try the patent allegations first. The outcome of the antitrust trial will often depend upon the resolution of the patent cause of action. Moreover, parties often assert antitrust claims in patent cases for the purpose of gaining leverage in the litigation. Resolution of the patent case will often lead the parties to settle the antitrust suit, eliminating the need for the court to expend time and resources considering claims that are of collateral or secondary importance.

Non-patent causes of action based on contract and trade secret law are sometimes less amenable to bifurcation. When patents are the subject of a licensing agreement or some other contract, resolution of the patent cause of action is often dispositive or at least relevant to the contract cause of action. And where a trade secret claim involves arguments that either one of the parties misappropriated closely related technology, it will usually make sense to try the causes of action together. However, if the collateral cause of action is that the patent itself resulted from a theft of secrets, it may be more sensible to try the trade secret misappropriation cause of action first.

### 8.1.1.6 Bifurcating to Aid Juror Comprehension

As discussed in §§ 8.1.1.1 - 8.1.1.5, the decision to bifurcate any particular issue should balance the interests of the parties, the efficiencies in holding one proceeding, the court's ability to manage the case, and the practical ability of the jury to comprehend the complex issues in the case. Not only is the number of patent cases increasing in recent years, but so is the number of defendants being named as alleged infringers in each case. As this trend continues, concerns over the jury's ability to keep track of the patent technology and the technology of each of the many accused products will weigh more heavily in the bifurcation calculus. Naturally, the more complex the case, the more bifurcation will become a necessity to

ensure manageability and juror comprehension. In very complex cases (involving multiple defendants and multiple patents) courts are now considering bifurcating not only the issues discussed in §§ 8.1.1.1 - 8.1.1.5, but also the issue of infringement and validity, as well as holding separate trials for separate defendants.

In a one-patent, one-defendant case, the overall balance of interests usually disfavors bifurcating the jury's determination of infringement from its determination of patent validity. When multiple defendants and multiple patents are involved, however, a jury will be asked to evaluate the various patented inventions against numerous accused products. That undertaking combined with the introduction of numerous prior art references relevant to the validity inquiry can be overwhelming, particularly when the asserted patents implicate complicated technology. In such cases, any economic benefit to having only one proceeding is significantly outweighed by the likelihood of juror confusion. In many complex cases, courts are now considering trying infringement separate from validity. The court can maintain some degree of consistency and efficiency by trying the issues to the same jury, while allowing the jury to focus on one issue at a time through separate proceedings. With the same jury impaneled, the parties need not duplicate presentation of evidence relevant to both infringement and validity. In addition, this process may encourage settlement, as it affords the parties an opportunity to evaluate their case at each stage.

Similarly, in cases in which a plaintiff has named multiple defendants, courts may elect to hold separate trials, especially on infringement issues for the separate defendants or separate groups of defendants as to whom the infringement issues are similar. This will assist the jury in keeping track of the various accused products and technologies implicated by the lawsuit. Moreover, co-defendants can disagree on trial strategies, and separate proceedings will enable each defendant to control its defense. Thus, while bifurcating or trifurcating cases into more manageable units assists in juror comprehension, the associated costs to holding separate trials makes bifurcation a practice best reserved for the most complex cases.

### **8.1.2 Trial Logistics**

Whatever the scope of the trial, it is the court's responsibility to set and enforce the guidelines that govern its proceedings. Effective management of patent trials includes establishing reasonable time limits, maintaining a daily trial schedule, and outlining the order of the parties' presentations. With an established protocol, the parties are better able to structure and streamline their presentations to fit the court's schedule, resulting in a more understandable and efficient dispute resolution process.

### 8.1.2.1 Time Limits

A trial court's inherent power to control cases includes the broad authority to impose reasonable time limits during trial to focus the parties' presentation of evidence and prevent undue delay, waste of time, or needless presentation of cumulative evidence. Fed. R. Civ. P. 16(c)(15); *see also* *Applera Corp. v. MJ Research Inc.*, 389 F. Supp. 2d 344, 348 (D. Conn. 2005); *Motorola v. Interdigital Tech. Corp.*, 930 F. Supp. 952, 983 (D. Del. 1990) ("The Court's inherent power to control cases before it includes the power to set time limits for a trial."). Time limits have been recognized as a trial technique that enhances the quality of justice and improves the administrative aspects of any civil trial. *Amgen, Inc. v. Hoescht Marion Roussel, Inc.*, 339 F. Supp. 2d 202, 298 (D. Mass. 2004) (*citing The Vanishing Trial*, Discussion at the ABA Section on Litigation Symposium (Dec. 12-14, 2003)). They force the parties to evaluate what is and is not important to their case. Time limits are particularly appropriate in patent cases, where the issues are complex and an unduly long trial would unnecessarily burden jurors and the court. *Applera*, 389 F. Supp. 2d at 348.

#### 8.1.2.1.1 Determining the Length of Trial

What is a reasonable time for trial depends upon the particulars of a case. The number of patents at issue, the complexity of the technology, the nature and number of any associated non-patent claims, and whether issues are being bifurcated should all be taken into consideration when determining the length of trial.

To account for all these factors, a court's limits on the length of trial should be set after an informed analysis based on a review of the parties' proposed witness lists and proffered testimony, as well as their estimates of trial time. *See Duquesne Light Co. v. Westinghouse Elec. Corp.*, 66 F.3d 604, 610 (3d Cir. 1995). Time limits that are reasonable are (1) established in consultation with the parties; (2) allocated evenhandedly; (3) allotted to whatever evidence the parties deem appropriate; and (4) applied flexibly. *Id.*

Whatever the specifics of the case, a limit on the total amount of time for trial is advisable in almost every patent case. An open-ended case schedule quickly can become unmanageable in the face of so many complex issues, and imposes an unnecessary and unreasonable burden on the jury impaneled to hear the case. Therefore, the court should adopt an absolute limit on the length of trial based on input from the parties and the court's own evaluation of the case. Experience has shown that most patent cases can be fully tried within two weeks, allocating approximately twenty hours to each side, beginning with opening statements and continuing through closing arguments. (Procedures conducted by the court, mainly voir dire and instructions, typically are not clocked.)

#### **8.1.2.1.2 Allocation of Trial Time**

In general, trial time should be split evenly between the parties. The nature of patent cases is such that the burden of presenting evidence falls roughly equally on the parties. The presumed equal allocation can be adjusted for any demonstrable difference in the complexity of issues. Any time spent questioning witnesses, either on direct or cross-examination, should be counted against the questioning party, as would time spent reading that party's designated deposition transcripts into the record. *Duquesne Light Co.*, 66 F.3d at 610 (expressing concern over the district court's "puzzling" calculation of time by attributing the defendant's cross-examination of plaintiff's witnesses against plaintiff's trial time); *Applera*, 389 F. Supp. 2d at 347-48.

The key is to provide some temporal framework to motivate the parties to use trial time efficiently. How structured a framework is required depends upon the specifics of the case. In some cases, it is enough to simply inform the parties of their total time for trial and leave it to their discretion to determine how to utilize their time. In other cases, it may be appropriate for the court to allocate time for each phase of trial, placing time limits on opening and closing statements and each witness examination.

##### **8.1.2.1.2.1 Time Limits on Witness Examinations**

A highly managed approach with set time limits for each witness examination should be reserved for the most complex cases involving multiple patents and multiple different claims and defenses. These cases are often lengthy and have the greatest risk of jury confusion. Extending trial beyond the initial estimate can pose an undue hardship on jurors. Limiting the time for each phase of trial helps to regulate the parties' use of time, ensuring that they will stay within the time allotted for trial. Setting and requiring the parties to meet interim time limits also compels them to assess their case and the importance of each witness for each phase of the trial, which leads to clearer and more targeted presentations and examinations for the factfinder.

The difficulty with this approach, however, is that trial is a fluid process. Rigid time limits restrict the parties' ability to react to events and revelations that occur during the trial. During trial, the parties often drop witnesses or make changes to their examinations. It is harder to adapt to these changes in a case that has already divided the trial time for different witnesses. Indeed, imposition of time limits for individual witnesses often invites additional disputes and requests during trial for adjustment of time allotments. As a result, a tool intended to help trial proceed more orderly will, in fact, serve to stymie the smooth progression of trial.

In almost all cases, it is sufficient to allow the parties to determine how much time to spend examining particular witnesses from their general time allotment. Permitting flexibility in witness examinations allows the parties to adjust their presentations to highlight witnesses that prove more critical, and to follow up on testimony elicited during trial. Counsel in patent cases are often litigators with enough experience to manage their time without the need for limits on individual witness examinations. Thus, this type of high-level management is far more likely to promote an efficient trial and avoid ongoing requests for time adjustments.

#### **8.1.2.1.2.2 Time Limits on Opening and Closing Statements**

Time limits on opening and closing statements are more common and more feasible than trying to predict how much time is necessary and appropriate for each witness. Many courts have established time limits for opening and closing statements.

Typical time limits are less applicable in the patent context, however. Due to the complexity and the number of issues involved, opening and closing statements in a patent case usually require more time than those in a typical civil case. It is not unusual for the parties in a patent case to spend from one to two hours on an opening or closing statement. More commonly, opening arguments in patent cases fall within the 30-45 minute range and closings from 40 to 60 minutes (including rebuttal).

Thus, the ten- to thirty-minute time limit sometimes imposed in civil cases is generally not appropriate in a patent trial. The amount of time needed for useful opening and closing statements in patent cases approaches the practical time limit dictated by a jury's attention span. Thus, a fair and appropriate time limit on opening and closing statements is often superfluous, as parties rarely extend statements beyond that.

#### **8.1.2.1.3 Modification of Time Limits**

Whatever approach is taken, time limits should not to be applied so rigidly as to "sacrifice justice in the name of efficiency." *Navellier v. Sletten*, 262 F.3d 923, 941 (9th Cir. 2001). Strict adherence to time limits that prejudice a party's case can lead to new trial motions and grounds for appeal.

To ensure that the time limits imposed are reasonable, the court should monitor how much time is charged to each party and provide periodic updates to the parties. Giving periodic updates allows the parties to reassess case strategy and their allocation of time, if necessary.

It is advisable to have court staff act as the official timekeeper to avoid disputes or uncertainty that can result if the parties are left to the task. Court oversight of the trial clock enables the court to evaluate the progress of the case and ensure that the parties are on schedule. Based on the continued reassessment of the case, the court can determine if a party's request for additional time is warranted. Courts should exercise some flexibility in modifying time limits where the parties have been conscientious and expeditious in their use of time. Where, however, the lack of time available at the end of the case is the consequence of a party's mismanagement, it is not an abuse of discretion to refuse additional time. *See, e.g., Gen. Signal Corp. v. MCI Telecomms. Corp.*, 66 F.3d 1500, 1508-09 (9th Cir. 1995).

While the court need not grant additional time, it should not reduce a party's time without good cause. "[A]n allocation of trial time relied upon by the parties should not be taken away easily and without warning." *Duquesne*, 66 F.3d at 610. The parties plan trial strategy based upon their time allotment. Action taken to reduce the allotment during trial leaves little opportunity to reassess trial plans. Therefore, modifications of time limits that reduce the parties' allotment should rarely be made, and only when a party is abusing trial time. Even then, a party should be given clear warning and indication of the consequences of its trial behavior before action is taken.

As time estimates are subject to modification, the jury should not be informed of specific time limits. It is usually advisable to inform the jurors of how long the trial is expected to last to determine whether they will be able to serve and to allow them to make necessary arrangements. *See Ninth Circuit Jury Trial Improvement Committee, Second Interim Report: Recommendations and Suggested Best Practices, Recommendation II* (October 2006). Discussions regarding specific interim time limits, however, are not information jurors need to perform their duty.

While it can be a tactic used to motivate the parties to operate within time limits, making the jury conscious of time can draw attention away from the merits of the presentation. Clocks can become a distraction and interfere with the jury's role as a neutral factfinder. Furthermore, the jury may become biased against a party that uses or requests more time. Accordingly, discussions regarding time should also be conducted outside the presence of the jury.

### **8.1.2.2 Procedures for the Presentation of Evidence**

In addition to time limits, the court must also determine how the presentation of evidence is going to proceed during trial. The court needs to set a schedule that will facilitate the timely completion of trial. It also needs to establish the order in which the parties will use their time to present the various issues. The court should consider what will assist the jury in understanding the evidence to ensure that presentations and arguments are helpful.

### 8.1.2.2.1 Trial Schedule

The trial schedule adopted by the court will affect how long trial will last, and should be taken into consideration when setting time limits for trial. The trial schedule should also take into consideration the jury's attention span. Many factors go into determining an appropriate trial schedule: the potential burden on the jury, the court's availability, witness availability, holidays, and the issues being tried.

It may seem most efficient to complete trial by holding all-day proceedings five days a week. The court's obligation to other matters, however, may make it difficult to accommodate such a demanding schedule. Furthermore, many other practical considerations may make a full-time schedule infeasible, and in some cases less efficient.

Later in this chapter, we discuss the types of evidentiary issues that may arise during a patent trial. These issues must be resolved outside the presence of the jury. A full-day trial schedule leaves little time available for the court to consider disputes that arise during the course of trial. As a result, with full-day schedules, the jury may have to be kept waiting while the court resolves evidentiary or legal disputes. A half-day schedule allows the court to consider legal issues in the afternoon without wasting juror time. A court can also use the afternoon to try equitable issues without the jury. Having the jury and bench trials proceed in parallel can help conserve resources as equitable issues often involve overlapping facts and witnesses. The advantages and disadvantages of holding parallel proceedings versus a separate bench trial following the jury trial are discussed more fully in the section on bifurcation. *See* § 8.1.1.1.

There are several additional benefits to adopting a half-day schedule that increase both the overall efficiency and quality of proceedings. The real advantage of a half-day schedule is that it allows jurors to arrange their schedules so that they can serve on the jury and still attend to their jobs or family responsibilities, reducing the hardship that would otherwise result from lengthy trials. The attention of the jury also wanes during long trial days. A half-day schedule also gives the parties more time to make their disclosures and prepare their presentations. In an abundance of caution, parties are often over-inclusive in their presentations. Having more time to refine their case can eliminate a lot of needless evidence and corresponding disputes, increasing the overall efficiency of proceedings. *See* Ninth Circuit Jury Trial Improvement Committee, Second Interim Report: Recommendations and Suggested Best Practices, Recommendation III (judges report that they accomplish as much, if not more, with a compressed scheduled as a regularly scheduled trial day, and that attorneys are usually better prepared).

Whether court is in session for four or five days a week, the goal of a trial schedule is to balance efficiency with quality. Holding full-day proceedings can

certainly help to complete the trial faster. Such a rigorous schedule is best suited for shorter trials. Full-day schedules, however, can become overly demanding and burdensome for longer trials. In practice, it is rare for a typical patent trial to last for more than two weeks, particularly in light of the time limits that are becoming more common. Even for a trial that lasts two weeks or less, it is often advisable to hold as least one or two half-days during the trial week so that the court and the parties have built-in time to address evidentiary and trial logistics issues outside the presence of the jury.

#### **8.1.2.2.2 Order of Trial Presentations**

Once the trial time and schedule are set, the court should establish guidelines on how the time will be used. The court has discretion to control the order in which the parties will present proof. In typical cases, the plaintiffs go first because they bear the burden of proof. In patent cases, however, the burden of proof is shared by the parties. While plaintiffs bear the burden of proof on infringement, for example, defendants bear the burden of proof on invalidity. Therefore, the order of trial presentation and closing statements should take into account the various issues being tried.

##### **8.1.2.2.2.1 Evidentiary and Witness Presentation**

The parties' presentations should begin with the patentee's case-in-chief. As some cases are declaratory judgment actions, the patentee may not always be the plaintiff in the action. It nonetheless makes sense to have the patent owner's infringement case presented first as it is the rights conferred to a patentee that form the basis of all patent suits. The patentee must present all of its evidence on matters on which it bears the burden of proof in its case-in-chief, including evidence of infringement and any other additional non-patent claims.

At the close of the patentee's case, the alleged infringer will put on its case. In addition to responding to the patentee's evidence on infringement and willfulness, the alleged infringer must also present evidence on the claims on which it bears the burden of proof, such as invalidity and inequitable conduct (if tried together). Where infringement is not disputed, the defendant should usually proceed first on its invalidity defenses.

After the alleged infringer rests its case, the patentee should be allowed to present evidence restricted to responding to the alleged infringer's affirmative case (i.e., invalidity and/or inequitable conduct).

#### 8.1.2.2.2 Closing Statements

Closing arguments should be structured similarly to the order of trial presentation. It is customary for the party with the burden of proof to open and close the arguments. *See, e.g., Moylan v. Meadow Club, Inc.*, 979 F.2d 1246, 1251 (7th Cir. 1992). With the burden of proof shifting for different claims, patent cases usually require four closing statements.

Again, the patentee usually begins, summarizing the evidence presented on its affirmative claims of infringement and damages, along with any other non-patent causes of action. The alleged infringer then presents its closing remarks, summarizing its response to the patentee's claims and presenting its arguments on invalidity. The patentee then rebuts on infringement and damages and responds on invalidity. The alleged infringer gets the final statement, restricted to rebuttal on invalidity.

#### 8.1.2.2.3 Openness of Courtroom

##### 8.1.2.2.3.1 Exclusion of Witnesses

The court's power to control and shape trial includes the power to sequester witnesses before, during, and after their testimony. *Geders v. United States*, 425 U.S. 80, 87 (1976). At the request of a party, the court must exclude witnesses so that they cannot hear the testimony of other witnesses. Fed. R. Evid. 615. The purpose is to prevent witnesses who have yet to testify from tailoring their testimony to that of earlier witnesses, and to increase the likelihood that testimony will be based on a witness's own recollection. *Id.*, Advisory Committee Notes.

The Federal Rules except from exclusion a party or party representative, however. *Id.* Therefore, a witness who has been designated as a company's corporate representative at trial is not excludable. The court should have the parties designate corporate representatives before the start of trial so that any issues regarding the designee's possible role as a witness can be resolved prior to trial.

The Federal Rules also provide that a person whose presence is shown to be essential to the presentation of the party's cause should not be excluded. *Id.* This exception is most often applied to expert witnesses, but a showing that the expert's presence is essential to the case is still required. *See, e.g., Malek v. Fed. Ins. Co.*, 994 F.2d 49, 53-54 (2d Cir. 1993); *Morvant v. Constr. Aggregates Corp.*, 570 F.2d 626, 629-30 (6th Cir. 1978). To avoid any disputes, the court should encourage the parties to reach agreement as to whether expert witnesses can remain in the courtroom during testimony of other witnesses.

### **8.1.2.2.3.2 Exclusion of Public**

Separate from the issue of witness exclusion is the issue of whether the public will be excluded from the courtroom during trial. Patent cases often require presentation of confidential and proprietary technical information of a company, sometimes including third-parties' information. Protective orders governing the use of confidential competitive information are in place in almost all patent cases. Before trial begins, the court should decide what protective orders are necessary to protect trade secret evidence introduced at trial.

While the public has a limited interest in information produced by parties during discovery, it has a strong right of access to information and documents introduced at trial. *See In re Adobe Sys., Inc. Sec. Litig.*, 141 F.R.D. 155, 165 (N.D. Cal. 1992). In general, trials should remain open and accessible to the public.

A courtroom should not be closed simply because a company's proprietary technology is involved. The public should be excluded only where there is a showing of a compelling interest in maintaining the confidentiality of documents or revelation of proprietary information through testimony. To the extent confidential documents or information are extensively and genuinely part of the case, they should be part of the public record. *Id.* at 161. The court should, however, protect against the entry of confidential information into the trial record for the sole purpose of damaging an opponent's business.

In contrast to some other areas of law in which secrecy is sought, the kind of information that the parties may want to protect in patent litigation is much more likely to be legitimate technical data that should be protected. If the court makes clear that it will grant sealing requests only when the requesting party has made an effort to "cluster" the offered evidence (so that the courtroom has to be cleared a minimum number of times), the problem becomes self-enforcing and inappropriate closure is avoided.

### **8.1.2.3 Procedures for Managing the Jury**

While the court's decisions regarding trial logistics should always take into consideration the role of the jury, there are specific procedural mechanisms by which the court can directly address the issues of ensuring jury comprehension and guiding the conduct of the jury.

#### **8.1.2.3.1 Jury Selection and Voir Dire**

Like any other civil trial, patent jury trials are governed by the Federal Rules of Civil Procedure, which require that a jury be impaneled with a minimum of six and a maximum of twelve jurors. *See Fed. R. Civ. P.* 48. The decision as to how

many jurors will be impaneled should be finalized prior to the first day of trial and the start of the jury selection process.

As patent trials can take longer than other civil trials and are often more complex, it may prove difficult to find jurors able to commit the necessary time and attention. Such considerations weigh against impaneling a twelve-member jury. On the other hand, it is advisable to impanel more than the minimum six jurors to ensure a verdict can be taken even if one or two jurors become unable to serve during trial.

The voir dire process in a patent trial is largely similar to that in other civil cases. However, given the specialized nature of the case, it is appropriate to question prospective jurors on their experience with the technology underlying the patents, experience with the patent system, and their feelings regarding patent protection.

Because both parties are likely to be interested in eliciting such information, the voir dire process can be streamlined by having the prospective jurors complete questionnaires ahead of time. The court should encourage the parties to settle upon a juror questionnaire covering the information both sides are interested in eliciting before the start of trial. The parties and the court can determine whether any jurors should be excused for cause based on the responses to the juror questionnaire.

Thereafter, the court should explain the voir dire process to the prospective jurors, and allow each side a reasonable amount of time to conduct focused voir dire.

#### 8.1.2.3.2 Timing of Jury Instructions

In the previous chapter, we discussed the process of preparing jury instructions for patent trials. Jury instructions are designed to explain the trial process to the jury and educate jurors on the law governing the issues they will be deciding. The parties have a right to have the jury instructed on the general law applicable to the case. See *Williams v. Jader Fuel Co., Inc.*, 944 F.2d 1388, 1402 (7th Cir. 1992); *H.H. Robertson Co., Cupples Prods. Div. v. V.S. DiCarlo Gen. Contractors, Inc.*, 950 F.2d 572, 578 (8th Cir. 1991). Indeed, the court has an independent duty to instruct the jury. *Belotte v. Zayre Corp.*, 531 F.2d 1100, 1102 n.1 (1st Cir. 1976).

Jury instructions must be set before closing arguments begin. Fed. R. Civ. P. 51(b). The court must allow the parties to object to instructions before the jury is instructed and before closing arguments. *Id.* Indeed, a party must object to an instruction before it can later claim an instruction was given in error. *Id.* In the past, this general rule was applied to jury instructions pertaining to the court's claim constructions. See, e.g., *Serio-US Indus., Inc. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1317 (Fed. Cir. 2006) (holding that appellant failed to timely object to

claim construction jury instruction); *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1312 (Fed. Cir. 2005) (recognizing defendant made a timely objection to claim construction jury instruction (citing *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1281 (Fed. Cir. 2000))). The Federal Circuit has since held that a party need not renew its objections to the court's claim construction when the claim construction jury instruction is given if the party's position was previously made clear to the court. *O2 Micro Int'l Ltd. v. Beyond Innovation Tech.*, 521 F.3d 1351, 1359 (Fed. Cir. 2008).

The court otherwise has discretion as to when it instructs the jury. Fed. R. Civ. P. 51. The timing of jury instructions can affect how useful the instructions are in educating the jury and assisting them in understanding the case.

Particular issues concerning preliminary and final jury instructions on substantive issues of law, including the requirement to instruct the jury on the court's claim constructions, are discussed in the previous chapter. Here, we discuss jury management issues and techniques that can be employed during trial to assist the jury and improve their comprehension, including admonitions, jury binders and notetaking, and allowing juror questions and transitional statements by counsel.

#### **8.1.2.3.2.1 Jury Admonitions**

Besides preliminary and final jury instructions, there are limited instructions that the court should give to the jury during the presentation of evidence. Occasionally, evidence will be introduced for a limited purpose or through means other than witness testimony. During trial, the court should explain when the parties stipulate to testimony or facts or introduce evidence through discovery. In addition, instructions regarding the limited purpose of evidence should be given during trial at the time the evidence is introduced.

Other than that, the main instructions given during trial are admonitions to the jury. The court should inform the jurors that whenever they are allowed to separate (during breaks or at the end of each day), they should not discuss the case with anyone and should immediately inform the court if approached by anyone regarding the case. Typically, the admonition is given as part of the preliminary instructions. It is useful to remind the jury of this duty once trial begins, although it may not be necessary to admonish the jurors before each separation.

The prohibition against communications regarding the case typically extends to discussions between the jurors, as well, barring any discussions of evidence until formal deliberations. The concern is that jurors may form an opinion before consideration of all evidence. Adherence to early-formed beliefs are thought to prejudice defendants as plaintiffs put on their case first.

Recent studies, however, indicate that discussions before final deliberations do not lead to early verdicts. See Ninth Circuit Jury Trial Improvement Committee,

Second Interim Report: Recommendations and Suggested Best Practices, Recommendation XV. Permitting jurors to discuss evidence during the course of trial can improve juror comprehension and reduce requests for read-back of testimony. Interim discussions also allow the jurors to clarify misunderstandings when they arise. Because private conversations between small groups of jurors can become divisive, interim discussions should only be allowed when all jurors are present.

Jury comprehension is of particular concern in patent matters. For that reason, interim jury deliberations can be a useful tool in maximizing jury comprehension. See Comments to Instruction 1.12, *Ninth Circuit Model Jury Instructions*. As the risk of prejudice falls more on one party than another, however, the court should consider the parties' positions on the matter before allowing interim jury discussions. In any event, the court should caution jurors to remain open-minded and not to make a decision until all the evidence is presented. *United States v. Klee*, 494 F.2d 394 (9th Cir. 1974).

#### **8.1.2.3.3 Juror Binders**

The court can also improve the jury's understanding of the case by providing written information for the individual jurors to take with them to the jury room. The information presented in a patent case can be difficult to digest and remember. Providing jurors with binders containing key information can enhance jurors' memory and their deliberations. See Ninth Circuit Jury Trial Improvement Committee, Second Interim Report: Recommendations and Suggested Best Practices, Recommendation X.

The information contained in the binders should include a copy of the preliminary jury instructions. Having a copy of the preliminary instructions enables the jurors to refer back to the rules that guide their conduct and outline their duties during trial. The binders can also be updated with the final jury instructions once they are given so that the jurors will have them as reference during deliberations. The binders can also be used as a tool to aid the jurors' memory. The parties may often refer back to the testimony of certain witnesses. Having photographs of the witnesses in the jury binders will help the jurors remember who the parties are talking about.

In a patent trial, it is also helpful to include copies of the patent at issue so that the jurors may review it during testimony or when otherwise necessary. The meaning of the terms in the patent claims are determined by the court and central to many of the issues the jury must resolve. Accordingly, a copy of the court's claim construction should also be included to assist the jurors' reading of the patent. The patent and the parties' presentations will likely include other technical

terminology. It is therefore advisable for the parties to identify and prepare jointly a glossary of technical and legal terms to be included as reference.

Jury instructions, photographs, the patents, and a glossary are relatively non-partisan items that the parties can agree to include in the jury binders. The inclusion of key trial exhibits can also be helpful to the jury. Reaching agreement on a reasonable set of exhibits to include, however, may be difficult. Individual exhibits can be voluminous, and narrowing down specific exhibits can become contentious as each side will want to ensure its preferred exhibits are included. Identification and inclusion of the principal prior art references can be similarly challenging. If the parties can agree to a reasonable set, then exhibits and prior art should also be included in the binders. Otherwise, it may be best to limit the juror binder items to less controversial information.

#### **8.1.2.3.4 Jury Notetaking**

The court should allow, even encourage the jurors to take notes by providing notepads and pencils. Given the length and technical nature of most patent trials, having notes to review will help the jurors understand and remember the case. *See, e.g.,* Ninth Circuit Jury Trial Improvement Committee, Second Interim Report: Recommendations and Suggested Best Practices, Recommendation X. It also helps to focus the jurors' attention during the proceedings.

Juror notes are confidential and should not leave the courtroom during trial. The court should instruct the jury to leave their notes in the jury room when court is not in session. The jurors should also be discouraged from sharing their notes with one another. *See United States v. Balsam*, 203 F.3d 72, 86 (1st Cir. 2000). Notes reflect individual impressions and jurors should not rely on other people's interpretation of the evidence. Indeed, jurors should be admonished not to put too much emphasis on even their own notes. *United States v. Rhodes*, 631 F.2d 43, 46 (5th Cir. 1980); Ninth Circuit Model Jury Instruction 1.11. With proper restrictions in place, however, juror note taking can be a useful and beneficial practice in a patent jury trial.

#### **8.1.2.3.5 Allowing Juror Questions**

Courts can also allow jurors to submit questions to improve the jury's level of attentiveness and comprehension during trial. *United States v. Huebner*, 48 F.3d 376, 382 (9th Cir. 1994), *cert. denied*, 516 U.S. 816 (1995). Some courts discourage juror questioning as it risks the jury's neutrality. *See, e.g., United States v. Richardson*, 233 F.3d 1285, 1290 (11th Cir. 2000); *United States v. Ajmal*, 67 F.3d 12, 14 (2d Cir. 1995); *United States v. Sutton*, 970 F.2d 1001, 1005 (1st Cir. 1992); *DeBenedetto v. Goodyear Tire & Rubber Co.*, 754 F.2d 512, 516 (4th Cir. 1985).

Allowing questions also risks the jurors' making premature decisions regarding the evidence.

If the court allows juror questioning, it should establish procedures to protect against these concerns. The court can ensure the propriety of juror questions by requiring any questions the jury may have for a witness to be submitted to the court in writing first. *See, e.g.*, Ninth Circuit Model Jury Instruction 1.15. The questions should then be submitted to counsel outside the presence of the jury so that the jury will not attribute any changes to, or rejection of, their questions to a particular party. The court should hear from counsel before deciding whether to ask the question, reject the question, or modify it as appropriate.

The procedures for juror questions, if permitted, should be included in the preliminary jury instructions. The court should make clear that questions should be reserved for extraordinary circumstances, and that numerous questions can slow down proceedings.

#### **8.1.2.3.6 Transition Statements by Counsel to the Jury**

The court can allow counsel to make interim statements to the jury to help explain the significance of the evidence and testimony presented. The presentation of evidence in a jury trial cannot always be organized discretely by the issues the jurors must decide. It can therefore be difficult for jurors to synthesize information and identify the significance of evidence presented, particularly in lengthy and complex cases.

Interim attorney statements can serve as sign posts for the jury, explaining the purpose of testimony and how the evidence fits into a party's overall case. Allowing counsel before or after a witness examination to clarify the purpose of the testimony will help jurors understand the facts. This approach can be especially helpful when there is extensive expert testimony broken up into different infringement and invalidity issues.

To guard against misuse of attorney argument, the court should limit the amount of time the parties can use for such statements and should caution against argument. *See, e.g.*, Ninth Circuit Jury Trial Improvement Committee, Second Interim Report: Recommendations and Suggested Best Practices, Recommendation XV (recommending fifteen minutes per side to use as they wish during trial).

#### **8.1.2.3.7 Jury Education and Tutorials**

Because of the complexity of patent and technological issues at play, jury education is a serious concern in patent trials. Not only does the jury have to be educated on the applicable patent law, it must also learn about the technology of the

patents involved. To the extent the parties can agree upon neutral tutorials, the court should encourage their use.

As noted in § 7.3.1, in the past, a video published by the Federal Judicial Center providing an overview of the patent process, together with a mock sample patent for distribution to prospective jurors, has been used as part of the preliminary jury instructions to introduce patent procedure and patent law to the jury. With the passage of the America Invents Act in September 2011, however, portions of the video no longer provide an accurate summary of the patent process and available defenses to infringement claims. Therefore, the court should strongly consider requiring the parties to prepare a preliminary instruction that provides a fair and accurate overview of the current state of the law, using the format of the Federal Judicial Center video as a guideline and making appropriate updates to reflect change in the law, in lieu of using the video itself. The parties and the court can use the Northern District of California’s Preliminary Instruction A.1 (“What A Patent Is And How One Is Obtained”) as a guide in crafting such an instruction. *See* Model Patent Jury Instructions (Nov. 3, 2011). These instructions can be found in Appendix E. *See also* Federal Circuit Bar Association, Model Jury Instructions (Feb. 2012) (contained in Appendix E). At a minimum, the court should discuss with the parties at the pretrial conference whether any issues that are to be tried to the jury are explained inaccurately in the video and, if so, how best to ensure that the jury understands these issues correctly. If such an instruction is used, the court should prohibit counsel from using excerpts from the now outdated Federal Judicial Center video either during preliminary instructions or trial, particularly in argument.

Neutral technology tutorials have historically been difficult to procure. Parties are rarely able to prepare and agree upon non-argumentative technology tutorials. Even when the parties agree on a joint tutorial, there is risk that one party is being taken advantage of and the tutorial is not neutral. More often, the parties will insist upon presenting separate tutorials. Competing tutorials are not any more helpful to the jury than having the parties explain the technology through their witness examinations.

#### **8.1.2.4 Special Master, Court-Appointed Expert, or Confidential Advisors**

Often in patent litigation a judge needs help understanding the technology involved. The simplest solution is for the parties’ attorneys or experts to provide a tutorial on the technology. If this is not sufficient, the court has several means of obtaining more direct expert assistance: appointing a special master, appointing a court expert, or appointing a technical advisor. We previously touched on this topic with regard to claim construction in § 5.1.2.2.2.

A special master renders initial decisions for the court on technical matters. The special master is appointed pursuant to Fed. R. Civ. P. 53 and can hear evidence and argument from the parties and render an initial decision on substantive matters, such as claim construction or summary judgment. The initial decision is made in the form of a report or recommendations, which are provided to the parties and the court. The parties then must be given an opportunity to make objections to the special master's report, and the report and any objections are reviewed by the court. In this process, the court may, but is not required to, receive additional evidence. The court finally adopts, rejects or modifies the special master's report, applying a de novo standard to factual and legal decisions and an abuse of discretion standard to procedural decisions.

A court expert, like party experts, ultimately provides the court with expert testimony to be taken into account along with other evidence in rendering a decision. The court expert is appointed pursuant to Fed. R. Evid. 706 and, as required by that rule, must be provided with initial written instructions by the court. See generally *Regents of the Univ. of Cal. v. Oncor Inc.*, 44 U.S.P.Q.2d 1321, 1335 (N.D. Cal. 1997). After completing an analysis, the expert provides findings to the parties and the court, much like any expert's report. Any party may then depose the expert. Finally, the expert provides the court and, if present, the jury with the results in the form of expert testimony, subject to the same cross-examination as party experts. The Federal Circuit recently affirmed a district court's use of a court-appointed expert pursuant to Fed. R. Evid. 706 in *Monolithic Power Sys., Inc. v. 02 Micro Int'l Ltd.*, 2009 WL 539910 (Fed. Cir. 2009). The district court had allowed the parties to show cause why an expert should not be appointed, allowed the parties to mutually agree on an expert, provided detailed written instructions to the expert, and ordered the expert to make himself available for depositions and examination at trial. In addition, the court allowed the parties to continue to have their own experts and specifically instructed the jury not to assign the court-appointed expert any greater weight. Because the district court properly administered the standards set by Fed. R. Evid. 706, the Federal Circuit held there was no abuse of discretion. The Federal Circuit noted, however, that the "predicament inherent in court appointment of an independent expert and revelations to the jury about the expert's neutral status trouble [the] court to some extent," and admonished that use of court-appointed experts should be limited to the rare and exceptional cases.

A technical advisor functions as an advisor to the judge on technical matters in a manner often analogized to a law clerk, although case law views the analogy as imperfect. The advisor is appointed pursuant to the court's inherent power. It is a power to be used "sparingly," but appointment is proper in any highly technical case where the science or technology is well beyond the experience of the judge. Importantly, if the advisor provides no evidence to the court, Fed. R. Evid. 706

does not apply and as a result the parties have no right to a deposition or other disclosure of the advisor's opinions or communications with the court. Alternatively, a person can be appointed as both a court expert and an advisor, in which case Fed. R. Evid. 706 applies.

Best practices for use of technical advisors are set out in a quartet of appellate court cases: *FTC v. Enforma Natural Products, Inc.*, 362 F.3d 1204, 1213-15 (9th Cir. 2004), *TechSearch LLC v. Intel Corp.*, 286 F.3d 1360, 1378-79 (Fed. Cir. 2002) (applying Ninth Circuit law), *Association of Mexican American Educators v. California*, 231 F.3d 572, 611-14 (9th Cir. 2000) (*en banc*) (Tashima, J., dissenting), and *Reilly v. United States*, 863 F.2d 149 (1st Cir. 1988). See generally § 5.1.2.2.2.1. These cases focus on several procedural aspects of the technical advisor process to assure the technical advisor does not improperly introduce new evidence unknown to the parties or influence the court's resolution of factual disputes. First, the court should assure a fair and open procedure to appoint a neutral advisor. Second, the advisor explicitly should be given a clearly defined, proper role that assures there is no impingement on the court's role as factfinder. Third, the court should provide some assurance that the advisor remains within that proper role. Use of these procedures also facilitates appellate review of the propriety of the technical advisor's role.

To assure fairness in the appointment, the court should identify the proposed advisor to the parties in advance of the appointment. This process can involve inviting the parties to propose advisors, either separately or together after consultation. If the parties are asked to provide potential advisors, the court should establish, in advance, limits on the contact the parties may have with prospective advisors. Alternatively, the court can identify a proposed advisor to the parties—potentially, an advisor the judge worked with previously—without prior consultation. In either case, the parties should be allowed to challenge the advisor's bias, partiality, or lack of qualification. If any challenge is raised, the court should address it on the record.

The proper role of the advisor is to be a sounding board or tutor who aids the judge's understanding of the technology. This includes explanation of the jargon used in the field, the underlying theory or science of the invention, or other technical aspects of the evidence being presented by the parties. The advisor can also assist the judge's analysis by helping think through critical technical problems. In this latter function, case law admonishes that the court must be careful to assure that the decision making is not delegated to the advisor. Although in form much like the interaction between a judge and law clerk, the situation is different in that, because of a judge's knowledge of law, a clerk cannot usurp the judicial role; in contrast, a technical advisor in an area of science unfamiliar to the judge potentially could.

Within these parameters, the advisor properly can aid the judge's understanding and analysis throughout a patent case. This can include helping the judge understand the patent specification and claims, expert affidavits and testimony provided by the parties, and scientific articles that may be offered as prior art. Proper subjects for consultation with the advisor include whether technical facts are in dispute in a summary judgment motion, claim interpretation, validity and infringement questions, the proper articulation of technical issues for jury instructions, and the admissibility of proffered scientific evidence under *Daubert*. The advisor, however, may not provide evidence, either documentary or testimony, without compliance with Fed. R. Evid. 706. The advisor's advice therefore cannot be based on extra-record information (except the use of technology-specific knowledge and background used to educate the judge) and the advisor cannot conduct any independent investigation. Particularly in situations in which the advisor assists the judge's efforts to resolve factual conflicts, the judge and advisor should be vigilant to avoid the advisor unduly influencing the judge's decision making. In no circumstance, of course, should the advisor become an advocate for any party or position.

The court or advisor should confirm that the advisor's work is done within proper parameters for the benefit of both the parties and appellate review. There is no fixed requirement how this should be accomplished. Proper means include supplying a transcript of the advisor's communications with the judge, providing a report by the advisor of the work performed and any communications had with the judge, or obtaining an affidavit from the advisor at the outset of the work committing to perform within a description of a proper scope of work and procedures (as outlined above) and a second affidavit at the conclusion attesting to compliance with the job description in the initial affidavit.

## 8.2 General Evidentiary Issues

In every trial, it is inevitable that the court will have to resolve evidentiary issues. The parties may dispute whether a witness's testimony is appropriate, whether certain exhibits should be admitted, and the proper use of demonstratives. In this section, we discuss the typical evidentiary issues that arise in a patent case and the considerations the court should keep in mind when deciding these issues.

## 8.2.1 Witnesses

### 8.2.1.1 Patent Law Experts

Parties sometimes propose presenting expert testimony through a patent attorney or former PTO employee regarding patent law, procedures of the PTO, patent terminology, and specific substantive (e.g., anticipation) and procedural (e.g., what a “reasonable patent examiner” would find material) issues. In support of this testimony, parties often point out that the evidence rules specifically permit opinions on ultimate issues (Fed. R. Evid. 704), and the presentation of testimony without first specifying underlying facts or data (Fed. R. Evid. 705).

Testimony on issues of law by a patent law expert—as contrasted with a general description of how the patent process works—is usually deemed inadmissible. Just as in any other field, it is exclusively for the court, not an expert, to instruct the jury regarding underlying law. *See, e.g., Burkhart v. Wash. Metro. Area Transit Auth.*, 112 F.3d 1207, 1213 (D.C. Cir. 1997). Testimony regarding the procedures and terminology used in patents and file histories, on the other hand, often is allowed. *See, e.g., Bausch & Lomb, Inc. v. Alcon Labs., Inc.*, 79 F. Supp. 2d 252, 255-58 (W.D.N.Y. 2000). In many cases, however, this testimony might be redundant in light of a preliminary jury instruction explaining those procedures.<sup>1</sup> Because a jury instruction is likely to be more neutral, it usually will be a preferable means of providing this information to the jury. An instruction, however, may lack sufficient specificity to explain a PTO procedural event relevant in a particular case, and in that circumstance, expert testimony is more likely to be appropriate and helpful to the jury.

The admissibility of proffered patent expert testimony on ultimate issues will often depend on whether the expert is doing anything more than applying patent law to a presumed set of facts, essentially making the jury’s determination. This particularly is true if the proffered patent expert has no relevant technical expertise. Thus, a patent expert’s opinion regarding such matters as infringement, obviousness, and anticipation based upon technical conclusions that are assumed or provided by a different expert is usually improper. Similarly, testimony applying patent law to issues intertwined with patent procedure, but dependent upon tech-

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1. In the past, the District of Delaware has used the Federal Judicial Center’s “Introduction to the Patent System” video exclusively and prohibited testimony on PTO procedure. With passage of the America Invents Act, the video is no longer up-to-date and can be misleading with regard to several issues. Therefore, the better practice is to use a preliminary instruction. *See generally* § 7.3.1.

nical conclusions supplied by others, such as the appropriate priority date of a claim in a continuation application, is usually inappropriate. On the other hand, if the patent expert also has relevant technical expertise, she should be equally able to provide expert testimony within that expertise as would be any non-legal expert with similar technical expertise.

In trials to the court, when there is no concern regarding jurors' over-reliance on expert testimony, courts more freely admit the testimony of patent law experts. This includes, for example, testimony regarding whether a reasonable patent examiner would deem particular prior art or statements important in an inequitable conduct determination. Courts have found such testimony helpful and allowed it. *See, e.g., Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc.*, 326 F.3d 1226, 1238 (Fed. Cir. 2003); *PerSeptive BioSystems, Inc. v. Pharmacia Biotech, Inc.*, 12 F. Supp. 2d 69, 74 (D. Mass. 1998), *aff'd*, 225 F.3d 1315 (Fed. Cir. 2000).

Finally, testimony is sometimes offered regarding the abilities of patent examiners, their work loads, time spent on applications, or similar matters. This testimony, which is meant to bolster or undermine the statutory presumption of validity, is improper. § 282; *see also Applied Materials, Inc. v. Advanced Semiconductors Materials Am., Inc.*, No. 92-20643, 1995 U.S. Dist. LEXIS 22335 (N.D. Cal. Apr. 25, 1995). The deference the jury should give to the actions of the patent examiners is an issue of law like any other. *See A & L Tech. v. Resound Corp.*, Case No. C 93-00107 CW, 1995 U.S. Dist. LEXIS 22443, at \* 11 (N.D. Cal. 1995) (“As a matter of law, a patent examiner is presumed to have conducted her own independent analysis of the prior art and drawn her own conclusions.”); *see also Al-Site Corp. v. VSI Int’l Inc.*, 174 F.3d 1308, 1323 (Fed. Cir. 1999); *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984). The appropriateness of that deference is not an issue for jury resolution.

### 8.2.1.2 Inventor and Other Technical Party Employee Testimony

Inventors and other technical employee witnesses often testify at trial regarding the invention and other technical matters. These witnesses frequently qualify as experts, and if properly disclosed as testifying experts, appropriately may provide expert testimony. Because their duties likely do not “regularly involve giving expert testimony,” no expert report is required by such employees absent special order; however, ordering such a report usually is appropriate and is a provision that might be included in the case management conference order. *See Fed. R. Civ. P. 26(a)(2)(B)*; § 2.6.

If inventors and other technical employees are not disclosed as experts, difficult line-drawing can arise regarding their testimony. For example, when an inventor or co-employee testifies regarding the invention to a jury, it usually is necessary to accompany the testimony regarding historical acts with explanation of

the technology involved. These explanations are sometimes challenged as undisclosed expert testimony. Other testimony that often draws a challenge is inventor or employee testimony regarding the nature of the prior art at the time the invention was made. While testimony about the invention and about the prior art may be highly technical, it may involve the description of historical facts without the expression of opinion. In that event, the testimony is proper without expert disclosure. Such testimony, however, is sometimes employed to attempt to introduce undisclosed opinion testimony. A similar issue is presented by testimony aimed at teaching the relevant science to a jury; this, too, may be appropriate testimony without expert disclosure, but also is an opportunity sometimes used to attempt to introduce undisclosed expert testimony.

### **8.2.2 Exhibits**

Due to the technical nature of patent cases, the number of potential exhibits can be substantial. Parties tend to be over-inclusive with their exhibit lists to minimize the risk that they will later be precluded from using a particular document during trial. A final decision on whether an exhibit will be used is often not made until the middle of trial. The sheer volume of exhibits makes it difficult for the parties and the court to arrive at any meaningful refinement of exhibits prior to trial.

In general, resolving all evidentiary issues and pre-admitting exhibits prior to trial saves trial time and reduces the burden on the jurors who would otherwise have to wait while the court resolves exhibit disputes with the parties. One way the court can achieve this end is by placing the burden of agreeing upon exhibits on the parties. The court can deem all exhibits admitted, unless a party raises specific objections with the court in advance of trial. The burden of having to articulate specific and defensible objections to the court often compels parties to act reasonably when conferring with the opposing side, leaving only genuine disputes for the court.

This approach, however, requires the parties and the court to expend a significant amount of time deciding the admissibility of an exhibit that the parties may ultimately never use at trial. Another approach is to defer decision on exhibits until a party intends to introduce them. The court should have the parties adopt an exhibit disclosure schedule that provides enough time for the parties to confer over objections and raise issues with the court in advance. Typically, a party should identify the exhibits it intends to use two days in advance, giving the court a day to consider the issue if the parties cannot resolve it on their own.

A copy of any exhibits admitted into evidence should be provided to the jurors during deliberations. The court should keep a record of exhibits admitted into evidence and order the parties to prepare a set for the jury room.

### 8.2.3 Demonstratives

Demonstratives can be especially useful tools in patent cases. They help the parties explain background technology to the court and the jury. Because demonstratives are not evidence, however, they are not admitted into the record and do not need to meet admissibility requirements. There must, nonetheless, be a foundation for the use of demonstratives. Specifically, demonstratives can be used if they are fair representations and assist the jury in understanding a witness's testimony.

A court has broad discretion in managing the use of demonstratives. A court can preclude the use of a demonstrative if its utility in illustrating concepts to the jury is outweighed by the risk of unfair prejudice, confusion to the jury, or undue delay of time. Fed. R. Evid. 403. As with exhibits, the court should require the parties to exchange demonstratives in advance of their intended use in court. If the parties cannot resolve any objections, the court can then decide whether any proposed demonstratives advance inappropriate arguments or are unduly prejudicial before they are presented to the jury.

Because demonstratives are not evidence, they are excluded from the jury room during deliberations. A party may, on occasion, ask that a demonstrative be admitted into evidence. Courts have discretion to admit into evidence demonstratives that summarize admissible evidence. Fed. R. Evid. 1006. The court should encourage the parties to confer about what demonstratives can be admitted into evidence.

### 8.2.4 Limits on Attorney Argument

Because patent trials typically are longer and more complex than most other cases, the court should take proactive measures to discourage the parties from prolonging trial with unnecessary and contentious arguments. Due to the massive amounts of evidence involved in patent cases, disputes over arguments and objections to evidence during trial is unavoidable. The court can, however, make efforts to minimize side bars and improper attorney argument.

To discourage extended attorney argument while the jury is present, the court should charge any time spent in sidebars and arguing objections to the party that loses the argument. The court should also remind the parties to refrain from extended argument when making objections. Giving the parties an outlet to make interim attorney arguments can reduce the likelihood that they will make improper or protracted arguments at other times during the trial.

During the course of a witness's testimony, a party may object to a particular subject of examination. The court should encourage the examining party to focus

on another topic, if possible, until the jury is released. The court can then resolve the issue with the parties without wasting the jury's time.

### 8.3 Specific Substantive Issues

In addition to general evidentiary issues, patent trials present the court with substantive issues unique to patent law. The court must be familiar with considerations that arise in the context of proving infringement or invalidity. The patent law also provides a patent owner with remedies other than compensatory damages that are within the court's discretion to award. This section will discuss substantive proof issues that the court should be aware of when presiding over a patent trial.

#### 8.3.1 Limitations on the Number of Asserted Claims

Patent cases can sometimes involve dozens of patents with hundreds of claims asserted against multiple defendants. Because management of such cases can be unwieldy, the court should consider limiting the number of claims that a patentee may assert. See *Fenster Family Patent Holdings, Inc. v. Siemens Medical Solutions*, Case No. 04-0038, 2005 U.S. Dist. LEXIS 20788 (D. Del. Sept. 20, 2005) (reducing number of asserted claims from 90 to 10); *Verizon Calif., Inc. v. Ronald A. Katz Tech. Licensing, L.P.*, 326 F. Supp. 2d 1060, 1066 (C.D. Cal. 2003) (requiring plaintiff to select three representative claims per asserted patent); *Auto Wax Co. v. Mark V Products*, Case No. 99-cv-0982, 2001 WL 292597 (N.D. Tex. March 14, 2001) (limiting claims to be tried from 86 to 19); see also *LML Patent Corp. v. JPMorgan Chase & Co.*, Case No. 08-cv-448, 2010 U.S. Dist. LEXIS 136452 (E.D. Tex. Oct. 12, 2010) (court's scheduling order limiting plaintiff to ten asserted claims).

While limiting the number of asserted claims may be necessary for effective and efficient case management, care must be given to avoid violating a patentee's due process rights with respect to non-selected claims. Specifically, where non-selected claims present distinct issues of infringement and invalidity not addressed by the asserted claims, a patentee should be given an opportunity to litigate those patent claims on the merits. See *In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303, 1312-1313 (Fed. Cir. 2011) (suggesting that an order refusing to allow a plaintiff to add claims after a showing that such claims presented unique issues as to liability or damages may be subject to review or reversal). A plaintiff should furthermore be afforded sufficient opportunity to determine (through discovery or otherwise) whether particular claims may raise distinct issues of infringement and invalidity before the court imposes any claim selection order. *Id.* at 1313 n.9.

Where a plaintiff is given an opportunity, but fails either to assert or demonstrate that the non-selected claims raised issues that are not duplicative of the issues raised by the selected claims, a court is free to enter final judgment as to all claims based only on adjudication of the selected claims. *Id.* at 1313.

Where a plaintiff demonstrates that non-selected claims present unique liability or damages issues, however, the court should either sever and stay proceedings with respect to the non-selected claims or dismiss the non-selected claims without prejudice to plaintiff's ability to reassert them in a subsequent lawsuit. In the event a plaintiff decides to pursue the unselected claims, it may be more judicially efficient to sever and stay proceedings, allowing the parties and the court to retain the benefit of earlier proceedings in adjudicating the unselected claims. The parties may furthermore be able to resolve issues involving the unselected claims as part of resolution of the rest of the case.

In contrast, dismissal of unselected claims without prejudice may remove the threat of those claims from the immediate litigation, but may lead to redundant proceedings if the plaintiff elects to pursue claims in a subsequent lawsuit. With the unselected claims removed from the scope of the litigation, they are also less likely to be useful as leverage in resolving the case at hand.

### 8.3.2 Indirect Infringement

Patent infringement must be proven by a preponderance of evidence. The Federal Circuit requires proof of infringement to include an element-by-element analysis for each asserted claim in the patent and the accused product. In many patent cases, patent owners not only allege direct infringement, but that a defendant contributes to or induces another's infringement. The direct infringement underlying a contributory infringement or inducement claim is usually committed by a nonparty to the action. Disputes can arise during trial as to whether the evidence of the underlying direct infringement is sufficient to submit the issue to the jury.

While there must be evidence of underlying direct infringement, a nonparty's direct infringement can be proven through direct or circumstantial evidence. *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261, 1271 (Fed. Cir. 1986). Circumstantial evidence of the indirect infringer's sales and dissemination of instructions for operation in an infringing manner can support a finding of direct infringement by customers. *Id.* Furthermore, there need not be evidence showing that every customer infringes; it is sufficient that the patentee present evidence from which the jury can infer that at least one customer directly infringes.

Inducement of infringement also requires proof that the alleged infringer intended to induce infringement by others. Proof of intent can be inferred from the conduct of the alleged infringer. As a result, evidence that may otherwise be

prejudicial for purposes of proving infringement may be admissible to show intent. The court should take care to give limiting instructions explaining the purpose of certain evidence.

### **8.3.3 Invalidity**

#### **8.3.3.1 Presumption of Validity**

Like infringement, proof of invalidity must include an element-by-element analysis. Invalidity, however, must be shown by clear and convincing evidence as the law provides that patents are presumed valid. § 282; *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2242 (2011) (holding that § 282 requires an invalidity defense to be proved by clear and convincing evidence); § 7.3.4.3. This is often phrased as requiring evidence that convinces the trier of fact that it is “highly probable” that the patent is invalid. *See, e.g., Buildex, Inc. v. Kason Indus., Inc.*, 849 F.2d 1451, 1463 (Fed. Cir. 1988).

The jury does not have the discretion to disregard the presumption of validity. During trial, it is the alleged infringer’s burden to present evidence and argue that the presumption is rebutted. A party cannot argue that the presumption should not apply. *See Am. Hoist*, 725 F.2d at 1360 (stating that the statutory presumption of validity imposes a burden that “is constant and never changes and is to convince the court of invalidity by clear evidence.”).

Where the prior art in question was before the PTO during prosecution, the patent holder will argue that the presumption of validity is “especially difficult” to rebut. *See Glaxo Group Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 1348 (Fed. Cir. 2004). Where the prior art in question was not considered by the PTO during prosecution, the alleged infringer will argue that the presumption carries little weight. The burden of proof, however, remains the same regardless of whether the prior art reference was before the PTO during prosecution. *See Microsoft Corp. v. i4i*, 131 S. Ct. at 2250 (rejecting fluctuating standard of proof based on whether evidence was considered by PTO during prosecution). Where the evidence being considered was not before the PTO during prosecution, it may “carry more weight” in meeting a defendant’s burden of proof, but it does not change the standard. *Id.* at 2251. Therefore, in both circumstances, the court should instruct the jury that an alleged infringer has the burden of presenting clear and convincing evidence before a patent can be found invalid. However, as discussed in § 7.3.4.3, the court should not instruct the jury about the presumption of validity itself – the court’s instruction that the jury is to weigh invalidity evidence according to a clear and convincing standard incorporates this presumption and is itself sufficient; advising the jury that there is a presumption risks jury confusion that the presumption

is a separate hurdle, in addition to the burden of proof, that must be overcome to establish invalidity.

### 8.3.3.2 Obviousness

Claims of invalidity based on obviousness, in particular, often raise unique issues that require court resolution during trial. The ultimate conclusion of obviousness is a question of law, but it is premised upon underlying findings of fact. See *KSR Int'l. Co. v. Teleflex, Inc.*, 127 S. Ct. 1727, 1745 (2007) (“The ultimate judgment of obviousness is a legal determination.”); § 7.3.4.4. Thus, while the ultimate conclusion rests with the court, resolution of the factual inquiries rests with the jury. The most common factual questions, known as the *Graham* factors, are: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; (3) the level of ordinary skill in the art; and (4) objective evidence of nonobviousness. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). Establishing trial procedures that will assist the court in rendering a decision on obviousness will help to resolve later disputes regarding the propriety of the jury’s verdict on obviousness.

The Federal Circuit has held that submission to the jury of a question of law that is based on underlying facts, like obviousness, is proper when accompanied by appropriate instructions. *White v. Jeffrey Mining Co.*, 723 F.2d 1553, 1558 (Fed. Cir. 1983). Many courts follow this course in determining obviousness. When the jury is asked to determine obviousness, it is preferred that the jury be provided with special interrogatories regarding the *Graham* factors relevant to the case so that the jury’s underlying factual findings are known. See *Agrizap, Inc. v. Woodstream Corp.*, 520 F.3d 1337, 1343 n.3 (Fed. Cir. 2008). With the benefit of the answers to the special interrogatories, the district court on a renewed motion for judgment as a matter of law and the Federal Circuit on appeal can then review the jury’s ultimate conclusion on obviousness in light of its underlying factual determination. As explained by Justice Breyer:

Courts can help to keep the application of [the] “clear and convincing” standard within its proper legal bounds by separating factual and legal aspects of an invalidity claim, say, by using instructions based on case-specific circumstances that help the jury make the distinction or by using interrogatories and special verdicts to make clear which specific factual findings underlie the jury’s conclusions. . . . By isolating the facts (determined with help of the “clear and convincing” standard), courts can thereby assure the proper interpretation or application of the correct legal standard (without use of the “clear and convincing” standard). By prevent-

ing the "clear and convincing" standard from roaming outside its fact-related reservation, courts can increase the likelihood that discoveries or inventions will not receive legal protection where none is due.

*Microsoft Corp. v. i4i Ltd.*, 131 S. Ct. 2238, 2253 (Breyer, J., concurring); see § 7.3.4.3. Formulating special interrogatories regarding all the relevant *Graham* factors sometimes can be difficult, for example, if multiple prior art references are asserted in multiple combinations. Because the alleged infringer usually will greatly prefer submitting special interrogatories to the jury, however, it generally is possible to negotiate with the parties a manageable number of special interrogatories for submission.

Alternatively, the court can submit only the relevant *Graham* factors to the jury for its determination through special interrogatories, with or without an advisory verdict on the legal question of obviousness, and then determine the ultimate question of obviousness itself based on the jury's factual determinations. The model instructions of the Northern District of California (*see* Instruction No. 4.3b),<sup>2</sup> for example, adopt this approach.

### 8.3.4 Patent Damages

The patent statute provides for a range of remedies for a patent's infringement. A patent owner is entitled to monetary damages to compensate for the infringement, as well as to the court's consideration of equitable remedies to prevent further infringement. In cases of willful infringement, the court has further discretion to increase damages to punish the infringer. Each of these remedies presents unique issues for the court. This section will focus on a few of the specific evidentiary issues that may arise at trial relating to patent damages. A fuller discussion of patent damages is set forth in §§ 13.4.3.2; 7.3.4.7; 7.4.3.3.2.

The jury has wide discretion in awarding monetary damages. The patent statute provides that a patent owner is entitled to damages no less than a reasonable royalty. § 284. The court may be called upon during trial to resolve disputes as to whether a patent owner's proof of damages is sufficient.

A patent owner can recover lost profits or a reasonable royalty, or some combination of both. Proof of lost profits requires evidence of the extent of any non-

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2. The Northern District of California's Model Patent Jury Instructions are available on line at [http://www.cand.uscourts.gov/cand/ForAttys.nsf/d07d1927bb07c86c88256d6e005ce658/4ed41e5a5972b27a88256d6e005cee5d/\\$FILE/NDmodel.101007.pdf](http://www.cand.uscourts.gov/cand/ForAttys.nsf/d07d1927bb07c86c88256d6e005ce658/4ed41e5a5972b27a88256d6e005cee5d/$FILE/NDmodel.101007.pdf).

infringing alternatives that may exist in the market. The Federal Circuit has warned against allowing damages analyses to turn into separate full-blown infringement analyses on numerous other collateral products. See *Micro Motion, Inc. v. Kane Steel Co.*, 894 F.2d 1318, 1324 (Fed. Cir. 1990). Thus, while there needs to be at least some circumstantial evidence of the absence of non-infringing alternatives, such evidence need not include testimony by technical experts. *Dow Chem. Co. v. Mee Indus.*, 341 F.3d 1370, 1372 (Fed. Cir. 2003); *Northlake Mktg. & Supply, Inc. v. Glaverbel, S.A.*, 72 F. Supp. 2d 893, 898-99 (N.D. Ill. 1999). The question for the court is whether there is some evidence from which a jury can reasonably infer that there are no non-infringing alternatives, and that lost profits are appropriate. Inventor testimony and claim charts, evidence that the alleged infringer failed to switch to non-infringing alternatives, and customer motivation to purchase the patented features have all been held sufficient. *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360, 1373 (Fed. Cir. 1991); *Kaufman Co. v. Lantech, Inc.*, 926 F.2d 1136, 1141-42 (Fed. Cir. 1991); *Datascope Corp. v. SMEC, Inc.*, 879 F. Supp. 820, 825 (Fed. Cir. 1989) (inventor testimony and claim charts sufficient for jury to infer that substitutes were infringing).

If a patent holder instead seeks a reasonable royalty, it must provide substantial evidence supporting both its choice of royalty base and royalty rate. Specifically, to employ the entire market value of a product — of which the patented invention is only a part — as the royalty base, the patent holder must typically provide substantial evidence that the infringing component is the basis for customer demand of the entire product or substantially creates the value of the component parts. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1320 (Fed. Cir. 2011); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1336 (Fed. Cir. 2009). As *Lucent* explains, the patent holder may skirt this requirement in some situations, but *only if* the rate takes into account the “proportion of the base represented by the infringing component or feature.” *Lucent*, 580 F.3d at 1339. Compliance with these requirements is often tested in a pretrial *Daubert* motion.<sup>3</sup> Whether as the result of such a motion or at trial, however, if the patent holder fails to adhere to this standard, a court must be prepared to preclude or correct an award. See e.g., *Uniloc*, 632 F.3d at 1319-20; *IP Innovations L.L.C. v. Red Hat, Inc.*, 705 F. Supp. 2d 687, 691 (E.D. Tex. 2010) (Rader, J.); *Cornell University v. Hewlett-Packard Co.*, 609 F. Supp. 2d 279, 286-88 (N.D.N.Y. 2009) (Rader, J.).

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<sup>3</sup> See § 7.4.3.3.2.1.

The patent owner's proof of an appropriate royalty rate also must be supported by substantial evidence, usually in the form of past licenses to the infringing or comparable technology. See e.g., *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860, 871 (Fed. Cir. 2010); *Lucent Techs.*, 580 F.3d at 1327-28. If a purportedly comparable license offered by the patent holder is not to the infringing technology, and also not to other patents or products, substantial evidence must explain why the license is sufficiently analogous to associate the royalty rate in the prior license to a hypothetical license solely to the infringing technology. Absent such proof, a resulting jury damage award cannot stand. *Uniloc*, 632 F.3d at 1316; *WordTech Sys. Inc. v. Integrated Networks Solutions*, 609 F.3d 1308, 1322, 1327 (Fed. Cir. 2010); *Lucent Techs.*, 580 F.3d at 1327-28. In particular, the "Goldscheider" 25 percent rule does not meet this test of particularity, and evidence based on it is therefore inadmissible. *Uniloc*, 632 F.3d at 1312.

There are further complications when a patentee's damages are based on indirect infringement – such as when the use of the patented invention by the alleged infringer's customers – particularly when the accused product is capable of non-infringing modes of operation. To recover damages based on use by customers, there need not be a one-to-one correspondence between the number of accused products sold and direct infringement by customers. *Lucent Techs.*, 580 F.3d at 1323-24; *Hilgraeve, Inc. v. Symantec Corp.*, 272 F. Supp. 2d 613, 621 (E.D. Mich. 2003); *Imagexpo, L.L.C. v. Microsoft Corp.* 284 F. Supp. 2d 365, 370 (E.D. Va. 2003); *Black & Decker v. Bosch*, 2006 U.S. Dist. LEXIS 94556, at \*6 (N.D. Ill. 2006). The patent owner, however, must present evidence sufficient for a jury to extrapolate or infer the extent of the customers' direct infringement. *Imagexpo*, 284 F. Supp. 2d at 370.

## 8.4 Motions for Judgment as a Matter of Law

As in any jury trial, once a party has completed its case-in-chief as to an issue, the party's opponent can move for judgment as a matter of law as to the issue. Fed. R. Civ. P. 50. Such motions are decided under the law of the circuit in which the district court sits. E.g. *Orion IP, LLC v. Hyundai Motor America*, 605 F.3d 967, 973 (Fed. Cir. 2010). The usual standard is that judgment will be denied if, "viewing the evidence in the light most favorable to the non-moving party, and giving the non-movant the benefit of all reasonable inferences, there is sufficient evidence of record to support a jury verdict in favor of the non-movant." *Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1139 (Fed. Cir. 2004) (*en banc*). These motions and their appellate implications, however, take on special significance in patent cases where each side has important claims and defenses as to which it bears the burden of proof, and where claim construction issues often play a pivotal role.

The Federal Circuit applies the usual rule that, absent a Rule 50 motion before the case is submitted to the jury specifically addressed to an issue, no argument can be made in post-trial motions or on appeal that the evidence is insufficient to support the jury’s verdict as to that issue. *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 546 U.S. 394, 398 (2006) (“A post-trial motion for judgment can be granted only on grounds advanced in the pre-verdict motion”); *Microsoft Corp. v. i4i Limited Partnership*, 598 F.3d 831, 857 (Fed. Cir. 2010), *aff’d on other grounds*, 131 S. Ct. 2238, (2011). The specificity of the pre-deliberations motion must be sufficient to alert the opponent as to the evidence that is omitted so that, if necessary, it may seek to reopen and provide that evidence. In the patent law context, this may require, for example, that a Rule 50 motion by an accused infringer specify the particular claim or claims as to which it asserts no infringement has been proven or the particular prior art references it contends render the patent obvious or anticipated, and that a motion by a patent owner specify the particular invalidity bases it asserts have not been proven. *Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1105-09 (Fed. Cir. 2003); *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 308 F.3d 1167, 1187 (Fed. Cir. 2002); *Southwest Software, Inc. v. Harlequin Inc.*, 226 F.3d 1280, 1290 (Fed. Cir. 2000).

Circumstances in particular cases, however, may make much more cryptic motions sufficient if, in context, it is clear that the court and opposing party understood what was intended. See e.g. *Western Union Co. v. MoneyGram Payment Sys.*, 626 F.3d 1361, 1367-68 (Fed. Cir. 2010) (even a cursory motion suffices so long as it alerts the court and opposing party to the party’s position); *Orion IP, LLC*, 605 F.3d at 973-74 (“we seek partial judgment as a matter of law based on prior art. And the Court has heard testimony and the argument about that” sufficient given context of motion); *Blackboard, Inc. v. Desire2Learn, Inc.*, 574 F.3d 1371, 1379-80 (Fed. Cir. 2009) (cursory motion for anticipation and obviousness sufficient given context and court’s prompt response that the motions would be taken under advisement). A pre-deliberations motion challenging the sufficiency of damages evidence is necessary for a post-trial objection to the reasonableness of a jury’s royalty award. *Compare Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1311-16 (Fed. Cir. 2009) with *Wordtech Sys., Inc. v. Integrated Networks Solutions, Inc.*, 609 F.3d 1308, 1318 (Fed. Cir. 2010) and *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831, 856-57 (Fed. Cir. 2010).

## 8.5 Jury Deliberations

Once the case is submitted to the jury for deliberations, there is little for the court or the parties to do except to reduce the hardship on the jury and make sure it has all the information it needs to make its decision.

### **8.5.1 Schedule of Deliberations**

While the jury is deliberating, court is not in session. Therefore, the court should be open to modifying the daily schedule for deliberations to meet the needs of the jurors. There is no longer the need to maintain time outside the jury's presence to resolve legal issues. Therefore, if the jurors agree, the court can allow full-day deliberations even when trial proceeded on a half-day schedule. The jurors, however, should be informed that they are under a continuing duty to serve and the court should not adopt irregular schedules.

In multi-phase trials, issues are usually phased to separate presentation of issues to prevent jury confusion. If the jury did not deliberate until all phases were conducted, that would defeat much of the purpose of separating the proceedings. The jury should deliberate immediately after each phase of the trial.

### **8.5.2 Claim Construction Considerations**

Jury deliberations are restricted to issues of fact. Therefore, the court should make clear that the jury is not to make any determination regarding claim construction. *Markman v. Westview Instr., Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996). Indeed, the parties cannot even argue claim construction disputes to the jury. *Cytologix Corp. v. Ventana Med. Sys., Inc.*, 424 F.3d 1168, 1172 (Fed. Cir. 2005). Claim construction arguments may confuse jurors and lead them to believe they should be making claim construction determinations. The court should instruct the jury on the proper construction of claims and emphasize that it is bound by the court's construction. *Structural Rubber Prods. Co. v. Park Rubber*, 749 F.2d 707, 723 (Fed. Cir. 1984).

### **8.5.3 Jury Access to Evidence**

During deliberations the jurors may need additional information to arrive at a decision, whether it be access to exhibits, testimony, or further instructions on the law. All juror communications should be conducted through the courtroom deputy in writing, with requests passed on to the judge. Before acting on any request, the court should inform the parties and allow them to be present.

#### **8.5.3.1 Exhibits and Demonstratives**

As noted above, access to evidence admitted during trial can assist the jurors in their deliberations. A copy of the exhibits introduced at trial should be provided to the jurors in the jury room. Demonstratives, however, are not evidence. Therefore, the jurors should not be given access to them. Only demonstratives

admitted into evidence as an exhibit during trial should be considered by the jurors during deliberations.

### **8.5.3.2 Testimony**

As memories fade and disagreement may arise between jurors regarding a witness's testimony, jurors may sometimes request to have testimony read during deliberations. While allowing testimony to be read to the jury is in the court's discretion, the practice can be problematic and should not be exercised routinely. See *Dabney v. Montgomery Ward & Co., Inc.*, 761 F.2d 494, 499 (8th Cir. 1985); *Mayeaux v. Am. Mut. Liberty Ins. Corp.*, 409 F.2d 508, 509 (5th Cir. 1969).

Unlike exhibits, which are complete and available in their entirety for review, reading portions of testimony is incomplete and may give a skewed presentation of evidence. It becomes difficult to draw the line as to what testimony should be read to the jury. Jurors are often unable to articulate clearly what specific testimony they are interested in, which can lead to requests for testimony on broad subject matters. Catering to such requests is neither practical nor helpful.

Testimony should be read to jurors only in circumstances when the jurors can identify the specific testimony in which they are interested to resolve a disagreement between the jurors. In such cases, the parties should be informed of the request and the court should consider counsels' request to have other portions of testimony read for fairness.

### **8.5.3.3 Juror Questions During Deliberations**

Questions may arise during jury deliberations. The court should be wary of providing answers to requests for factual information, and should only do so in the presence of and after consultation with the parties. Fact finding is reserved for the jury, and neither the court nor the parties should usurp that role.

Courts are duty bound to provide jurors with further legal instructions when requested to do so. The court should inform the parties of the question and give the parties an opportunity to jointly propose an appropriate instruction. It may be appropriate to give additional instructions or clarifying instructions to provide a full and fair response. Care should be taken, however, to avoid over-instructing and confusing the jury.

## 8.5.4 Verdict Forms

### 8.5.4.1 General Verdict Forms

Use of general verdict forms in patent cases is discouraged. The jury is charged with deciding several interrelated and complex issues. General verdict forms do not assist the jury in understanding the applicable law and maintaining consistency in its findings. A general verdict is inseparable; a single error completely destroys it. *Richardson-Vicks v. Upjohn Co.*, 122 F.3d 1476, 1485 (Fed. Cir. 1997). As a result, a significant amount of resources is spent reviewing decisions made by general verdict.

### 8.5.4.2 Special Verdict Forms and Special Interrogatories

The court can help guide the jury in proper application of the law and ensure consistency in its findings by using special verdict forms. Fed. R. Civ. P. 49(a). Special verdicts require a jury to make specific findings of fact from which the court applies the applicable law. Patent cases are particularly well suited for special verdicts. *Richardson-Vicks*, 122 F.3d at 1485, citing *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 (1997). For example, if the jury finds that an independent claim of a patent is not infringed, then it cannot find the dependent claims infringed. Use of a special verdict form allows the court to ensure consistency between findings on independent and dependent claims. A model sample verdict form for patent cases is now available as Appendix C.3 to the Model Patent Jury Instructions for the Northern District of California.

A court can also use a general verdict form with special interrogatories. Fed. R. Civ. P. 49(b). Use of special interrogatories differs from special verdicts only in that the jury, rather than the court, makes the ultimate decision when general verdicts with special interrogatories are used. There is still risk that the jury will make a decision inconsistent with its findings. In such cases, the Federal Rules permit the court to enter judgment consistent with the jury's findings notwithstanding the verdict. *Id.* Where the findings are inconsistent and do not support the verdict, the court can recall the jury for further consideration or order a new trial.

## 8.6 Bench Trials

A court may try a patent case without a jury where the parties have waived the right to a jury trial or when equitable issues have been bifurcated for the court's consideration. Waiver is rare. Most often bench trials are held to try equitable defenses such as inequitable conduct, laches, and estoppel.

As the court is the factfinder in bench trials, there is less of a need for extensive judicial management. The court must make specific findings of facts and con-

clusions of law when rendering its decision. Fed. R. Civ. P. 52. It can, however, be less stringent with issues of admissibility and evidentiary objections as it is both the arbiter of those issues and the ultimate factfinder. There is less of a concern that the court will be prejudiced by certain evidence.

## **Chapter 9**

### **Post-Trial**

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#### **9.1 Entry of Judgment**

#### **9.2 Post-Trial Motions**

##### **9.2.1 Permanent Injunctions**

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##### **9.2.4 Motion for a New Trial**

##### **9.2.5 Renewed Motion for Judgment as a Matter of Law**

##### **9.2.6 Motion to Vacate Judgment**

#### **9.3 Appeal**

##### **9.3.1 Stay of Injunction Pending Appeal**

##### **9.3.2 Remands**

The court's duties do not cease after a verdict is rendered. Even following entry of judgment, the court is responsible for resolving post-trial motions and issues relating to appeal. This chapter examines the post-trial considerations that courts face in patent trials.

### **9.1 Entry of Judgment**

In patent cases, as in every case, after a jury renders its verdict or after the court makes its decision, judgment must be entered. The Federal Rules require that every judgment be entered in a separate document to make clear when the time to file post-trial motions and appeal begins to run. Fed. R. Civ. P. 58. The clerk may enter judgment when a jury returns a general verdict. Where special verdicts are used, the court, not the clerk, must enter the judgment.

The court has some flexibility in the timing for entry of judgment. One option is to enter judgment in accordance with the jury's verdict soon after the verdict is rendered. While the verdict may be altered by resolution of post-trial motions, the court's ruling on the post-trial motions need not be entered in a separate document. Fed. R. Civ. P. 58(a)(1). Therefore, early entry of judgment leads to quicker resolution of post-trial motions, without the need for additional administrative duties by the court.

In cases of willful infringement, however, the patent owner will likely move for enhanced damages. Judgment entered on the verdict will need to be amended in a separate document should the court decide to increase damages. In such cases, it may be more efficient to set a briefing schedule with the parties for post-trial mo-

tions, as well as motions for enhanced damages, prejudgment interest, and attorney fees. Once all motions are resolved, the court can then enter one judgment that reflects the verdict and the rulings on post-trial motions. *Larez v. City of Los Angeles*, 946 F.2d 630, 636 (9th Cir. 1991) (noting that the Federal Rules prohibit filing post-trial motions before entry of judgment); *Dunn v. Truck World, Inc.*, 929 F.2d 311, 313 (7th Cir. 1991) (same).

## 9.2 Post-Trial Motions

In patent cases, as in most cases, trial is usually followed by a series of post-trial motions. Where there is a finding of infringement, patent owners almost always seek a permanent injunction. In cases of willful infringement the patent owner will also typically move for enhanced damages. Because the patent statute authorizes the award of attorneys' fees in exceptional cases, motions for attorneys' fees are also often the subject of post-trial motions. In addition, parties will likely bring motions for judgment as a matter of law and/or new trial motions on the liability issues. In this section, we discuss the particular considerations that arise in conjunction with these post-trial motions in patent cases.

### 9.2.1 Permanent Injunctions

In addition to monetary relief, many patentees seek entry of a permanent injunction after a finding of infringement. *See* § 283 (“[A court] 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.”). Historically, courts have entered injunctions automatically following an infringement finding. Following the Supreme Court’s decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-92 (2006), however, an injunction may be issued only if the patent holder satisfies the traditional four-factor injunction test.

#### 9.2.1.1 Issuing a Permanent Injunction

Under the traditional four-factor equity test, an injunction should issue only when (1) the plaintiff has suffered an irreparable injury; (2) remedies at law, such as monetary damages, are inadequate to compensate for that injury; (3) a remedy in equity is warranted considering the balance of the hardships between the plaintiff and defendant; and (4) the public interest would not be disserved by a permanent injunction. *Id.* at 391.

Although there is no broad classification of cases in which an injunction is proper or improper (*id.* at 393), courts will usually have little trouble making these findings and issuing an injunction in cases between direct or indirect competitors, or where the infringer’s product supplants the market for the patent holder’s

product. See, e.g., *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011); *i4i Ltd. P'ship v. Microsoft Corp.*, 598 F.3d 831, 861-863 (Fed. Cir. 2010), *aff'd on other grounds*, 131 S. Ct. 2238 (2011); *Acumed LLC v. Stryker Corp.*, 551 F.3d 1323, 1328-29 (Fed. Cir. 2008); *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 702-03 (Fed. Cir. 2008); *Verizon Services Corp. v. Vonage Holdings Corp.* 503 F.3d 1295, 1310-11 (2007). Such injunctions are proper, when properly supported by other factors, in light of the fundamental nature of patents as property rights granting the owner the right to exclude. *Robert Bosch LLC*, 659 F.3d at 1149-50. An injunction against a competitor may be proper even though the patent holder previously licensed the patent to other competitors or its customer, or other unlicensed competitors employ the patent or the patented the product is not core to the patent holder's business. *Robert Bosch LLC*, 659 F.3d at 1150-1152 (additional infringing competitors; non-core nature); *Acumed, LLC*, 551 F.3d at 1328-29 (competitor); *Broadcom Corp.*, 543 F.3d at 703 (customer).

Following the *eBay* decision, permanent injunctions have been denied in cases where the patentee merely licensed its technology and did not offer its own commercial embodiment, where the scope of the requested injunction was overly broad, or where an injunction created important public health concerns. See, e.g., *Bard Peripheral Vascular, Inc., v. W.L. Gore & Assocs.*, 670 F.3d 1171 (Fed. Cir. 2012), *on reh'g*, 682 F.3d 1003 (Fed. Cir. 2012) (injunction would preclude use of important medical devices); *Voda v. Cordis Corp.*, 2006 U.S. Dist. LEXIS 63623 (W.D. Okla. Sept. 5, 2006), *aff'd*, 476 F.3d 887 (Fed. Cir. 2007) (licensor of technology); *Praxair, Inc. v. ATMI, Inc.*, 479 F. Supp. 2d 440, 442-44 (D. Del. 2007) (proposed injunction required defendant to recall products already sold to third parties); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437, 440-41 (E.D. Tex. 2006) (licensor of technology). Also, where the jury's damages award includes monetary compensation for future infringing sales, a patent holder cannot show irreparable harm and is therefore not entitled to an injunction. *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380 (Fed. Cir. 2008).

Table 9.1 summarizes how courts have applied common fact patterns presented in cases to the four-factor test for issuing permanent injunctions:

**Table 9.1**  
**Permanent Injunction Considerations**

<i>eBay</i> Factor	Facts Tending to Establish <i>eBay</i> Factor	Facts Insufficient to Establish or Weighing Against <i>eBay</i> Factor
Irreparable Harm	<ul style="list-style-type: none"> <li>• Infringer is competitor               <ul style="list-style-type: none"> <li>○ Loss of market share due to infringement by competitor</li> <li>○ Price erosion due to direct competition by infringer</li> <li>○ Harm to goodwill, brand recognition, or reputation</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Loss of licensing revenue by a patent holder that does not practice the invention</li> <li>• Award of money damages to patent holder that includes compensation based on future sales of infringing product</li> </ul>

	<p>as innovator due to presence of infringer in the market</p> <ul style="list-style-type: none"> <li>• That customers are unlikely to switch in the future, and therefore infringement causes long-term loss</li> <li>• Patent holder's decision not to license or attempt to license patent to the infringer</li> <li>• Economic harm suffered by licensees of research institutes and universities; adverse effect on institution's ability to license intellectual property to finance further research and development</li> <li>• Economic harm to licensor by competitor even though licensor did not practice the invention</li> </ul>	<ul style="list-style-type: none"> <li>• Harm to licensees</li> </ul>
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**Table 9.1**  
**Permanent Injunction Considerations, *continued***

<b><i>eBay</i> Factor</b>	<b>Facts Tending to Establish <i>eBay</i> Factor</b>	<b>Facts Insufficient to Establish or Weighing Against <i>eBay</i> Factor</b>
Inadequate Remedy at Law	<ul style="list-style-type: none"> <li>• Loss of market share, harm to reputation, price erosion</li> <li>• Infringer's lack of U.S. assets with which to satisfy judgment for money damages</li> <li>• Patent holder's refusal to grant license and its engagement in lengthy litigation to protect that business decision</li> </ul>	<ul style="list-style-type: none"> <li>• Loss of bargaining leverage by patent holder that does not practice the invention</li> <li>• Patent holder's willingness to license the patent to the infringer</li> <li>• Patent holder's policy to license the patent to obtain maximum monetary returns</li> </ul>
Balance of Hardships Favors Injunction	<ul style="list-style-type: none"> <li>• Infringing product is but one of many products offered by infringer</li> <li>• Parties' relative size</li> <li>• Infringer's ability to offer a design around</li> <li>• Where infringer is direct competitor, loss of right to exclude</li> </ul>	<ul style="list-style-type: none"> <li>• Patented feature is but a small component of the infringing product</li> <li>• Harm to infringer that practices invention is greater than harm to licensing business of non-practicing patent holder</li> <li>• Consequences and costs to in-</li> </ul>

	<p>is a greater hardship than loss to infringer from interruption of its business</p> <ul style="list-style-type: none"> <li>• Court establishes adequate time for work around before injunction effective</li> <li>• Injunction not applicable to infringer’s customers who purchased before injunction’s effective date</li> </ul>	<p>fringer of ceasing sales of infringing product or creating design-around</p>
Public Interest Favors Injunction	<ul style="list-style-type: none"> <li>• Public interest served by enforcement of patents</li> </ul>	<ul style="list-style-type: none"> <li>• Lower prices for public access to pharmaceuticals not sufficient</li> <li>• Harm failing to rise to level of adverse public health consequences</li> </ul>

### 9.2.1.2 Ongoing Royalty After Denial of a Permanent Injunction

Consideration of the four permanent injunction factors articulated in *eBay* does not always end the inquiry. Where a court determines that a permanent injunction is not warranted, it must also determine an appropriate ongoing royalty for the infringer’s continued use of the patented invention (unless the jury explicitly awarded damages for future infringement).

In setting an ongoing royalty in lieu of a permanent injunction, the district court is first “encouraged, to allow the parties to negotiate a license.” *Telcordia Techs., Inv. v. Cisco Sys.*, 612 F.3d 1365, 1378 (Fed. Cir. 2010); *see also Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1315 n. 15 (Fed. Cir. 2007). In the event the parties are unable to reach an agreement, the court may impose an ongoing royalty. *Telcordia Techs.*, 612 F.3d at 1379; *Paice*, 504 F.3d at 1315. There is no Seventh Amendment right to have a jury determine the issue of an ongoing royalty. *Paice*, 504 F.3d at 1316. Indeed, a court is not even bound by the jury’s determination of a reasonable royalty in setting an ongoing royalty. *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1361-62 (Fed. Cir. 2008). This is because, as the Federal Circuit has recognized, there is a difference between a reasonable royalty for pre-verdict infringement and damages for post-verdict infringement, given the change in the parties’ legal relationship and other economic factors. *Id.* Where the jury’s royalty damages award includes a royalty for future sales, however, a court should base the ongoing royalty on the jury’s determination. *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1380-81 (Fed. Cir. 2008). In any event, the court should provide a reasoned explanation for any ongoing royalty it imposes. In particular, the court may take additional evidence to account for any additional economic factors

relevant to establishing a royalty for ongoing use of the patented invention post-verdict. *Paice*, 504 F.3d at 1315.

In determining the amount of an ongoing royalty, the Federal Circuit has indicated that a district court should consider:

the change in the parties’ bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability—for example, the infringer’s likelihood of success on appeal, the infringer’s ability to immediately comply with the injunction, . . . etc.—as well as the evidence and arguments found material to the granting of the injunction and the stay.

*Amado*, 517 F.3d at 1362. Some district courts determining ongoing royalties under this standard have used the *Georgia-Pacific* factors,<sup>1</sup> but modified the usual factors to assume that the hypothetical negotiation occurred after the determination of the patent’s validity and infringement, when the infringer must consider the possibility that the patent holder could force it off the market absent a license. See e.g., *Boston Sci. Corp. v. Johnson & Johnson*, 2009 U.S. Dist. LEXIS 35372, at \*7 (N.D. Cal. Apr. 19, 2009); but see *Amado v. Microsoft Corp.*, 2008 U.S. Dist. LEXIS 110152, at \*32-33 (C.D. Cal. Dec. 4, 2008) (“By not including any reference to the *Georgia-Pacific* factors [in *Amado*, 517 F.3d at 1362], the Federal Circuit implicitly rejected this approach”). In doing so, some courts have noted that, since the pre-verdict analysis assumed the patent’s validity and infringement, this change will not alter the pre-judgment running royalty set by the verdict. E.g., *Presidio Components, Inc. v. Am. Tech. Ceramics Corp.*, 2010 U.S. Dist. LEXIS 79039, at \*16-17 (S.D. Cal. Aug. 5, 2010); *Ariba, Inc. v. Emptoris, Inc.*, 567 F. Supp. 2d 914, 918 (E.D. Tex. 2008); *Orion IP, LLC v. Mercedes-Benz USA, LLC*, 2008 U.S. Dist. LEXIS 108683, at \*9 (E.D. Tex. Mar. 28, 2008). Other courts, relying on the Federal Circuit’s citation of the “change in the parties’ bargaining positions, and the resulting change in economic circumstances, resulting from the determination of liability” (*Amado*, 517 F.3d at 1353), have believed it important to reflect a negative post-trial impact on the infringer’s position. E.g., *Boston Sci. Corp.*, 2009 U.S. Dist. LEXIS 35372 at \*16; *Joyal Prods. v. Johnson Elec. North Am., Inc.*, 2009 U.S. Dist. LEXIS 15531, \*39-40 (D.N.J. Feb. 26, 2009); *Creative Internet Adver. Corp. v. Yahoo! Inc.*, 674 F. Supp. 2d 847, 861 (E.D. Tex. 2009). Also, some district courts

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<sup>1</sup> See § 13.4.3.2.1.4.

have suggested that rate of the ongoing royalty should be increased because post-trial the infringement is “willful,” but the Federal Circuit has indicated in the analogous circumstance of determining a royalty for the period when an injunction is stayed pending appeal that, “willfulness, as such, is not the inquiry when the infringement is permitted by a court-ordered stay.” *Amado*, 517 F.3d at 1362. Finally, while recognizing that the ultimate determination of the ongoing royalty is a legal issue to be determined by the court, some courts nevertheless submit the question to the jury for an advisory verdict, citing the efficiency of doing so. *E.g.*, *Cummins-Allison Corp. v. SBM Co., Ltd.*, 669 F. Supp. 2d 774, 778 (E.D. Tex. 2009); *Amgen, Inc. v. F. Hoffman-La Roche Ltd.*, 581 F. Supp. 2d 160, 210 n.12 (D. Mass. 2008), *vacated in part on other grounds*, 580 F.3d 1340 (Fed. Cir. 2009).

### 9.2.1.3 Motion for Contempt

Following entry of a permanent injunction, an infringing party often will modify the product or process found to infringe to design around the patent, and begin marketing the modified product. If the patent owner believes that the redesigned product infringes it can challenge the design-around by commencing a second patent infringement action. In limited circumstances, the patent owner alternatively can seek to have an enjoined party held in civil contempt for violating the injunction. As the Federal Circuit has explained, this offers substantial advantages to the patent owner, most importantly the ability in many contempt cases to resolve issues using summary proceedings based on affidavits and exhibits rather than a full trial. *See KSM Fastening Systems v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985).

Before substantively determining contempt, the court first must determine whether a contempt hearing is appropriate for evaluating the redesigned product. This is done by comparing the redesigned product with the original accused product to determine if there is “more than a colorable difference” between them such that “substantial open issues of infringement” would have to be resolved. In making this determination, issues including validity and claim construction resolved during the initial case are subject to issue preclusion, and therefore are not deemed “open.” If the product differences or open issues are substantial, then the patent owner must proceed by filing a new infringement case. If, however, the differences and new issues fall below these thresholds, then the court, in its “broad discretion,” may proceed to resolve the infringement issue in a summary contempt proceeding. *See TiVo, Inc., v. Echostar Corp.*, 597 F.3d 1247, 1252 (Fed. Cir. 2010).

In making the determination whether to proceed with a contempt proceeding, the Federal Circuit suggested that contempt is most appropriate as a “shield protecting the patentee against an infringer’s flagrant disregard for court orders,” but is not an appropriate “sword for wounding a former infringer who has made a

good-faith effort to modify a previously adjudged or admitted infringing device to remain in the marketplace.” *Arbek Mfg., Inc., v. Moazzam*, 55 F.3d 1567, 1570 (Fed. Cir. 1995). The presence of a new infringement issue, even one of claim construction, does not necessarily preclude a contempt proceeding. *TiVo*, 597 F.3d at 1255; *Additive Controls & Measurement Systems, Inc., v. Flowdata, Inc.*, 154 F.3d 1345, 1350 (Fed. Cir. 1998). But, a “modifying party generally deserves the opportunity to litigate the infringement question at a new trial, ‘... if expert and other testimony subject to cross-examination would be helpful or necessary.’” *Id.*, quoting *KSM*, 776 F.2d at 1531. This, however, is not always the case. See *EchoStar*, 597 F.3d at 1523-26; *Abbott Labs. v. Torpharm, Inc.*, 503 F.3d 1372, 1381 (Fed. Cir. 2007). Similarly, the former infringer’s good faith in making the modification may be, but is not necessarily, an indicator that more than colorable differences exists and a new infringement trial is appropriate. *TiVo*, 597 F.3d at 1256; *Arbek Mfg.*, 55 F.3d at 1570. Under this test, a summary contempt proceeding may be appropriate even when the court’s ultimate conclusion is that there is no contempt. See e.g., *Abbott Labs.*, 503 F.3d at 1380 & n.3.

Assuming the threshold test for proceeding is passed, the court next must determine whether the redesigned product infringes the claims as previously construed, an issue the patent holder must prove by clear and convincing evidence. *TiVo*, 597 F.3d at 1256.

Finally, the court must determine whether there is clear and convincing evidence that the specific provisions of the injunction were violated. In making this determination, the injunction must be construed narrowly, with any ambiguity resolved against the patent owner. *Abbott Labs.*, 503 F.3d at 1382-83. The propriety of the injunction or its specific provisions, however, is not subject to challenge during the contempt proceeding. See *TiVo*, 597 F.3d at 1259-61. While the injunction usually will be violated in cases where infringement is found, in unusual circumstances that may not be true. See, e.g., *Abbott Labs. v. Torpharm, Inc.*, 503 F.3d 1372 (Fed. Cir. 2007).

As part of or following a contempt proceeding, the court may be asked to modify its injunction to help assure that similar future infringement does not take place by adding a provision requiring that any subsequent claimed design-around be submitted to the patent holder or the court before public distribution. Such an order is allowed if the court determines that it is reasonably necessary to obtain compliance with the prior injunction. See *TiVo*, 597 F.3d at 1262; *Additive Controls*, 154 F.3d at 1356.

### 9.2.2 Enhanced Damages

The patent statute authorizes a court to increase a damages award up to three times. 35 U.S.C. § 284. Increased damages may be awarded only in cases of willful infringement or bad faith. *Beatrice Foods Co. v. New England Printing & Litho-*

graphing Co., 923 F.2d 1576, 1578 (Fed. Cir. 1991) (citing *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 277 (Fed. Cir. 1985)). A court is not required, however, to enhance damages even if the court and jury find objective and subjective willfulness by clear and convincing evidence. *Bard Peripheral Vascular, Inc., v. W.L. Gore & Assocs.*, 682 F.3d 1003 (Fed. Cir. 2012); *Electro Scientific Indus. v. Gen. Scanning, Inc.*, 247 F.3d 1341, 1353 (Fed. Cir. 2001). Thus, an award of enhanced damages, including the amount of any enhancement, remains in the sound discretion of the court. *Id.*

### 9.2.2.1 Timing

Naturally, damages can be increased only after damages and willfulness have been determined, and after the court has had the opportunity at trial to determine whether litigation has been conducted in bad faith. Courts can be inundated with various motions after a verdict is returned. Therefore, the court should set a briefing schedule for a motion for enhanced damages, as well as post-trial motions, following the jury's verdict.

A motion for enhanced damages can be brought before or after entry of judgment. If brought after entry of judgment, the court should amend the judgment to reflect any increased damages. It is often more manageable to consider an enhanced damages motion at the same time as post-trial motions. The court's ruling on post-trial motions can affect the amount of enhancement. In addition, ruling on all the motions together allows the court to enter a single judgment reflecting all its rulings.

### 9.2.2.2 Standard

The decision of whether to enhance damages is based on the egregiousness of the infringer's conduct in light of the totality of the circumstances. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 (Fed. Cir. 1996); *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826 (Fed. Cir. 1992). Prior to its decision in *In re Seagate Tech., L.L.C.*, 497 F.3d 1360 (Fed. Cir. 2007) (*en banc*), the Federal Circuit articulated nine factors to consider when evaluating the degree of the infringer's culpability and deciding whether to increase damages:

- (1) whether the infringer deliberately copied the ideas or design of another;
- (2) whether the infringer, when he knew of the other's patent protection investigated the scope of the patent and formed a good-faith belief that it was invalid or that it was not infringed;
- (3) the infringer's behavior as a party to the litigation;
- (4) the defendant's size and financial condition;
- (5) the closeness of the case;

- (6) the duration of defendant's misconduct;
- (7) remedial action by the defendant;
- (8) the defendant's motivation for harm;
- (9) whether the defendant attempted to conceal its misconduct.

*Read Corp.*, 970 F.2d at 827. Following *Seagate*, the Federal Circuit confirmed the appropriateness of use of these factors to determine enhancement, noting that “[t]he [*Seagate*] test for willfulness is distinct and separate from the [*Read*] factors guiding a district court’s discretion regarding enhanced damages.” *i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831, 859 (Fed. Cir. 2010), *aff’d* 131 S.Ct. 2238 (2011); *see also Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1376 (Fed. Cir. 2010). In particular, it is still appropriate to consider that the infringer timely obtained and relied upon an opinion of counsel that the patent is not infringed or invalid. *See Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1313 (Fed. Cir. 2010); *Finisar Corp. v. DirecTV Group, Inc.*, 523 F.3d 1323, 1339 (Fed. Cir. 2008).

The court may also consider the size of the damages award in ruling on enhancement. *Riles v. Shell Exploration and Prod. Co.*, 298 F.3d 1302, 1314 (Fed. Cir. 2002). While the court is not required to enhance damages, it must state reasons for not doing so. *Tate Access Floors, Inc. v. Maxcess Techs., Inc.*, 222 F.3d 958, 972 (Fed. Cir. 2000); *Jurgens*, 80 F.3d at 1572.

Not only does the court have discretion in determining whether to enhance damages, it has discretion with respect to the amount of enhancement. *SRI Int’l v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1468-69 (Fed. Cir. 1997) (citing *National Presto Indus. Inc. v. W. Bend Co.*, 76 F.3d 1185, 1193-94 (Fed. Cir. 1996)); *Amsted Indus., Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 183 (Fed. Cir. 1994). While it is common to double or triple the damages amount, courts can use a wide range of multipliers in setting the amount of enhancement, including using a non-integer or percentage calculation. *Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 265 F.3d 1294, 1310-11 (Fed. Cir. 2001) (affirming 30% enhancement); *Va. Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 866-67 (Fed. Cir. 1997) (affirming 10% enhancement).

### 9.2.3 Attorney Fees

The patent statute also authorizes the award of reasonable attorney fees in exceptional cases. 35 U.S.C. § 285. The purpose is to give the court the power to shift the burden of unnecessary and vexatious litigation on the party responsible for it. Even in exceptional cases, however, an award of attorney fees is not automatic. *National Presto Indus., Inc. v. W. Bend Co.*, 76 F.3d 1185, 1197 (Fed. Cir. 1996). Like enhanced damages, the award of attorney fees lies in the trial court’s discretion. *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990). An

award of fees for violation of Rule 11 instead of, or in addition to, an award pursuant to § 285 is also possible.

### 9.2.3.1 Timing

Attorney fees motions can be brought before or after entry of judgment, but no later than fourteen days after entry of judgment. Fed. R. Civ. P. 54(d)(2)(B). Unlike enhanced damages, separate judgment does not have to be entered upon post-judgment disposition of a motion for attorney fees. Fed. R. Civ. P. 58(a)(1)(C). A motion for attorney fees, however, is usually brought together with a request for enhanced damages as the same facts usually support both motions. The court should set a briefing schedule for these motions as well as post-trial motion. Again, it is advisable where issues overlap to consider an attorney fees and enhanced damages motion at the same time as post-trial motions.

### 9.2.3.2 Standard

An award of attorney fees based on litigation misconduct should be reserved for extraordinary cases where there is a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of equal force, which makes it grossly unjust that the prevailing party be left to bear the burden of his own counsel fees. *Purer & Co. v. Aktiebolaget Addo*, 410 F.2d 871, 880 (9th Cir. 1969); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 372 F. Supp. 2d 833, 848-49 (E.D. Va. 2005). A determination to award attorney fees involves a two-step process: (1) determining whether there is clear and convincing evidence the case is exceptional; and, (2) if the case is found exceptional, a determination whether an award of attorney fees is appropriate and, if so, the proper amount. See *Eon-Net LP v. Flagstar Bancorp.*, 653 F.3d 1314, 1323-24 (Fed. Cir. 2011).

For the exceptional case determination, the court should weigh considerations such as the closeness of the case, tactics of counsel, and the conduct of the parties. *J.P. Stevens Co. v. Lex Tex Ltd.*, 822 F.2d 1047, 1051 (Fed. Cir. 1987). In doing so, the court may reweigh evidence, so long as the court's findings do not conflict with the jury's findings. *Door-Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1314 (Fed. Cir. 2001).

Alternatively, an award of fees may be warranted if the litigation is both (1) brought in subjective bad faith, and (2) the litigation is objectively baseless. See *ICU Medical Inc. v. Medical Sys., Inc.*, 585 F.3d 1368, 1379 (Fed. Cir. 2009). There is a presumption that patent infringement is asserted in good faith, and that presumption must be overcome by clear and convincing evidence. See *Medtronic Navigation, Inc. v. Brainlab Medizinische Computersysteme GmbH*, 603 F.3d 943, 954 (Fed. Cir. 2010). Absent misrepresentation by a party of its evidence, a claim

that survives summary judgment, a judgment as a matter of law, or a jury verdict usually will not meet the bad faith test. *Id.*

A party's material misconduct related to the litigation, repeated misstatements by a party or its attorney to the court, destruction of relevant documents, failing to engage in claim construction proceedings, submission of incomplete or misleading evidence, attorney lack of professionalism, a party's disrespect for the judicial process, conduct that violates Fed. R. Civ. Pro. Rule 11, frivolous, vexatious, or unjustified litigation, concealment or fraud before the PTO, and willful infringement are all circumstances that support a finding that a case is exceptional. See *Eon-Net*, 653 F.3d at 1326-28; *Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1314 (Fed. Cir. 2010); *ICU Medical, Inc.*, 585 F.3d at 1380; *Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1552 (Fed. Cir. 1989). So too is engaging in meritless serial litigation against multiple defendants, unsupportable by objective assessment of claim terms, combined with the repeated solicitation of early settlements at amounts far less than the cost of litigation, suggesting an extortionate purpose, *Eon-Net*, 653 F.3d at 1326-28. In that sense, the exceptional case standard has broader application than enhanced damages, which is restricted to cases of willfulness. See *Universal Athletic Sales Co. v. Am. Gym*, 480 F. Supp. 408, 415 (W.D. Pa. 1979) (questions involving award of counsel fees are not necessarily identical to questions involving treble damages). The standard for awarding attorney fees, however, is higher than the standard for enhanced damages. *TWM Mfg. Co. v. Dura Corp.*, 213 U.S.P.Q. 423, 428 (E.D. Mich. 1981) ("[The] standard for enhanced damages up to treble damages is not as stringent a standard as the standard which is set forth for the granting of the actual attorney fees."). A finding of willfulness, while sufficient to find a case exceptional, does not mandate such a finding. See *S.C. Johnson & Sons v. Carter-Wallace, Inc.*, 781 F.2d 198, 201 (Fed. Cir. 1986); *Advanced Cardiovascular Sys., Inc. v. Medtronic, Inc.*, 2000 WL 34334583, at \*17 (N.D. Cal. 2000). Where there has been a finding of willfulness, however, it would be an abuse of discretion for the trial court not to discuss its reasons for declining to award attorney fees. *Modine Mfg. Co. v. Allen Group, Inc.*, 917 F.2d 538, 543 (Fed. Cir. 1990).

Furthermore, an attorney fees award under the patent statute is restricted to the patent portion of the case. *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chem. Corp.*, 407 F.2d 288, 297 (9th Cir. 1969). To the extent a case involves patent and non-patent causes of action, no award of fees can be allowed for the non-patent theories. *Id.* Therefore, in considering attorney fees, the court should require the moving party to separate out fees attributable to other causes of action in the case.

### 9.2.4 Motion for a New Trial

Within ten days after entry of judgment in a jury or court trial, with or without a motion for judgment as a matter of law, a party can move for a new trial. Fed. R. Civ. P. 59(a). As with Rule 50(b) motions, the time limit is jurisdictional and may not be extended. *Tillman v. Association of Apartment Owners of Ewa Apartments*, 234 F.3d 1087, 1089 (9th Cir. 2000) (holding district court was without jurisdiction to consider Rule 59(a) new trial motion filed more than ten days after entry of judgment); *Carter v. United States*, 973 F.2d 1479, 1488 (9th Cir. 1992) (stating that the district court has no discretion to consider a late Rule 59(e) motion). The motion is judged under the law of the regional circuit court of appeals, and in a patent case can be based on the same grounds as any trial. See, e.g., *Minton v. National Ass’n of Sec. Dealers, Inc.*, 336 F.3d 1373, 1378-79 (Fed. Cir. 2003). These include that the judgment is contrary to the weight of the evidence; misconduct by an attorney or witness that denies an opponent fair consideration; jury misconduct; erroneous rulings regarding evidence, jury instructions or trial conduct issues; excessive (with or without a remittitur) or inadequate (with or without an additur) damages; and new evidence that could not have been discovered during trial. To merit granting a new trial, the subject of the motion must have caused substantial prejudice and, in virtually all cases, have been the subject of a timely objection. See generally 12 Moore’s Federal Practice § 59.13 (3d ed. 2007).

In patent cases, a motion for new trial is often used to challenge the claim construction provided in jury instructions. Typically, the jury instruction will simply adopt the claim construction set forth in the court’s *Markman* order. Although it is usually clear from the *Markman* proceeding when a party disagrees with the court’s construction, a party may still need to object to the jury instruction embodying the construction, depending on the circuit in which the trial court sits. Because regional circuit law governs Fed. R. Civ. P. 51 and the propriety of jury instructions, in some circuits claim construction briefing may not satisfy a party’s obligation to object. *Serio-US Indus., Inc. v. Plastic Recovery Techs. Corp.*, 459 F.3d 1311, 1317 (Fed. Cir. 2006) (holding that appellant failed to timely object to claim construction under Fourth Circuit law even though the subject had been briefed); *Ecolab, Inc. v. Paraclipse, Inc.*, 285 F.3d 1362, 1369-70 (Fed. Cir. 2002) (deciding issue on lack of error after stating it would be “uncomfortable” to conclude that the Eighth Circuit would allow a futility exception in this case).

### 9.2.5 Renewed Motion for Judgment as a Matter of Law

Provided that a motion for judgment as a matter of law was made at the close of all the evidence (see § 8.4), a party may renew that motion within 28 days after entry of judgment. *Jurgens v. McKasy*, 927 F.2d 1552, 1557 (Fed. Cir. 1991); see

also *Wilson Sporting Goods Co. v. David Geoffrey & Assocs.*, 904 F.2d 677, 681 (Fed. Cir. 1990) (the law of the regional court of appeals determines whether the motion must be filed with the court or only served by the Rule’s deadline); Fed. R. Civ. P. 50(b). The rule’s time limit for making the motion is jurisdictional and cannot be extended. Fed. R. Civ. P. 6(b); see also *U.S. Leather, Inc. v. H&W P’ship*, 60 F.3d 222, 224 (5th Cir. 1995). A renewed motion must be based on the same claimed failure of proof as the initial motion, and in judging it the court should apply the same standard (see § 8.4). *Honeywell Int’l Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1139 (Fed. Cir. 2004) (*en banc*); *Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1105-09 (Fed. Cir. 2003). The motion may be, and often is, joined with a motion for a new trial. Fed. R. Civ. P. 50(b). A joint motion permits the court to grant the new trial motion as an alternative should the order granting judgment be reversed on appeal. Fed. R. Civ. P. 50(c)(1).

A renewed motion for judgment as a matter of law is the preferred mechanism by which the court can review the jury’s decision on questions of law that are encompassed by a jury’s verdict. “Many claims of invalidity rest, however, not upon factual disputes, but upon how the law applies to facts as given. . . . Where the ultimate question of patent validity turns on the correct answer to legal questions—what these subsidiary legal standards mean or how they apply to the facts as given—. . . [the clear and convincing burden of] proof has no application.” *Microsoft Corp. v. i4i Ltd.*, 131 S.Ct. 2238, 2253 (2011)(Breyer, J., concurring). Rather, the court must decide such embedded legal issues without any deference to the jury verdict.

For example, obviousness is a question of law, but is often submitted to the jury because the ultimate conclusion is based on findings of fact (the *Graham* factors). If the jury was given special interrogatories addressing each of the *Graham* factors, the court can assess the propriety of the jury’s findings based on the evidence presented at trial through a renewed motion for judgment as a matter of law. But even if the jury returns a general verdict of nonobviousness without further explanation, as explained in §§ 7.3.4.4.2, 13.3.5.3.5, the court must determine whether the ultimate legal conclusion is correct in light of disputed facts the jury necessarily determined. See also § 8.3.3.2. for discussion regarding submission of the issue of obviousness to the jury.

### **9.2.6 Motion to Vacate Judgment in Connection with Settlement**

Following the entry of final judgment, parties are sometimes able to settle before any appellate disposition. As part of the settlement agreement, the patentee and the accused infringer may agree to jointly ask the district court to vacate its judgment finding the patent invalid, not infringed, or unenforceable, as well as certain subsidiary rulings such as claim construction orders that limit the patent’s

scope. In some cases, the parties will even make the settlement contingent upon the grant of vacatur. The motivation of the patentee in seeking vacatur is to strip any potential preclusive effect (for collateral estoppel purposes) associated with an adverse ruling regarding the patent’s validity, scope, or enforceability. For the accused infringer, on other hand, this cost-free concession presumably obtained it monetary or other consideration from the patentee as part of the settlement, and allows it to share the anti-competitive benefits resulting from the deterrent effect of the restored patent, which could be asserted against its competitors.

Notwithstanding the fact that both parties to the litigation agree that a vacatur motion should be granted, the public interest and considerations of judicial economy often weigh against this outcome. See Jeremy W. Bock, *An Empirical Study of Certain Settlement-Related Motions for Vacatur in Patent Cases*, 88 IND. L. J. — (forthcoming 2013), available at <http://ssrn.com/abstract=2012110> (Mar. 1, 2012 preliminary draft) (synthesizing case law and analyzing empirical data on settlement-related motions for vacatur in patent cases over 5-year period); cf. *Lear, Inc. v. Adkins*, 395 U.S. 653, 674 n.19 (1969) (noting “the public’s interest in the elimination of specious patents”); *Cardinal Chem. Co. v. Morton Int’l*, 508 U.S. 83, 100 (1993) (“[O]ur prior cases have identified a strong public interest in the finality of judgments in patent litigation.”); Jill E. Fisch, *Rewriting History: The Propriety of Eradicating Prior Decisional Law Through Settlement and Vacatur*, 76 CORNELL L. REV. 589, 593 (1991) (“[T]he effect of vacatur on the litigation process extends beyond judicial waste; it perverts the judicial decision into a negotiable commodity, engendering distortion of, and disrespect for, the role of the courts.”).

The alleged benefit of approving the vacatur request is that it will buy peace and reduce the costs of further judicial proceedings, such as appeal. These benefits, however, are speculative at best and more likely illusory. The empirical evidence, see Bock, *An Empirical Study of Certain Settlement-Related Motions for Vacatur in Patent Cases*, 88 IND. L. J. — (forthcoming 2013), and anecdotal evidence indicate that the parties will likely settle the matter even if the vacatur request is denied. More significantly, vacating the court’s decisions construing the patent claims and/or ruling claims invalid or not infringed could well result in satellite litigation against other parties – possibly even competitors of defendant.

Vacating any judgment based on the parties’ settlement is an “extraordinary remedy” that should be granted only in “exceptional circumstances” that go beyond the parties’ desire to include such a remedy in their settlement. *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 513 U.S. 18, 26, 29 (1994). This is because “[j]udicial precedents are presumptively correct and valuable to the legal community as a whole. They are not merely the property of private litigants and should stand unless a court concludes the public interest would be served by a vacatur.” *Id.* at 26 (citations omitted). Indeed, Fed. R. Civ. P. 60(b)(6), under which a settlement-related motion for vacatur is typically brought, requires a showing of “extraordinary circumstances.” See *Liljeberg v. Health Servs. Acquisition Corp.*, 486

U.S. 847, 864 (1988) (observing that Rule 60(b)(6) “should only be applied in ‘extraordinary circumstances’”) (internal citations and quotation marks omitted). Moreover, a party that voluntarily declines to pursue an appeal by reason of settlement is not entitled to relief under Rule 60(b)(6). *See Ackermann v. United States*, 340 U.S. 193, 200 (1950) (holding that petitioner was not entitled to relief under Rule 60(b)(6) because of his “voluntary, deliberate, free, untrammelled choice . . . not to appeal”). Thus, absent exceptional circumstances, a motion to vacate a final judgment that is filed in connection with a settlement should be denied. *See Ohio Willow Wood Co. v. Thermo-Ply, Inc.*, 629 F.3d 1374, 1376-77 (Fed. Cir. 2011) (Moore, J., concurring).

## 9.3 Appeal

After resolution of post-trial motions and entry of final judgment, a party may choose to appeal the judgment. While a notice of appeal to the Federal Circuit removes a patent matter from the district court’s jurisdiction, there are a few issues a court must take up in conjunction with an appeal.

### 9.3.1 Stay of Injunction Pending Appeal

Injunctions are an often-requested remedy in patent cases. When an injunction has been issued, and an appeal taken, the defendant will often request that the injunction be stayed pending appeal. Fed. R. Civ. P. 62(c) authorizes a district court, in its discretion, to stay an injunction when an appeal is taken. Moving for a stay of injunction in the district court pursuant to the Federal Rules is a prerequisite to requesting a stay in the Federal Circuit. Fed. R. App. P. 8.

While the literal reading of Rule 62(c) contemplates a request for a stay of injunction to be made following the filing of a notice of appeal, a court can, as a matter of judicial economy, consider a stay at the same time as the motion for permanent injunction. *See, e.g. A&L Tech. v. Resound Corp.*, No. C 93-00107 CW, 1995 U.S. Dist. LEXIS 22442, at \*9 (N.D. Cal. March 15, 1995), *citing Moxness Prods., Inc. v. Xomed Inc.*, 7 U.S.P.Q.2d 1877, n.1 (N.D. Fla. 1988); *Polaroid Corp. v. Eastman Kodak Co.*, 641 F. Supp. 828 (D. Mass. 1985), *aff’d*, 833 F.2d 930 (Fed. Cir. 1986).

In considering whether to grant a stay, the court must apply four factors:

- (1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits;
- (2) whether the applicant will be irreparably injured absent a stay;
- (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and
- (4) where the public interest lies.

*Standard Haven Prods., Inc. v. Gencor Indus.*, 897 F.2d 511, 512 (Fed. Cir. 1990); *E.I. DuPont deNemours & Co. v. Phillips Petroleum Co.*, 835 F.2d 277, 278 (Fed. Cir. 1987). The four factors should be weighed using a flexible balancing approach. *Standard Haven*, 897 F.2d at 512; *Arthrocare Corp. v. Smith & Nephew, Inc.*, 315 F. Supp. 2d 615, 619 (D. Del. 2004).

The requirement of irreparable injury is applied more stringently as the court has already conducted an analysis finding an injunction appropriate. See *Malarkey v. Texaco, Inc.*, 794 F. Supp. 1248, 1250 (S.D.N.Y. 1992); *Crucible, Inc. v. Stora Kopparbergs Bergslags AB*, 594 F. Supp. 1249, 1264 (W.D. Pa. 1985), *aff'd in relevant part*, 793 F.2d 1565 (Fed. Cir. 1986) (“[The] plaintiff now is entitled to its injunction and [the defendant], therefore, should not be heard to complain of that which it had every reason to anticipate would be the result if it lost its gamble.”). Thus, irreparable harm for the purposes of a stay of injunction usually is not found unless the injunction will put the defendant out of business in the period pending appeal. A stay of injunction may be more appropriate if the defendant has a design-around, particularly if the patented feature is but one component in a multi-component product. Under those circumstances a court may stay the injunction and impose an ongoing royalty for the interim period to allow defendant to continue its business while transitioning to the release of its design around. The ongoing royalty amount should expressly take into account the fact that any ongoing use of the patented invention takes place following the grant of an injunction. *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1362 (Fed. Cir. 2008).

### 9.3.2 Remands

Following review by the Federal Circuit, cases are often returned to a district court with more to be done than simply enter an affirmed or other specified judgment. Rather, explicitly or implicitly, matters often are remanded to the district court for further unspecified proceedings consistent with the appellate court’s mandate and opinion.

A remand not setting forth any specified action has the effect of broadly returning jurisdiction of the case to the district court. While anything encompassed explicitly or implicitly by the Federal Circuit’s mandate must be followed, any action by the district court beyond the scope of the mandate is largely unfettered. In those proceedings the district court can decide any issue not decided by the Federal Circuit. Even as to explicit direction given by the appellate court in the mandate, compliance is subject to a general rule of flexibility under the general law of the courts of appeal. A district court’s action generally will not be reversed if the result is within that contemplated by the general terms of the mandate and not contrary to its explicit terms. See, e.g., *United States v. Kellington*, 217 F.3d 1084, 1095 n.12 (9th Cir. 2000).

Many remands from the Federal Circuit are essentially directions to the district court to reconsider its decision in light of the law as set out in the Federal Circuit's opinion. No outcome is implied by such a remand. It is entirely appropriate that further district court proceedings following a remand lead to an ultimate outcome other than that which would result from solely complying with the appellate mandate, or even a result reversed by an explicit mandate. For example, following reversal of a finding of patent invalidity based upon specified prior art, it is entirely proper for the district court to consider and find the patent invalid based upon other prior art, or otherwise in further proceedings to reach the result that the patent is invalid and enter judgment for the defendant. Similarly, for example, it is proper following reversal of a verdict of infringement for the district court in further proceedings to allow the addition of another patent to the suit and enter a judgment of infringement based upon it. Even as to the claims specifically considered by the Federal Circuit, further proceedings sometimes may result in entry of a judgment the same as that reversed: for example, an appellate reversal of a summary judgment does not preclude the district court's granting a second summary judgment motion based upon an altered claim construction or additional evidence; an appellate ruling that a claim or defense lacks sufficient evidence does not preclude hearing further evidence and finding the missing element is met.

In addition to the appellate mandate, an important limit on further district court proceedings following a remand is the "law of the case" rule. This rule provides that, once a case has been decided on appeal, the decision explicitly or implicitly adopted by the appellate court (excluding dicta) is to be applied, right or wrong, absent exceptional circumstances, in all subsequent proceedings of the lawsuit. *See, e.g., Gindes v. United States*, 740 F.2d 947, 949 (Fed. Cir. 1984). One important example of application of this rule are claim constructions adopted by the Federal Circuit, including those of the district court affirmed by the Federal Circuit, which govern further proceedings whether within or outside the appellate court's mandate. *See, e.g., Ethicon Endo-Surgery, Inc. v. U.S. Surgical Corp.*, 149 F.3d 1309, 1315 (Fed. Cir. 1998). Even here, however, while the district court may not alter the Federal Circuit's claim constructions, it properly may elaborate on the meaning intended by the Federal Circuit in further proceedings. *See, e.g., E-Pass Techs., Inc. v. 3Com Corp.*, 473 F.3d 1213, 1217-20 (Fed. Cir. 2007).

The limiting law of the case rule does not apply when one of three exceptional circumstances exist: (1) the evidence in a subsequent trial is substantially different; (2) controlling authority has since made a contrary decision of the law applicable to the issues; or (3) the earlier ruling was clearly erroneous and would work a manifest injustice. *Ormco Corp. v. Align Tech., Inc.*, 498 F.3d 1307, 1319 (Fed. Cir. 2007). These departures from the law of the case properly are rare. *Toro Co. v. White Consol. Indus.*, 383 F.3d 1326, 1336-37 (Fed. Cir. 2004). For new evidence to justify a departure, it must be substantial and previously unavailable, a test the

Federal Circuit has equated with that required for new evidence to justify a new trial pursuant to Fed. R. Civ. P. 60(b). *See Smith Int'l v. Hughes Tool Co.*, 759 F.2d 1572, 1579 (Fed. Cir. 1985). The law of the case rule also does not apply to Federal Circuit opinions regarding preliminary injunctions; claim constructions, along with all other findings of fact and conclusions of law made or affirmed at the preliminary injunction stage, are subject to change by the district court as the case progresses. *See, e.g., Guttman, Inc. v. Kopykake Enters.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002).

## **Chapter 10**

# **ANDA Cases: Patent Infringement Actions Involving FDA-Approved Drugs Under the Hatch-Waxman Act**

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### **10.1 Hatch-Waxman Act Statutory Scheme**

#### **10.1.1 Abbreviated New Drug Applications (ANDA) and Paragraph IV Certifications**

#### **10.1.2 Approval of ANDAs and First ANDA Filer's 180-Day Exclusive Marketing Period**

### **10.2 The Hatch-Waxman Act's Impact on Patent Litigation**

#### **10.2.1 Subject-Matter Jurisdiction to Resolve Patent Issues in ANDA Cases**

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#### **10.2.2 Case Management**

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##### **10.2.2.3 Remedies in ANDA Litigation**

##### **10.2.2.4 Local Patent Rules in Hatch-Waxman Act Cases**

#### **10.2.3 Settlement of Hatch-Waxman Patent Infringement Lawsuits**

##### **10.2.3.1 Reverse Payments**

###### **10.2.3.1.1 Antitrust Issues and Reverse Payments**

### **Appendix 10.1: Glossary of Hatch-Waxman Related Terms**

The interplay of FDA regulation of pharmaceutical products and the Patent Act introduces several distinctive issues for patent case management. Most have resulted from Congress' efforts to streamline generic drug manufacturers' competition with unpatented drugs in the Drug Price Competition and Patent Term Restoration Act of 1984 (more commonly known as the Hatch-Waxman Act). Prior to the passage of the Hatch-Waxman Act, a generic drug manufacturer wishing to challenge a patent encompassing a marketed drug typically needed first to obtain marketing approval from the FDA so that it could begin to manufacture and sell the generic drug in this country, and thus create the basis for federal jurisdiction to adjudicate a pharmaceutical patent's validity, enforceability, and scope. The cost of obtaining such approval as well as the uncertainty regarding a patent's validity and scope discouraged entry by generic manufacturers until after a patent expired. The FDA approval process thus had the effect of extending the effective term of patents encompassing an innovative drug for several years after the patents' expiration.

To address this unintended patent-term extension, the Hatch-Waxman Act established a unified framework for addressing drug approval and resolution of patent rights relating to generic versions of patented drugs. *See* 21 U.S.C. § 355(j). Under this framework litigation regarding potential patent infringement of generic drugs is advanced with the hope of resolving validity and infringement issues at the earliest possible time, and thereby also advancing the ability of generic drug manufacturers to begin marketing non-infringing products. Understanding

this statutory and policy scheme and the effects it can have on the economic motivations of players in the industry can greatly assist the management of cases involving pharmaceutical patents.

## 10.1 Hatch-Waxman Act Statutory Scheme

Congress passed the Hatch-Waxman Act to strike “a balance between two competing policy interests: (1) inducing pioneering research and development of new drugs and (2) enabling competitors to bring low-cost, generic copies of those drugs to market.” *Andrx Pharms., Inc. v. Biovail Corp.*, 276 F.3d 1368, 1371 (Fed. Cir. 2002); *see also In re Barr Labs., Inc.*, 930 F.2d 72, 76 (D.C. Cir. 1991) (“Congress sought to get generic drugs into the hands of patients at reasonable prices – fast”). To harmonize these two policy interests, the basic Hatch-Waxman framework seeks to reward pioneering drug companies with protection of their patent rights while encouraging generic drug companies to enter the market at the earliest possible time consistent with these patent rights.

To accomplish these goals, the Hatch-Waxman Act first provides for a potentially much-shortened and far cheaper regulatory approval process for generic versions of patented drugs.

A pioneering drug company seeking FDA approval of a new drug must submit a New Drug Application (NDA) that includes extensive test data, usually from a series of human clinical trials, proving the safety and efficacy of the drug. 21 U.S.C. § 355(b). The FDA designates such a drug approved based on human clinical trials as a Reference Listed Drug (RLD). Generic competitors instead are permitted to submit an Abbreviated New Drug Application (ANDA) that shortcuts this process by relying on the clinical trial data submitted in connection with the NDA. The ANDA applicant is permitted to prove the safety and efficacy of the generic drug through evidence that it is the equivalent of the pioneering drug and therefore would have the same safety and efficacy, rather than through independent human trials or other test results. 21 U.S.C. § 355(j)(2)(A). The Hatch-Waxman Act motivates generic drug manufacturers to challenge any applicable patent rights held by the NDA-holder by granting the first ANDA filer a 180-day market exclusivity period following the ANDA’s approval by the FDA if the patent challenge succeeds. During this exclusivity period, only the ANDA challenger, the NDA-holder and companies licensed by the NDA-holder may market their drugs. 21 U.S.C. § 355(j)(5)(B)(iv).

Resolution of patent rights is an important element of ANDA proceedings. The Hatch-Waxman Act protects the pioneering drug company’s patent rights by providing that the act of filing an ANDA containing a challenge to the NDA-holder’s patent rights is an “artificial act of infringement” that “enables the judicial adjudication” of claims for infringement and patent invalidity. *Eli Lilly*, 496 U.S. at 678; *see also* § 271(e)(2)(A). Under normal circumstances, no ANDA will be ap-

proved until 30 months after a patent infringement suit has been filed by the NDA holder against the ANDA applicant under § 271(e). 21 U.S.C. § 355(j)(5)(B)(iii). The purpose of this provision is to ensure that any dispute about the validity and applicability of an NDA-holder's patent rights be judicially resolved before FDA approval of a generic company's ANDA.

The statutory scheme envisions that ANDA patent litigation will be resolved before the 30-month stay expires. Often, however, the litigation will extend well over 30 months from the filing date. If the 30-month stay expires while litigation remains pending, some ANDA-holders will attempt to launch “at risk”; likewise, NDA-holders will often seek a preliminary injunction to prevent an at risk launch when the stay period expires. Launching at risk substantially changes the complexion of an ANDA case because it opens up the possibility that the eventual trial will occur before a jury (because post-launch damages will be available to the plaintiff) rather than before a judge (as is the case when only prospective injunctive relief is in play). The Hatch-Waxman Act also creates an alternative vehicle for some ANDA applicants to reach the market without litigation. Under “section viii” of the statutory scheme, an ANDA applicant can “carve out” applicable method-of-use patents from its proposed drug label, thereby avoiding the “artificial act of infringement” under § 271 (e) so long as there also are other, unpatented uses of the drug substance. 21 U.S.C. § 355(j)(2)(A)(viii); *see generally AstraZeneca Pharm. LP v. Apotex Corp.*, 699 F.3d 1370, 1376-80 (Fed. Cir. 2012). That is because, if a drug's label does not include an infringing use, the drug's manufacturer does not infringe or induce infringement of a method of use patent encompassing that use simply by making and selling the drug. *See Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348 (Fed. Cir. 2003). If, however, a generic drug manufacturer with a carve-out, and hence non-infringing, label makes statements or engages in other actions directed to promote the infringing use of the drug, the generic company can be liable for inducing infringement. *See AstraZeneca LP v. Apotex, Inc.*, 633 F.3d 1042 (Fed. Cir. 2010). A section viii ANDA filer is not subject to the 30-month stay in approval, but neither is it entitled to the 180-day exclusivity period.

### **10.1.1 Abbreviated New Drug Applications (ANDA) and Paragraph IV Certifications**

Before an ANDA filer can obtain FDA approval of its application, it must establish that its generic drug will not infringe valid patents governing the equivalent pioneering drug. To accomplish this, the Hatch-Waxman Act provides that a pioneering drug company's NDA must disclose all patents that cover the drug or a method of using the drug in a manner encompassed by the NDA. 21 U.S.C. § 355(b)(1), (c)(2). The FDA lists all such patents in a publication (available online at [www.fda.gov/cder/ob/default.htm](http://www.fda.gov/cder/ob/default.htm)), commonly referred to as the “Orange

Book,” providing notice of the pioneering drug company’s patents to the public. For patented methods of use, the NDA holder also must submit a “use code description,” which describes which of the FDA-approved uses or indications of the drug are patented. 21 C.F.R. § 314.53. The FDA determines whether a carve-out under section viii (21 U.S.C. § 355(j)(2)(A)(viii)) is appropriate based on the use code description supplied by the NDA holder.

As part of an ANDA filing, a generic drug manufacturer must submit certifications addressing each of the patents listed in the Orange Book that cover the relevant listed drug. 21 U.S.C. § 355(j)(2)(A)(vii); *see Eli Lilly & Co. v. Medtronic, Inc.*, 496 U.S. 661, 677 (1990). Specifically, the ANDA filer must certify:

- (I) that the [NDA-required] patent information has not been filed;
- (II) that such patent has expired;
- (III) the date on which such patent will expire; or
- (IV) that such patent is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the ANDA application is submitted.

21 U.S.C. § 355(j)(2)(A)(vii). Alternatively, the ANDA filer may file a Section viii statement certifying that a method of use patent listed by the pioneering drug company “does not claim a use for which the applicant is seeking approval.” 21 U.S.C. § 355(j)(2)(A)(viii); *AstraZeneca*, 669 F.3d at 1374. The ANDA filer may also split a particular patent, making a Paragraph IV certification as to a particular listed use and a Section viii carve-out statement as to a second listed use.

A certification that an Orange Book-listed patent is invalid or not infringed is commonly known as a Paragraph IV certification. For each patent as to which an ANDA filer makes a Paragraph IV certification, it must provide “a detailed statement of the factual and legal basis for the opinion of the applicant that the patent is invalid or will not be infringed” or is unenforceable to both the patent owner and the NDA holder. 21 U.S.C. § 355(j)(2)(B)(iv)(II); *see* 21 C.F.R. 314.95(c)(6). It is only by filing such a Paragraph IV certification that an ANDA filer can obtain FDA approval to market a generic version of a listed drug for a patented use before the expiration or invalidation of an Orange Book-listed patent. *Eli Lilly*, 496 U.S. at 677. Because the detailed legal statement is required by the Hatch-Waxman statutory scheme, it is not a privilege waiver even when drafted by or based on the opinion of an attorney. *See Nycomed, Inc., v. Glenmark Generics Ltd.*, 2009 WL 33343665 at \*2 (E.D.N.Y. 2009).

The Patent Act makes the filing of a Paragraph IV certification an act of patent infringement, allowing the Orange Book-listed patent holder to initiate an infringement suit before any product is sold by the generic manufacturer. § 271(e)(2); *AstraZeneca*, 669 F.3d at 1377; *Glaxo Group Ltd. v. Apotex, Inc.*, 376 F.3d 1339, 1351 (Fed.Cir. 2004). No cause of action is created, however, as the result of filing of a Section viii statement, and therefore, filing a Section viii state-

ment does not allow a patent holder to initiate suit. See *AstraZeneca*, 669 F.3d at 1379-80. If the Orange Book-listed patent holder files an infringement action within 45 days after receiving notice of the Paragraph IV certification as to any patent listed in the Orange Book prior to when the ANDA was filed, then the effective date of the FDA's approval of the generic company's ANDA application is automatically stayed for up to 30 months from the notice of the application to the patent owner and NDA holder. For patents filed by the NDA holder in the Orange Book after the ANDA is filed, the ANDA-holder still must submit a Paragraph IV certification or Section viii statement (21 C.F.R. § 314.94(12)(viii)(C)), but the late-listed, or "pop-up," patent does not trigger an automatic stay. See *Eli Lilly and Co. v. Teva Pharmaceuticals USA*, 557 F.3d 1346, 1351 n.1 (Fed. Cir. 2009).

Any FDA approval of the ANDA during the 30-month stay period is "tentative," and does not become a "final approval" allowing actual marketing of the drug unless prior to expiration of the 30 months, all the relevant patents expire, the ANDA applicant obtains a favorable district court or Federal Circuit judgment, or the suit is settled with an agreement that the ANDA applicant's marketing can commence. 21 U.S.C. § 355(j)(5)(B)(iii). A district court also has discretion to shorten or extend the 30-month stay if "either party to the action failed to reasonably cooperate in expediting the action." *Id.*; see *Eli Lilly and Co. v. Teva Pharmaceuticals USA*, 557 F.3d 1346 (Fed. Cir. 2009) (affirming six-month extension of automatic stay following generic manufacturer's alteration of its product just before and production of samples and records of the altered product after close of discovery). Alternatively, a court can enjoin marketing of the ANDA filer's generic drug under the usual preliminary injunction standards. 35 U.S.C. § 271(e)(4)(B); see, e.g., *Altana Pharma AG v. Teva Pharmaceuticals USA, Inc.*, 566 F.3d 999, 1005 (Fed. Cir. 2009); see generally Chapter 3, above. And the 30-month stay on final FDA approval will be extended if the NDA holder's drug is either: (1) a New Chemical Entity (NCE), *i.e.*, a chemical compound not previously approved for marketing by the FDA, in which case the stay is extended to seven and a half years after the New Chemical Entity was approved for marketing (21 U.S.C. § 355(j)(5)(F)(ii)); or, (2) a drug with pediatric-specific labeling supported by a clinical trial involving children, in which case the stay is extended 6 months (which may be added to the NCE period for a total of eight years) (21 U.S.C. § 355a(b)).

If no infringement action is filed during the 45-day period after the ANDA filer provides notice of its filing, the FDA may approve the ANDA within 180 days after the ANDA application was filed (a period which is often extended by agreement between the FDA and ANDA filer), and the approval is immediately effective. 21 U.S.C. § 355(j)(5)(A), (B)(iii). In that circumstance, the ANDA first-filer may be entitled to the 180 days of market exclusivity described in the next section.

Under this statutory scheme, "Orange Book listing elevates every patent as a potential source of delay to generic competition," because listing gives 'the pat-

entee/NDA holder almost automatic injunctive relief for even marginal infringement claims.” *Andrx Pharmaceuticals, Inc. v. Biovail Corp.*, 276 F. 3d 1368, 1378 n.6 (Fed. Cir. 2002). The potential delay sometimes has motivated questionable conduct by NDA holders, such as listing patents in the Orange Book of doubtful validity or applicability to the listed drug. See generally *Caraco Pharmaceutical Labs. v. Novo Nordisk*, 132 S.Ct. 1670, 1678 (2012). If an ANDA applicant disputes an Orange Book listing to the FDA, the agency will do no more to determine the propriety of a listing of a patent or its indicated use code than require the NDA holder to confirm the correctness of the listing. See 21 C.F.R. § 314.53(f); *Bayer Schering Parma AG v. Lupin, Ltd.*, , 676 F.3d 1316, 1324 (Fed. Cir. 2012)(FDA does not determine whether patents should be listed); *Apotex, Inc. v. Thompson*, 347 F.3d 1335, 1347-1350 (Fed. Cir. 2003) (FDA not required to determine the correctness of patent listings.) As a result, to obtain correction the ANDA applicant must make a Paragraph IV certification and litigate the listed patent’s scope. The Orange Book listings’ potential for delay also has encouraged some NDA owners to attempt to “evergreen” the delay of generics by listing patents sequentially obtained on additional uses of the same basic drug over several years. See *Andrx Pharmaceuticals*, 347 F.3d at 1378 n.6. As long as an added patent is listed in the Orange Book before the relevant ANDA application is filed, it will result in a 30-month stay of FDA approval if litigation is filed.

### **10.1.2 Approval of ANDAs and First ANDA Filer’s 180-Day Exclusive Marketing Period**

The effectiveness of a tentative FDA approval of a second or later-filed ANDA application also can be substantially delayed by the Hatch-Waxman Act’s 180-day exclusive marketing period granted to the first ANDA applicant filing a Paragraph IV certification challenging the validity or infringement of Orange Book-listed patents encompassing a product. This delay can be substantially longer than 180 days, and potentially can become an indefinite period before later ANDA filers can obtain FDA approval and begin marketing their drugs. See, e.g., *Dey Pharma, LP v. Sunovion Pharm. Inc.*, 677 F.3d 1158, 1164-65 (Fed. Cir. 2012); *Caraco Pharm. Labs., Ltd. v. Forest Labs. Inc.*, 527 F.3d 1278, 1285 (Fed. Cir. 2008); *Apotex, Inc. v. Pfizer Inc.*, 385 F. Supp. 2d 187, 190 (S.D.N.Y. 2005) (“Some brand name drug manufacturers have succeeded in ‘parking’ the 180-day marketing exclusivity period, indefinitely delaying ANDA approvals and bottlenecking the market. Federal Trade Commission, ‘Generic Drug Entry Prior to Patent Expiration,’ vi-vii (July 2002)”), *aff’d*, 159 Fed. Appx. 1013 (Fed. Cir. 2005), *cert. denied*, 549 U.S. 970 (2006).

This 180-day period of market exclusivity is provided to encourage a generic drug company to take on the potential burden and expense of challenging an Orange Book-listed patent via a Paragraph IV certification, helping to open the door

for itself and other generic drug companies to enter the market with lower cost drugs. 21 U.S.C. § 355(j)(5)(B)(iv). The period of exclusivity is effected by delaying the effective date of an FDA approval of any later-filed ANDA's generic drug based on the same NDA until the expiration of the first ANDA filer's period of exclusivity. *Id.* § 355(j)(5)(B)(iv)(II)(bb). Thus, the ANDA first-filer has exclusivity, but only against subsequent Paragraph IV filers. Its exclusivity does not prevent competitive drugs sold by the patentee, entities licensed by the patentee, or (if FDA concludes a carve-out is available) section viii filers.

For ANDA applications filed before December 8, 2003, the period of exclusivity began either on the date the first Paragraph IV ANDA filer began marketing its generic or on the date of a final court decision finding the relevant Orange Book-listed patents invalid or not infringed (a decision that could occur either in a suit brought by the initial or a later ANDA filer (*see Minn. Mining & Mfg. Co. v. Barr Labs., Inc.*, 289 F.3d 775, 780 (Fed.Cir.2002)), whichever is first. 21 U.S.C. § 355(j)(5)(B)(iv) (2000). This exclusivity period applies regardless of whether the first ANDA filer is successful in establishing the Orange Book-listed patents as invalid or not infringed.

For ANDA applications filed after December 8, 2003, the first Paragraph IV ANDA filer's marketing of the generic is the only trigger for the exclusivity period. 21 U.S.C. § 355(j)(5)(B)(iv) (2003). The exclusivity period, however, can be surrendered under certain circumstances. Most importantly, the exclusivity period is forfeited if the first ANDA filer fails to begin marketing its drug before the later of two statutorily defined dates. 21 U.S.C. § 355(j)(5)(D)(i)(I). The first of these dates is the earlier of:

- (i) 75 days after effective FDA approval of the first ANDA filer's application; or,
- (ii) 30 months after submission of the first ANDA application.

The second of the statutorily defined dates is 75 days after the date one of the following occurs as to all the patents in the first ANDA filer's Paragraph IV certification:

- (i) a decision, final except for possible review by the Supreme Court, in a suit by the first or a later, tentatively-FDA approved ANDA filer that each Orange Book-listed patent in the first ANDA filer's Paragraph IV certification (the relevant patents) is invalid or not infringed;
- (ii) entry of an agreed judgment, pursuant to a settlement agreement, that each of the relevant patents is invalid or not infringed; or,
- (iii) withdrawal by the NDA holder of the relevant patents from listing in the Orange Book.

Because the statute specifies that marketing must commence before the *later* of the two defined dates, if no event in the second group of dates occurs (because, for example, the NDA holder and ANDA applicant reach a settlement agreement

that does not include entry of a judgment regarding the status of the patents), the FDA has taken the position that there is no forfeiture of the 180-day marketing period even though the first date has passed. *See* Teva North America, FDA Decision Letter: ANDA 77-165: Granisetron Hydrochloride Injection, 1mg/mL, Docket No. 2007N-0389 (Jan. 17, 2008) available at <http://www.fda.gov/ohrms/dockets/DOCKETS/07n0389/07n-0389-let0003.pdf>. As a result, the period by which the first ANDA filer must begin marketing to avoid forfeiture of the 180-day exclusivity period can be extended indefinitely under this provision.

The exclusivity period can also be forfeited by other events, although they are relatively rare: (i) withdrawal of the first ANDA application; (ii) amendment of the first ANDA filer's Paragraph IV certification to remove all the relevant patents; (iii) failure of the first ANDA filer to obtain approval of its application within 30 months of filing; (iv) the first ANDA filer entering into an agreement found by the FTC or Attorney General, and affirmed in a judgment final except for possible Supreme Court review, to violate the antitrust laws; or, (v) expiration of all the relevant Orange Book-listed patents. *See* 21 U.S.C. §355(j)(5)(D). Although the FTC and Justice Department take the position that settlement agreements between first ANDA filers and holders of an NDA involving reverse payments violate the antitrust laws, courts generally have rejected that position. *See* § 10.2.3.1.1.

A further complication is that there can be multiple “first” ANDA filers as to a particular NDA. While only one “first” ANDA application can be filed per “drug,” 21 U.S.C. § 335(j)(5)(B)(iv)(bb), each different dose, for example, is considered a different “drug.” *See* 21 C.F.R. § 314.3 (“Drug product means a finished dosage form, for example, tablet, capsule, or solution, that contains a drug substance, generally, but not necessarily, in association with one or more other ingredients”). Thus, it is possible to have multiple first ANDA filers with 180-day exclusive marketing periods for dosages or forms of the same underlying drug product that originally was approved under a single NDA, and multiple subsequent ANDA filers may challenge patents within the first ANDA filer's Paragraph IV certifications.

## 10.2 The Hatch-Waxman Act's Impact on Patent Litigation

The substantive rights granted under the Hatch-Waxman Act greatly influence the litigation and marketing strategies of pharmaceutical companies. The statutory provisions significantly affect not only the litigation and market relationship between the pioneering drug NDA filer and the first generic drug ANDA filer, but also subsequent ANDA filers (i.e., later generic drug companies seeking entry into the market after the 180-day period of exclusivity). Drug companies have developed litigation strategies that attempt to take advantage of the benefits

granted by the Hatch-Waxman Act while circumventing the countervailing purposes of the statute. Management of ANDA cases should take these issues into consideration. These strategies often have involved attempted manipulation of the ability of ANDA filers to obtain the requisite effective FDA approval of their applications and begin marketing by (1) avoiding resolution of all relevant Orange Book-listed patents, and thus the effective date of FDA approval of an ANDA with a Paragraph IV certification relating to those patents; and, (2) extending, potentially indefinitely, the commencement of the first ANDA filer's 180-day exclusivity period.

The Hatch-Waxman Act also alters patent litigation in that suits under the Act usually involve no damages (*see* § 271(e)(4)(C); 21 U.S.C. § 355(j)(5)(c)(iii)), and thus, there is no right to a jury trial. *See Tegal Corp. v. Tokyo Electron America Inc.*, 257 F.3d 1331, 1339-41 (Fed. Cir. 2001); *In re Andrx Pharmaceuticals, Inc.*, 2010 U.S. App. LEXIS 22539, at \*2 (Fed. Cir. 2010); *In re Apotex, Inc.*, 49 Fed. Appx. 902, 903 (Fed. Cir. 2002).

## **10.2.1 Subject-Matter Jurisdiction to Resolve Patent Issues in ANDA Cases**

### **10.2.1.1 Jurisdiction Over Infringement Actions by NDA Holders Arising from Paragraph IV Certifications**

The Hatch-Waxman Act, in conjunction with the Patent Act, creates an artificial patent infringement cause of action and grants federal courts jurisdiction over that action once a Paragraph IV ANDA filer provides notice to a patent holder that the ANDA applicant believes the relevant Orange Book-listed patents are invalid or not infringed. 28 U.S.C. § 1338(a); 35 U.S.C. § 271(e)(2); *see AstraZeneca Pharmaceuticals LP v. Apotex Corp.*, 669 F.3d 1370, 1376-77 (Fed. Cir. 2012).. If the patent holder files an infringement suit within 45 days of the ANDA filing, the Hatch-Waxman Act delays the effectiveness of FDA approval of the ANDA application for 30 months unless the litigation is ended earlier than that. 21 U.S.C. § 355(j)(5)(B). Not surprisingly, holders of Orange Book-listed patents often initiate patent infringement suits upon the filing of ANDA applications and they have strong incentives to delay the resolution of such litigation to prolong the stay of FDA approval for generic versions of patented drugs for the full 30 months of possible delay. *See* Federal Trade Commission, *Generic Drug Entry Prior to Patent Expiration: An FTC Study* 49 (July 2002).

### 10.2.1.2 Declaratory Judgment Jurisdiction Arising from Paragraph IV Certifications

While it has always been clear that suit can be filed as to patents listed in a Paragraph IV certification, disputes over jurisdiction arose when the Paragraph IV certification implicates more than one Orange Book-listed patent and the NDA patent holder brought suit on fewer than all of them. While NDA patent holders have a strong incentive to file suit to trigger the 30-month stay, they also have a strong incentive to avoid a litigation result that may allow the first ANDA filer to enter the market and start the 180-day period after which subsequent ANDA filers may flood the market with generics.

Consequently, in cases where multiple Orange Book-listed patents are implicated, NDA patent holders sometimes initiate suit on fewer than all of the listed patents, typically the patent or patents with the earliest expiration date. By initiating suit, the NDA holder usually obtains an automatic 30-month stay before FDA approval of the generic is effective. And even if the litigated patent or patents are found invalid or not infringed, the first ANDA filer still runs the risk of infringing the NDA-holders' other, unlitigated patents if it goes to market. This may discourage the first ANDA filer from beginning to market, and the 180-day period before other subsequent ANDA filers can enter the market will not be triggered by market entry. Nor is a finding of invalidity or non-infringement as to less than all of the Orange Book patents enough to trigger the start or potential forfeiture of the 180-day exclusivity period; this requires that all the relevant Orange Book-listed patents be found invalid or not infringed. 21 U.S.C. § 355(j)(5)(D)(i)(I); *Caraco Pharm. Labs., Ltd. v. Forest Labs. Inc.*, 527 F.3d 1278, 1287 (Fed. Cir. 2008). As a result, this strategy enables NDA holders to take advantage of the provisions for a 30-month stay of effectiveness of FDA approval of generics without the corresponding risk of losing their market position. See *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330, 1343 (Fed. Cir. 2007) (patent holder suing on less than all its listed patents “has tried to simultaneously leverage the benefits provided to a patentee under the Hatch-Waxman Act and avoid the patentee's accompanying responsibilities,” by “invok[ing] the statutory automatic 30-month stay and . . . concurrently insulating the . . . patents [not sued upon] from a validity challenge” or “any judicial determination of the metes and bounds of the scope of the claims”).

To prevent this strategy, Congress amended the Hatch-Waxman Act in 2003 to include a “civil action to obtain patent certainty” provision (CAPC) that allows an ANDA filer to file a declaratory judgment claim regarding all relevant Orange Book-listed patents if the NDA holder fails to sue upon all of them within the 45-day period. ANDA filers can use the CAPC provision to initiate declaratory judgment actions with respect to any relevant unasserted Orange Book patent. If the declaratory judgment action asserts non-infringement, as opposed to solely invalidity, the ANDA filer must first make an “offer for confidential access,” al-

lowing the NDA patent holder confidential access to its ANDA application to allow the patent holder to determine whether to bring suit. 21 U.S.C. § 355(j)(5)(C)(i); see *Teva Pharms.*, 482 F.3d at 1330 (holding that in such circumstances there exists a justiciable case or controversy).

Also, if an NDA holder does file suit on a patent, an ANDA filer can file a declaratory judgment counterclaim to require the NDA holder to correct its NDA to remove an improperly listed patent or change its use code to describe more accurately the scope of a listed patent. 21 U.S.C. § 355(j)(5)(C)(ii); *Caraco Pharmaceutical Labs. v. Novo Nordisk*, 132 S. Ct. 1670 (2012). Whether the Hatch-Waxman Act's counterclaim provision extends beyond requiring corrections in FDA listings and use codes is unsettled.<sup>1</sup>

#### **10.2.1.2.1 Declaratory Judgment Actions by First ANDA Filers**

First ANDA filers desiring to take their generic drugs to market without the risk of infringement may use the CAPC provision to counterclaim or initiate actions for declaratory judgment of invalidity or non-infringement with respect to the relevant Orange Book patents not asserted by the NDA holders. See *Teva Pharms. USA, Inc. v. Novartis Pharms. Corp.*, 482 F.3d 1330, 1346 (Fed. Cir. 2007) (approving such suits). Among the reasons for the Federal Circuit's decision was that the NDA holder's suit on less than all the relevant patents was contrary to the intent of the provisions of the Hatch-Waxman Act. *Id.* at 1342-43. Specifically, the Federal Circuit found that the NDA holder was trying to "simultaneously leverage the benefits provided to a patentee under the Hatch-Waxman Act and avoid the patentee's accompanying responsibilities." *Id.* at 1343.

#### **10.2.1.2.2 Declaratory Judgment Actions by Subsequent ANDA Filers**

Subsequent ANDA filers also have an interest in early resolution of patent rights due to the 180-day exclusivity period afforded to a successful first ANDA filer. Indeed, when first ANDA filers are unable or unwilling to bring their generics to market or obtain a court judgment of invalidity or non-infringement with respect to all relevant Orange Book patents, the only way a subsequent ANDA

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<sup>1</sup> District courts have furthermore held that the Hatch-Waxman Act's counterclaim provision only authorizes counterclaims seeking to delist patents from the Orange book, and does not authorize other counterclaims (such as patent misuse) based on improper Orange Book listings. See *BrainTree Labs., Inc. v. Amruthan, Inc.*, Case No. 11-01854, (E.D. Pa. February 24, 2012).

filer can start the 180-day exclusivity period is by obtaining its own court judgment of invalidity or non-infringement through a declaratory judgment action.

The Federal Circuit first addressed the issue of a subsequent ANDA filer's standing to bring declaratory judgment actions in *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, 527 F.3d 1278 (Fed. Cir. 2008). Forest (the NDA holder) sued on one of its Orange Book patents, but not the other. When the first ANDA filer failed to bring a declaratory judgment action regarding the other patent, Caraco, a subsequent ANDA filer, brought one. In an attempt to remove any case or controversy, Forest unilaterally granted Caraco a covenant not to sue. The Federal Circuit nevertheless found that even with Forest's covenant not to sue, Caraco had standing to bring the action. *Id.* at 1291-92. Specifically, by seeking to prevent the FDA from approving ANDAs of generic drug manufacturers, Forest was effectively excluding Caraco from offering what it claimed to be a non-infringing generic drug. *Id.* at 1292. The Federal Circuit found this to be a restraint from the free exploitation of non-infringing goods, which has been recognized as a cognizable injury. *Id.* (citing *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360 (Fed. Cir. 1998)). Subsequently, the Federal Circuit held that the same rule applied even if the declaratory judgment action alone was insufficient to allow the ANDA filer to market its drug, and it additionally would have to prevail in separate litigation brought by the NDA holder over other Orange Book patents. *Dey Pharma, LP v. Sunovion Pharm. Inc.*, 677 F.3d 1158 (Fed. Cir. 2012). By contrast, the Federal Circuit has held there is no jurisdiction for a subsequent ANDA filer's declaratory judgment suit seeking only to eliminate the 180-day exclusivity period of the first ANDA filer. *Janssen Pharmaceutica, NV v. Apotex, Inc.*, 540 F.3d 1353 (Fed. Cir. 2008).

## 10.2.2 Case Management

### 10.2.2.1 Scheduling and Timing of Judgment

The Hatch-Waxman statutory framework affects not only the incentives for bringing suit but also the conduct of the parties during the litigation.

A Paragraph IV certification requires an ANDA filer to provide the NDA holder with a detailed statement of the factual and legal basis for its invalidity, unenforceability or non-infringement opinions. 21 U.S.C. § 355(j)(2)(B)(iv)(II); 21 C.F.R. 314.95(c)(6). The parties to a patent lawsuit brought under the Hatch-Waxman Act therefore usually have more information at the start of the litigation than what is available at the start of a typical patent suit. For this reason, courts should be able to push for quicker resolution of issues than in a typical patent case.

An approach to case management that recognizes and utilizes the early availability of information is particularly important because NDA holders have strong motivation to delay resolution of the litigation at least until the 30-month stay expires. During the 30-month stay period, unless there is a final court judgment that the relevant Orange Book-listed patents are invalid or not infringed, the first ANDA filer cannot obtain FDA approval and take its generic to market. Therefore, by delaying resolution of the litigation until after the stay expires (and perhaps then seeking a preliminary injunction to prevent an at-risk launch), the NDA holder can delay market entry by the first ANDA filer and delay the start of the 180-day period before any subsequent ANDA filers can bring their generics to market. This has the effect of extending the NDA-holder's monopoly on sales of the listed drug.

First ANDA filers may not necessarily oppose this delay. A court judgment of invalidity or non-infringement will start the clock on a first ANDA filer's 180-day exclusivity period. The first ANDA filer will want to delay that start until it is ready to market its drug to maximize its time as the sole generic provider. Subsequent ANDA filers, in contrast, are almost always interested in a speedy resolution to ensure an early trigger of the 180-day exclusivity period and thus an earlier time to entry of subsequent generic filers. Thus, in cases between an NDA holder and the first ANDA filer, a court may be required to manage a lawsuit in which neither party is interested in early resolution but are using the litigation to advance other objectives.

Courts can combat the strong incentive to delay by adopting expedited case schedules that take advantage of the invalidity, unenforceability and non-infringement contentions already available to the parties in the Paragraph IV certification and notice. Unlike many patent defendants, ANDA filers should be able to exchange their invalidity and non-infringement positions almost immediately upon commencement of the lawsuit, having prepared their required notice to the NDA holders. NDA holders similarly should be able to exchange their infringement and validity contentions at the commencement of litigation having had notice usually for 45 days before the suit is filed.

Courts can also directly combat attempts by the parties to delay litigation. The Hatch-Waxman Act explicitly grants courts the discretion to adjust the 30-month stay period based on the parties' conduct during litigation. 21 U.S.C. § 355(j)(5)(B)(iii). Where a patent holder attempts to extend its patent exclusion through extensive litigation, a court may shorten the 30-month period. See *Allergan, Inc. v. Alcon Labs, Inc.*, 324 F.3d 1322, 1337 n.5 (Fed. Cir. 2003) (Schall, J., concurring). Similarly, where an ANDA filer delays and fails to cooperate in discovery for example, the court may extend the period before the FDA may approve the ANDA. See *Eli Lilly & Co. v. Teva Pharms. USA, Inc.*, 557 F.3d 1346 (Fed. Cir. 2009). In exercising this discretion, courts should limit its considerations to the conduct of the parties in the litigation, and not on positions taken before the FDA.

See *Andrx Pharms., Inc. v. Biovail Corp.*, 276 F.3d 1368, 1376 (Fed. Cir. 2002). With this in mind, courts can establish disclosure and discovery deadlines that promote early resolution of ANDA cases.

### 10.2.2.2 Order of Trial Presentation

ANDA cases differ from most other patent cases in that, while the patent owner typically is the plaintiff, it is the ANDA defendant – the generic drug company – that bears the burden of proof on the issues that will be tried. This is because the gist of the usual ANDA case is invalidity or unenforceability, not non-infringement. The ANDA generic drug and associated label must be identical to the NDA-holder’s drug and label, so if the patent covers the NDA-holder’s drug, it very likely also covers the ANDA drug. Because of this reversal of the usual burden of proof, as discussed above (§ 8.1.2.2.2), it also may be appropriate to reverse the order of proof.

### 10.2.2.3 Remedies in ANDA Litigation

In many circumstances, courts are required to provide no remedy beyond a declaratory judgment at the conclusion of an ANDA case. If before any final FDA approval the NDA holder wins and the patent is declared valid and infringed, the FDA will not approve the ANDA application until the patent expires (35 U.S.C. § 271(e)(4)(A)). This is accomplished by switching the ANDA filer’s Paragraph IV certification to a Paragraph III certification. *E.g., Mylan Labs., Inc. v. Thompson*, 389 F.3d 1272, 1282-83 (D.C. Cir. 2004). If the district court judgment comes after the 30-month stay expired and the ANDA holder began marketing its drug in an at-risk launch, the FDA will revoke the final approval and instead tentatively approve the ANDA drug, which has the effect of precluding further sales. Notwithstanding that the FDA’s action precludes lawful sale of the ANDA applicant’s drug, some courts additionally grant an injunction. *See, e.g., Sanofi-Synthelabo v. Apotex Inc.*, 294 F. Supp. 2d 353, 397 (S.D.N.Y. 2007), *aff’d*, 5590 F.3d 1075 (Fed. Cir. 2008), *cert. denied*, 130 S. Ct. 493 (2009).

If, on the other hand, the ANDA applicant wins in the district court, upon entry of the judgment any remaining part of the 30-month stay is terminated and, without more, the FDA will change its tentative approval of the ANDA to a final approval allowing the drug to be marketed. 21 U.S.C. § 355(j)(5)(B)(iii)(I)(aa). The FDA will grant this final approval even if the district court judgment is “stayed” pending appeal. *Sanofi-Aventis LLC v. Sandoz, Inc.*, 2009 WL 2905997 at \*1 (Fed Cir. 2009). If following FDA approval the ANDA holder markets its drug and the Federal Circuit subsequently reverses the district court judgment, finding infringement of a valid patent, the usual patent remedies — injunctive relief and damages — apply. Similarly, if the ANDA holder began marketing upon receiv-

ing FDA approval at the conclusion of a 30-month stay before any district court judgment and the district court subsequently finds infringement of a valid patent, these usual remedies apply.

#### 10.2.2.4 Local Patent Rules in Hatch-Waxman Act Cases

As discussed previously in Chapter 2, one way to facilitate the early resolution—or at least efficient resolution—of patent cases is the adoption or use of specialized local rules, which have proven to be a powerful case management tool. Several courts have adopted patent local rules specific to Hatch-Waxman litigation. See D.N.J. L. Pat. R. 3.6 (contained in Appendix D); E.D. Tex. L.R. 3-8 (contained in Appendix D); N.D. Ohio L.P.R. 3.9. The rules of these courts recognize the different availability of information in ANDA cases, and therefore reverse the typical order and timing for disclosure of infringement and invalidity contentions.

Ordinarily, plaintiff-patent holders have the initial advantage in patent litigation, controlling the timing of the litigation and having the opportunity to prepare and plan the infringement case well in advance of filing suit. Defendants, on the other hand, must investigate and develop non-infringement and invalidity positions while already in the throes of litigation. Consequently, typical local patent rules (including the District of New Jersey and Eastern District of Texas’ rules governing non-ANDA patent cases) require the plaintiff early in the litigation to provide detailed infringement contentions first, allowing the defendant some reasonable time thereafter to prepare and serve invalidity contentions.

The situation is somewhat reversed in Hatch-Waxman cases, however. It is the defendant in Hatch-Waxman cases that dictates the timing and scope of litigation through its ANDA filing. In addition, unlike a typical defendant, a defendant in a patent case brought under the Hatch-Waxman Act already has a “detailed statement of the factual and legal basis for the opinion of the applicant that the patent is invalid or will not be infringed” or is unenforceable prepared as part of its Paragraph IV certification. See 21 U.S.C. § 355(j)(2)(B)(iv)(II); 21 C.F.R. 314.95(c)(6). Moreover, unlike the usual situation, a Hatch-Waxman plaintiff—the patent owner—has little information about the defendant’s generic drug. There usually is no publicly available product from the generic company, so often the plaintiff knows only the information about the generic product required to be included in the Paragraph IV certification.

Because a defendant in an ANDA case already has detailed invalidity and non-infringement contentions by the time suit is filed, the ANDA local patent rules require the defendant to provide its invalidity contentions first. See District of New Jersey Local Patent Rule 3.6); Eastern District of Texas Local patent Rule 3-8. In addition, they impose a new obligation on an ANDA defendant to also

provide its non-infringement contentions. Specifically, District of New Jersey Local Patent Rule 3.6 requires ANDA defendants to:

- (1) produce the entire ANDA that is the basis of the case by the initial scheduling conference;
- (2) provide the written basis for their “Invalidity Contentions” within 14 days after the initial scheduling conference; and
- (3) provide the written basis (including claim charts) for their “Non-Infringement Contentions” within 14 days after the initial scheduling conference.

*Id.* Forty-five days thereafter, the plaintiff is required to provide its infringement contentions. *Id.* Eastern District of Texas Local Rule 3-8 contains similar requirements on the same timetable.

Apart from these changes in the disclosure order and times, ANDA cases are subject to the remaining patent local rules in both New Jersey and the Eastern District of Texas. The ANDA rules, for example, are silent with regard to the order of proof at trial.

The reversal of disclosure obligations and the additional requirement to provide non-infringement contentions was the subject of much discussion during the comment period for the District of New Jersey’s local patent rules. Critics questioned the practice of requiring ANDA defendants to provide non-infringement contentions before knowing a plaintiff’s theory of infringement, particularly when plaintiffs bear the burden of proving infringement. The requirement imposes an obligation on ANDA defendants to address patent claims that ultimately may not even be asserted by the plaintiff. Proponents argued the rules appropriately accounted for the special nature and availability of information in Hatch-Waxman cases. Because generics are not available on the market for a patent holder to conduct a thorough infringement analysis, plaintiffs should not be required to provide infringement contentions without full-disclosure of the ANDA filing and non-infringement arguments required by the local rules.

The District of New Jersey local patent rules were adopted after consideration of these concerns, and serve as a helpful guideline for management of Hatch-Waxman patent cases. Whether or not a disclosure schedule similar to the one proposed by the District of New Jersey is adopted, an understanding of the mechanics of the Hatch-Waxman Act can help courts fashion case-management techniques to take advantage of and address the particular incentives and interests of the parties, and assist in the early resolution of ANDA cases.

### 10.2.3 Settlement of Hatch-Waxman Patent Infringement Lawsuits

#### 10.2.3.1 Reverse Payments

Other than the automatic 30-month stay on FDA approval of the ANDA, an NDA holder has little incentive to engage in litigation. Because the generic drug company is not yet selling a competing drug, an NDA holder cannot receive any damages, yet it still runs the risk of having its patents invalidated. In the best case scenario, the NDA holder is in the same position it would be in without a lawsuit. And in the worst case, it loses its patent rights. For a generic, however, litigation is a low-risk proposition. In the worst case scenario, apart from litigation expenses the generic is in the same position it was without litigation. In the best case scenario, it can enter the market before expiration of the Orange Book-listed patents with a period of market exclusivity. Thus, in Hatch-Waxman patent lawsuits, the NDA holder bears the majority of the risk, creating risk-assessment that differs greatly from other patent cases. See *In re Ciprofloxacin Hydrochloride Antitrust Litigation*, 544 F.3d 1323, 1338, (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2828 (2009).

In particular, NDA filers are highly motivated to settle in a manner that avoids the first ANDA filer's early market entry, not only to avoid the risk of having its patents found invalid or not infringed, but also because it has the incentive to delay market entry by all other generics. Because of the 180-day exclusivity period granted to first ANDA filers, by delaying a first ANDA filer's generic entry, the NDA holder can delay entry by all generics. As a result of this dynamic, NDA holders and first ANDA filers have economic incentives to reach settlement agreements that run counter to the goals of the Hatch-Waxman Act.

In the 1990s, NDA holders started entering into settlement agreements with first ANDA filers known as reverse-payment settlements. In contrast to typical patent case settlements in which payments flow from the alleged infringer to the patent holder, a reverse-payment settlement involves the patent owner (NDA holder) making cash payments to the alleged infringer (the first ANDA filer) to settle the patent infringement. The reverse payment would be made in exchange for the first ANDA filer's promise not to enter the market for a time period negotiated by the parties. Because of the exclusivity provisions of the Hatch-Waxman Act, such settlements allow NDA holders to pay one ANDA filer to delay entry by all other ANDA filers, effectively extending the term of protection for the NDA holder.

This scheme allows the NDA holder to avoid litigation risk and to guarantee market exclusivity for a period of time regardless of the merits of its patents. At the same time, the first ANDA filer is compensated for its delayed market entry and still enjoys a 180-day period of generic exclusivity once it did enter the market.

### 10.2.3.1.1 Antitrust Issues and Reverse Payments

The Courts of Appeals are deeply divided over the legality of reverse-payment settlements of Hatch-Waxman lawsuits under the antitrust laws. The Federal Trade Commission, joined by the United States Attorney General, continues to challenge such settlements as violations of the antitrust laws.

The D.C. and Sixth Circuits, in separate suits involving the same agreement, found a reverse-payment made to delay a generic company's market entry presumptively to violate the antitrust laws. *In re Cardizem CD Antitrust Litig.* 332 F.3d 896 (6th Cir. 2003); *Andrx Pharms., Inc. v. Biovail Corp. Int'l*, 256 F.3d 799 (D.C. Cir. 2001). Significantly, however, these cases potentially are distinguishable from later ones in that the agreement had the collateral anticompetitive restraint of employing the settling generic manufacturer's 180-day exclusivity period to preclude market entry by other potential competitors. *See* 332 F.3d at 907-909 & nn.13-14; 256 F.3d at 810-11.<sup>2</sup>

In *In re Schering-Plough Corp.*, 136 F.T.C. 956 (2003), the FTC challenged a settlement whereby the NDA holder agreed to pay \$60 million in return for the generic's agreement not to enter the market for four years even though the 30-month stay before the FDA could approve the generic would expire in only one year. The Commission found that absent the payments, the parties would have negotiated different market entry dates. Consequently, the Commission held the settlement to be an agreement to delay entry dates and that such delay injures competition and consumers, amounting to an unlawful restraint on trade. *Id.* at 1061. The Eleventh Circuit, however, reversed that decision in *Schering-Plough Corp. v. FTC*, 402 F.3d 1056 (11th Cir. 2005). The Eleventh Circuit found that the FTC failed to consider the exclusionary power of the patent and the relative risk assessments created by the Hatch-Waxman Act in assessing whether the settlement violated antitrust laws. What must be considered is "the extent to which the exclusionary effects of the agreement fall within the scope of the patent's protection." *Id.* at 1076. Because the Eleventh Circuit found that the effects of the agreement fell within the protections of the relevant patent, the settlement was not illegal.

In the most recent appellate decision, involving a later civil suit arising from the same agreement as *Schering-Plough*, the Third Circuit reached a different conclusion. *In re K-Dur Antitrust Litig.*, \_\_\_ F.3d \_\_\_ (3d Cir. 2012). In its view, any payment from a patent-holding pharmaceutical company to a generic maker

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<sup>2</sup> Following the 2003 amendment to the Hatch-Waxman Act, the first ANDA filer forfeits its 180-day exclusivity period if it fails to market its generic within a particular period. 21 U.S.C. § 355(j)(5)(D)(i)(I); *see* § 10.1.2. Thus, this tactic no longer is possible.

which agrees to hold off on entering the market is a *prima facie* restraint of trade, and therefore, evidences an antitrust violation. This presumptive conclusion could be rebutted by the patent-owner showing that the payment was for a purpose other than delay (e.g., a cross-license to the generic company's patents) or that the agreement offers other pro-competitive benefits. Slip Op. at 33. The merits of the underlying patent litigation are not relevant to this determination because, as the FTC advocated, it is logical to conclude that the payment constitutes a *quid pro quo* for the generic manufacturer to delay entering the market beyond the date that represents an otherwise reasonable litigation compromise. *Id.*

In contrast, recent decisions from the Second and Federal Circuit Courts of Appeals have upheld reverse payment agreements in the face of antitrust challenges. The Second Circuit in *In re Tamoxifen Citrate Antitrust Litig.*, 429 F.3d 370 (2d Cir. 2005), *cert. denied*, 551 U.S. 1144 (2007), held that reverse-payment settlements are not necessarily unlawful restraints on commerce and do not represent anticompetitive agreements, particularly when the scope of the agreement falls within the coverage of the relevant patents. *See also Arkansas Carpenters Health & Welfare Fund v. Bayer AG*, 604 F.2d 98 (2d Cir. 2010) (applying *Tamoxifen* to affirm summary judgment against challengers of reverse payment settlement), *reh'g denied*, 625 F.3d 779 (2d Cir. 2010); *Kaiser Foundation Health Plan Inc v. Abbott Labs., Inc.*, 552 F.3d 1033 (9th Cir. 2009) (jury finding of no antitrust injury from reverse-payment settlement agreement; independent *Walker Process* claim allowed to proceed). In *FTC v. Watson Pharmaceuticals, Inc.*, 677 F.3d 1298 (11th Cir. 2012), the Eleventh Circuit affirmed the dismissal of an FTC complaint challenging a reverse payment agreement, reiterating its view that “absent sham litigation or fraud in obtaining the patent, a reverse payment settlement is immune from antitrust attack so long as its anticompetitive effects fall within the scope of the exclusionary potential of the patent.” *Id.* at 1311.

The Federal Circuit and Second Circuit also upheld a district court's dismissal of antitrust claims asserted against a reverse-payment settlement agreement in *Arkansas Carpenters Health And Welfare v. Bayer AG*, 604 F.3d 98 (2d Cir. 2010); *In re Ciprofloxacin Hydrochloride Antitrust Litigation*, 544 F.3d 1323 (Fed. Cir. 2008), *cert. denied*, 129 S. Ct. 2828 (2009). Under the terms of the settlement, the NDA holder agreed to pay \$49.1 million in return for the ANDA filer's agreement not to challenge the validity or enforceability of the patent and certification that it would not market its generic until expiration of the patent. The Second and Federal Circuits concluded that the district court properly found that any anticompetitive effects of the settlement agreement were within the exclusionary power of the patents, and the mere fact that the agreement insulated the NDA holder from validity challenges by the ANDA defendants was not an antitrust violation.

## **Appendix 10.1: Glossary of Hatch-Waxman Related Terms**

180-day exclusive marketing period: The period awarded to certain ANDA filers as a reward for successfully challenging a patent-holder's claim that marketing a drug would infringe the patent-holder's Orange Book-listed patent. § 10.1.2.

Abbreviated New Drug Application (ANDA): The FDA application filed by a generic drug manufacturer seeking approval to market a follow-on drug by showing it is the same as a Reference Listed Drug and relying on the clinical trial and other safety and efficacy data submitted by the original drug filer in its New Drug Application. § 10.1.

Artificial act of infringement: Filing a Paragraph IV certification in an ANDA application stating that a NDA-holder's listed patent will not be infringed or is invalid. § 10.1.

At-risk launch: Commencing marketing a generic drug pursuant to a finally approved ANDA before litigation is final. § 10.1.

Carve-out: A statement by an ANDA filer that it seeks to market the drug only for uses not encompassed by the use code descriptions of patents listed by the NDA holder in the Orange Book. Same as a "Section viii Statement." § 10.1.

Civil action to obtain patent certainty (CAPC): A declaratory judgment counterclaim brought by an ANDA applicant seeking a judgment that a patent listed by the NDA holder in the Orange Book, but not sued on by the NDA holder, is invalid, unenforceable or not infringed. § 10.2.1.2.

Final Approval: FDA approval to begin commercial sales of a regulated drug. § 10.1.1.

New chemical entity (NCE): A chemical compound not previously approved for marketing by the FDA. § 10.1.1.

New Drug Application (NDA): The drug application filed by a pharmaceutical company seeking approval to market a new drug, and supported by clinical trials showing the drug's safety and efficacy. § 10.1.

Offer for confidential access: An offer by a generic drug manufacturer to a NDA holder to allow the NDA holder to review the generic company's ANDA in order to determine whether the NDA holder wishes to file a suit asserting infringement of its patents. § 10.2.1.2.

Orange Book: The FDA publication and online website containing NDA patent owners' claimed patents covering each drug or its uses. § 10.1.1.

Paragraph IV certification: A statement in an ANDA that the generic drug infringes no Orange Book-listed patent, or that the listed patents are invalid. § 10.1.1.

Pop-up patent: A patent added by a NDA holder to its Orange Book listing of patents after the date the relevant ANDA was filed. 10.1.1.

Reverse payments: Payments by a NDA holder to a generic drug company as part of a settlement in which the generic drug company agrees to withhold marketing its drug for a period. § 10.2.3.1.

Section viii Statement: Same as a “carve-out,” above. § 10.1.

Reference Listed Drug (RLD): An innovative drug approved by the FDA pursuant to a NDA based on the applicants’ human clinical trials. § 10.1.

Tentative Approval: Substantive approval by FDA to market a generic drug, but precluding commercial sales of the drug until termination of patent (Paragraph III certification), expiration of 30-month period (if Paragraph IV certification and litigation within 45-day window), expiration of 180-day exclusivity of prior ANDA filer, or expiration of a period of exclusivity for the brand name drug (*e.g.*, New Chemical Entity). § 10.1.

Use code/use code description: a description filed by a NDA holder of which FDA-approved uses or indications of the drug are encompassed by an Orange-Book listed method of use patent. § 10.1.1.

# Chapter 11

## Design Patents

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In 1842 Congress extended patent protection to “new and original designs for articles of manufacture” in part to fill a gap between copyright protection for authors and patent protection for inventors in the mechanical arts. The defined subject matter was “any new and original design for a manufacture, whether of metal or other material or materials, or any new and original design for the printing of woolen, silk, cotton, or other fabrics, or any new and original design for a bust, statue, or bas relief or composition in alto or basso relieve, or any new original impression or ornament to be placed on any article of manufacture, the same being formed in marble or other material, or any new and useful pattern, or print, or picture, to be either worked into or worked on, or printed or painted or cast or otherwise fixed on any article of manufacture or any new and original shape or configuration of any article of manufacture.”

In 1902, the design patent statute was amended to define the subject matter as simply “any new, original, and ornamental design for an article of manufacture.” Design patent protection was carried forward in the 1952 Patent Act without substantive change.

## 11.1 Substantive Law

### 11.1.1 Statutory Basis

Design patent protection is available for “any new, original and ornamental design for an article of manufacture.” § 171. Where the subject matter of a utility patent is the article itself, the subject matter of a design patent is the ornamental design *for* an article. *In re Zahn*, 617 F.2d 261 (CCPA 1980) (“§ 171 refers, not to the design of an article, but to the design for an article, and is inclusive of ornamental designs of all kinds including surface ornamentation as well as configuration of goods.”). Although elements of a design may serve a utilitarian purpose, only the ornamental aspects of the design can be protected through a design patent. *L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1123 (Fed. Cir. 1993). Design patents provide the same exclusive rights as utility patents and remain in effect for 14 years from the date of issuance. § 173.

Certain design patents have been granted perpetual or renewable rights. These include the seal of the American Legion (U.S. Patent No. D54,296, renewed every 14 years by Congressional action) and the Red Cross symbol (U.S. Patent No. D54,308, made perpetual by 18 U.S.C. § 706).

### 11.1.2 Requirements for Patentability

#### 11.1.2.1 Definition of a Design

A patentable design consists of the configuration, surface ornamentation, or both, embodied in or applied to an article of manufacture. A design must be definite and reproducible. A method of manufacture cannot be claimed. *See Harmon Paper co. v. Prager*, 287 F. 841, 843 (2d. Cir. 1923) (a design on wallpaper created by a specified process declared invalid). In the instance of objects with movable parts, an applicant must disclose a single, definite arrangement of the parts. *See In re Koehring*, 37 F.2d 421, 424 (CCPA 1930). A design may be embodied in or applied to an entire article of manufacture, or only a portion thereof.

### 11.1.2.2 Definition of an Article of Manufacture

### 11.1.2.3 Ornamentality

A design must be embodied in or applied to an article of manufacture. “Article of manufacture” has been interpreted broadly to encompass tools, machines, and any “manufacture” within the meaning of Section 101. A manufacture is “anything made ‘by the hands of man’ from raw materials, whether literally by hand or by machinery or by art.” *In re Hruby*, 373 F.2d 997 (CCPA 1967) (upholding a design created by the flow of water in a fountain as patentable). A design may be for only part of an article. *See In re Zahn*, 617 F.2d 261 (CCPA 1980). The Patent and Trademark Office has adopted guidelines recognizing that “computer-generated icons” may constitute articles of manufacture.

Although elements of a design may be functional, only the ornamental elements of that design are protectable. *Richardson v. Stanley Works*, 597 F.3d 1288 (Fed. Cir. 2010) (“a design patent, unlike a utility patent, limits protection to the ornamental design of an article” ). However, ornamentality is more than the avoidance of functionality. A design must “appeal to the eye as a thing of beauty.” *Bliss v. Gotham Indus., Inc.*, 316 F.2d 848, 851 (9th Cir. 1963). A design must be the product of “aesthetic skill and artistic conception.” *Blisscraft of Hollywood v. United Plastics Co.*, 294 F. 2d 694 (2d. Cir. 1961). *See also In re Koehring*, 37 F.2d 421 (CCPA 1930) (upholding the design for a concrete mixer as patentable because the design created a “more symmetrical and compact whole”).

Patentability may be barred where designs are hidden or obscured while in use or where their appearance cannot be a matter of concern. *See In re Webb*, 916 F.2d 1553 (Fed. Cir. 1990) (upholding patentability of the design for a femoral hip stem prosthesis because its appearance could be a matter of concern at the point of sale, even though its appearance would ultimately be concealed). The patented design must be considered as a whole, encompassing all ornamental features visible at any time during normal use. *Contessa Food Products, Inc. v. Conagra, Inc.*, 282 F.3d 1370 (Fed. Cir. 2002). “Normal use” is not limited to only one phase or portion of the normal use lifetime of a product. *See International Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233 (Fed. Cir. 2009).

The PTO’s policy is to reject applications for designs which could be deemed offensive to any race, religion, sex, ethnic group, or nationality.

#### **11.1.2.4 Inventorship**

A design patent may be obtained by “whoever invents any new, original and ornamental design for an article of manufacture.” *Hoop v. Hoop*, 279 F.3d 1004 (Fed. Cir. 2002). The standard of inventorship is the same for both utility and design patents. An inventor is the person who conceives the invention. A person who assists an inventor after conception of the invention cannot gain inventorship. Similarly, after conception, an inventor may use the services, ideas and aid of others in the process of perfecting their invention without losing inventorship. In the case of an interference, the ultimate test for design-patent inventorship is whether the second asserted invention is “substantially similar” to the first. *See id.*

#### **11.1.2.5 Double Patenting**

The double patenting doctrine precludes a person from obtaining more than one patent for the same invention or for obvious modifications to their invention. For multiple design patents issued to the same inventor, “identity” type double patenting occurs if “identical designs with identical scope” are twice claimed. If the designs are not identical, the double patenting inquiry is whether the two designs are patentably distinct. In the case of non-identical designs, an applicant may overcome a double patenting rejection by filing a terminal disclaimer, whereby the applicant agrees that the later filed application will expire at the same time as the prior patent (or application). *See* § 13.2.5.1

The doctrine of double patenting may also preclude separate design and utility patents on related subject matter. A two-way unpatentability standard is used to determine double patenting: the claimed subject matter of each patent must be identical or obvious in light of the subject matter of the other. *See Carman Indus., Inc. v. Wahl*, 724 F.2d 932 (Fed. Cir. 1983); *In re Dembiczak*, 175 F.3d 994 (Fed. Cir. 1999). Double patenting is rare in the design versus utility context. It is unclear whether a terminal disclaimer can overcome a double patenting rejection in this context. *See In re Thorington*, 418 F.2d 528 (CCPA 1969).

#### **11.1.3 Specification and Claim**

Like utility patents and unlike copyrights, design patents are examined and not merely registered. *See* PTO, Manual of Patent Examining Procedure, part 1500 *et seq.* The § 112 requirements of adequate disclosure and definite claiming also apply to design patents. In the case of design patents, both disclosure and definiteness are accomplished through the drawings. Only

one claim is permitted in design patent applications. This claim takes the form of “the ornamental design of the specified article as shown.” Although only one claim is permitted, a design application may illustrate multiple embodiments of a design if they involve a single inventive concept. *See In re Rubenfield*, 270 F.2d 391 (CCPA 1959).

The PTO requires an applicant to “designate the particular article” for which a design patent is sought. However, the degree of specificity with which an applicant must describe and claim the article is not straightforward. *See generally Ex parte Fulda*, 1913 Comm’n Dec. 206 (Comm’r Pat. 1913); *Ex parte Cadey*, 1916 Comm’n Dec. 57 (Comm’r Pat. 1916); *Ex parte Andrews*, 1917 Comm’n Dec. 13 (Comm’r Pat. 1916); *Ex parte Ginzburg*, 1925 Comm’n Dec. 159 (Comm’r Pat. 1925). For designs of “an ornament, impression, print or picture to be applied to an article of manufacture,” an applicant may make a broad claim to the use of the ornament upon more than one article. *See In re Schnell*, 46 F.2d 203 (CCPA 1931). In this case, the applicant must teach the manner of applying the design to show reduction to practice. *Id.* For designs that consist of a shape or configuration for an article of manufacture, the claim and specification must be narrower. *Id.*

Drawings must contain a “sufficient number of views to constitute a complete disclosure of the appearance of the design.” 37 C.F.R. § 1.152(a). If the drawings are insufficient, a patent may be declared invalid under § 112.

### 11.1.3.1 The Design Patent Claim

The solid lines of a drawing define the scope of the claimed invention. The dotted or dashed lines are excluded from the claim and the invention and are merely to provide context. The illustration below reflects a typical design patent:

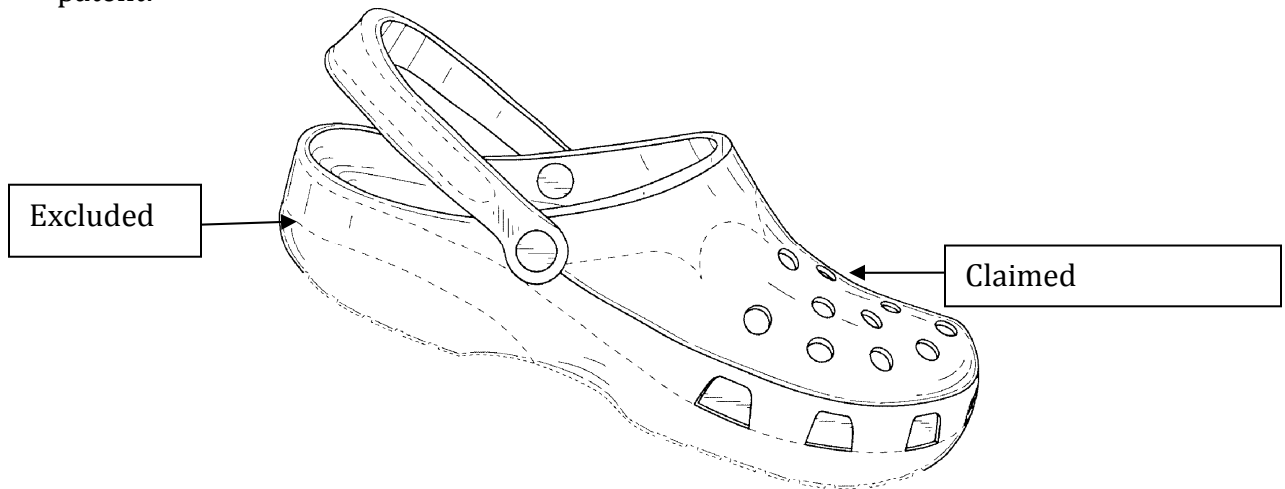


FIG.1

US D517,789 S

### 11.1.3.2 Intersection of Design Patents and Related IP Laws

Because design patents protect the nonfunctional elements of “article[s] of manufacture,” they are conceptually similar to products with a distinctive trade dress. But design patents and trade dress serve different functions: a design patent encourages design innovation by rewarding inventors with a time-limited right to exclude copiers. Trade dress protection instead protects consumers’ expectation that a product with a particular configuration comes from a particular source. Thus, while design patent infringement requires only a showing that the accused product appears to embody the patented design as depicted in the patent’s drawings, trade dress infringement further requires proof of secondary meaning (that is, that the design has come to identify its source of manufacture or supply) and a likelihood of consumer confusion.

Although they are conceptually distinct, courts differ on whether trade dress and design patent protection can co-exist with respect to the same product features. *Compare Winning Ways, Inc. v. Holloway Sportswear Inc.*, 37 U.S.P.Q.2d 1462, 1464 (D.C. Kan. 1995) (criticizing the use of trade dress protection to extend the life of an expired design patent) *with Kohler Co. v. Moen, Inc.*, 29 U.S.P.Q.2d 1241 (7th Cir. 1993) (approving the use of trade dress protection in connection with a design-patented product; “there is ... no necessary inconsistency between [the] two modes of protection”), *Ferrari s.p.a. Esecizio Fabrice Automobili E Corse v. Roberts*, 20 U.S.P.Q.2d 1001 (6th Cir. 1991) (same), *In re Mogen David Wine Corp.*, 140 U.S.P.Q. 575, 579 (C.C.P.A. 1964) (design patent does not preclude registration of product shape on the Principal Register), *aff’d*, 372 F.2d 539, 152 U.S.P.Q. 593 (C.C.P.A. 1967), and *In re Morton-Norwich Products, Inc.*, 671 F.2d 1322 (C.C.P.A. 1982) (same). Underlying this dispute is the policy, articulated by the Supreme Court in *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U.S. 249 (1945), that a protected product that enters the public domain should not later be withdrawn by action of the (former) owner. Nonetheless, these forms of protection serve distinct purposes – limited protection creative design as opposed to source identification.

There is a similar commonality between design patents and copyrights. The critical distinction here is that a copyright only extends to the actual sculptural work and derivations of it. Moreover, copyright infringement requires proof of *copying*, not merely of similarity of protectable features viewed as a whole. Courts have been more comfortable with the idea that design patents and copyrights can apply to the same basic design. *See, e.g., Selchow & Righter Co. v. Goldex Corp.*, 612 F.Supp. 19 (S.D. Fla. 1985) (design patent and copyright simultaneously infringed); *In re Yardley*, 493 F.2d 1389 (C.C.P.A. 1974); *see generally Mazer v. Stein*, 347 U.S. 201 (1954). Thus, the Statue of Liberty was formerly protected by U.S. Design Patent No. D11,023 as well as Copyright Registration No. 9939-G.

## 11.2 Case Management

### 11.2.1 Infringement

Design patent infringement is a question of fact, which must be proven by a preponderance of the evidence. *See L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1124 (Fed. Cir. 1993). Infringement of a design patent is determined by applying the “ordinary observer” test: “if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive

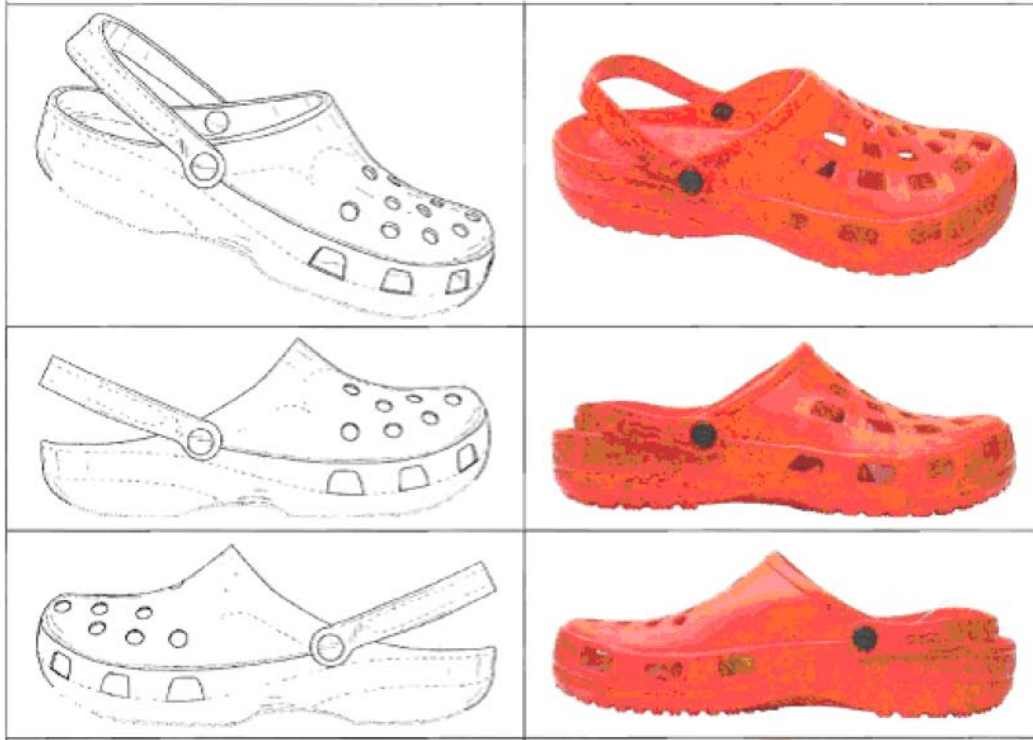
such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.” *Gorham Co. v. White*, 81 U.S. 511, 528 (1871); *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 670 (Fed. Cir. 2008) (*en banc*). The ordinary observer is “deemed to view the differences between the patented design and the accused product in the context of the prior art.” *Egyptian Goddess*, 543 F.3d at 676-77.

When the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to those aspects of the claimed design that differ from the prior art. And when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely to be important to the eye of the hypothetical ordinary observer.

*Id.* at 676. This is an important change from prior law, in which the court was expected to describe the design-patented features in writing. *Egyptian Goddess* and its progeny make clear that a detailed verbal description of the asserted patent is unnecessary and that it is appropriate to “rely upon the illustrations set out in the [the patent], as they better represent the claimed design.” *Arc'teryx Equip., Inc. v. Westcomb Outerwear, Inc.*, 89 U.S.P.Q.2d 1894 (D. Utah 2008); *see also Dexas Int'l, Ltd. v. Office Max, Inc.*, 2009 U.S. Dist. LEXIS 6642, at \*19-20 (E.D. Tex. Jan. 30, 2009) (same).

Under *Egyptian Goddess*, where the accused design is not plainly dissimilar to the patented design, reference to the prior art can provide a useful tool in analyzing infringement. *See id.* at 678. Particular care should be given in crowded fields with many prior art designs, as even subtle differences may become significant. *Id.* There may also be instances where the accused design is sufficiently distinct from the patented design such that no comparison to the prior art is necessary. *Id.* It is typically useful for a court to review the nearest prior art, just as with utility patents. *Lytton Sys. Inc. v. Whirlpool*, 728 F.2d 1423, 1444 (Fed. Cir. 1984). By contrast, the analysis for design patents is purely visual, so the court should expect to compare exemplars of both the accused product and any relevant prior art products. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1296 (Fed. Cir. 2010) (emphasizing “the decisive importance of drawings in a design patent”). But the design-patented product is less important, because the comparison is between the design patent *claims/drawings* and the accused product -- not between the patented *product* and the accused one. The court therefore should carefully consider how to ensure that the trier of fact has access to these embodiments and the appropriate comparisons.

It is customary in design patent cases to use a “visual claim chart,” showing the patented images compared to the accused products, using the same angles depicted in the design patent. For example:



A visual claim chart will typically contain a comparison from each angle depicted in the design patent. *See Crocs, Inc. v. Int’l Trade Comm’n*, 598 F.3d 1294 (Fed. Cir. 2010); *see also Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1296 (Fed. Cir. 2010) (“design patents are typically claimed according to their drawings, and claim construction must be adapted to a pictorial setting”).

A court should compare the overall effect of the patented and accused designs. *Crocs, Inc. v. Int’l Trade Comm’n*, 598 F.3d 1294, 1303 (Fed. Cir. 2010). “In other words, ‘the deception that arises is a result of the similarities in the overall design, not of similarities in ornamental features in isolation.’” *Crocs*, 598 F.3d at 1303 (quoting *Amini Innovation Corp. v. Anthony Cal., Inc.*, 439 F.3d 1365, 1371 (Fed. Cir. 2006)). When a design contains functional elements, it is proper for a court to factor out those functional elements, provided the infringement test still evaluates the similarities in overall design between the accused product and claimed design, rather than comparing the two on an element-by-element basis. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288, 1296 (Fed. Cir. 2010).

Further, the infringement analysis compares only the ornamental features of the accused design and the patented design that are *visible* at

some point during the “normal use” lifetime of a product. *See Contessa Food Prods., Inc. v. Conagra, Inc.*, 282 F.3d 1370, 1379 (Fed. Cir. 2002) (abrogated on other grounds). “‘Normal use’ in the design patent context extend[s] over ‘a period in an article’s life beginning after completion of manufacture or assembly and ending with the ultimate destruction, loss or disappearance of the article.’” *Id.* (quoting *In re Webb*, 916 F.2d 1553, 1557-58 (Fed. Cir. 1990)).

Because the infringement test hinges on the reactions of an ordinary observer, courts have approved – but do not in all cases require – the use of customer surveys or other evidence of consumer motivation to establish infringement or injury. *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1338-39 (Fed. Cir. 2012),

### 11.2.1.1 Ordinary Observer Test

Similarity between a patented design and an accused design is determined from the perspective of the “ordinary observer.” The pertinent “observers” are the ordinary purchasers of the accused article. *Goodyear Tire & Rubber Co. v. Hercules Tire & Rubber Co., Inc.*, 162 F.3d 1113 (Fed. Cir. 1998).

The ordinary observer test is subject to several refinements and qualifications. Similarity is to be determined as if the ordinary observer is seeing the patented design for the first time. *See Sanson Hosiery Mills, Inc. v. Warren Knitting Mills, Inc.*, 202 F.2d 395 (3d. Cir. 1953). This analysis encompasses all ornamental features visible at any time during normal and intended use of the article. *See Contessa Food Products, Inc. v. Conagra, Inc.*, 282 F. 3d 1370 (Fed. Cir. 2002). Similarity between the patented and accused designs is not necessarily to be determined in a side-by-side comparison. *See Ashley v. Weeks-Numan Co.*, 220 F. 899 (2d. Cir. 1915). Similarities must relate to the elements of the claimed design, not the plaintiff’s particular embodiment. *See OddzOn Products, Inc. v. Just Toys, Inc.*, 122 F.3d 1396 (Fed. Cir. 1997). Furthermore, similarity must arise from the non-functional aspects of a design. *See id.*

The Federal Circuit’s *en banc* decision in *Egyptian Goddess* held that the *Gorham* ordinary observer test is the sole test for determining infringement of a design patent, specifically overturning the former “point of novelty” test. It is unclear to what extent the other refinements and qualifications to the ordinary observer test are to be applied after *Egyptian Goddess*. However, the Federal Circuit has held that their *OddzOn* decision, which separates out functional elements of a design in an infringement analysis, is not undermined by *Egyptian Goddess*. *See Richardson v. Stanley Works, Inc.*, 597 F.3d 1288 (Fed. Cir. 2010).

### 11.2.1.2 Claim Construction

Because design patents “typically are claimed as shown in drawings,” trial courts are no longer required “to provide a detailed verbal description of the claimed design, as is typically done in the case of utility patents.” *Egyptian Goddess*, 543 F.3d at 679 (citations omitted). The preferred approach is to limit the detail in any verbal description of a design patent. *Id.*; *Crocs*, 598 F.3d at 1302 (“This court has cautioned, and continues to caution, trial courts about excessive reliance on a detailed verbal description in a design infringement case.”). Nevertheless, the level of detail a court uses in describing a claimed design is a matter of discretion, and “absent a showing of prejudice, [a] court’s decision to issue a relatively detailed claim construction will not be reversible error.” *Egyptian Goddess*, 543 F.3d at 679.

A court may also, to the extent it would be helpful either to a jury or in the court’s own analysis, describe the features of the claimed design as it relates to the accused product and prior art or to explain various conventions in design patent drafting such as the use of solid and broken lines, aspects of the prosecution history or any functional features. *Id.* at 680.

### 11.2.1.3 Product Scope

It is unclear whether a design patent on a certain article of manufacture is infringed by the use of an identical design on a different article. However, it is clear that a design patent is not strictly limited to directly competitive products. *See Avia Group International, Inc. v. L.A. Gear California, Inc.*, 853 F.2d 1557, 1565 (Fed. Cir. 1988) (“To find infringement, the accused articles need only appropriate a patentee’s protected design, not a patentee’s market as well.”).

## 11.2.2 Invalidity

Like utility patents, design patents are also subject to validity challenges, which must be proven by clear and convincing evidence. The same general invalidity arguments can apply, including written description, enablement and indefiniteness challenges under § 112 as well as anticipation under § 102 and obviousness challenges under § 103. A design patent can also be deemed invalid for lacking ornamentality or for claiming a design that is purely functional. The most common challenges are functionality, anticipation, and obviousness.

### 11.2.2.1 Functionality

Design patents protect only ornamental or “non-functional” designs. The design of an article is deemed to be “functional” when the appearance is dictated by the use or purpose of the article. *See L.A. Gear*, 988 F.2d at 1123; *In re Carletti*, 328 F.2d 1020, 1022 (CCPA 1964) (when a configuration is the result of functional considerations only, the resulting design is not patentable as an ornamental design—even where the result is “pleasing to look upon”). A patent for a design that is primarily functional rather than ornamental is invalid. *See Richardson*, 597 F.3d at 1293-94.

While a design may be part of an object or device that does have function (e.g., a hammer with specific design), the design aspect itself must be non-functional. The determination of whether the patented design is dictated by the function of the article ultimately rests on an analysis of its overall appearance. *See PHG Techs., LLC, v. St. John Cos., Inc.*, 469 F.3d 1361, 1366 (Fed. Cir. 2006). In determining whether a design feature is purely functional, courts consider factors such as: (i) whether there are alternate ways to design the article to achieve the same function, *see Seiko Epson Corp. v. Nu-Kote International, Inc.*, 190 F.3d 1360, 1368 (Fed. Cir. 1999); *Rosco, Inc. v. Mirror Lite Co.*, 304 F.3d 1373, 1378 (Fed. Cir. 2002); (ii) the existence of any concomitant utility patents, *see Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001) (“A utility patent is strong evidence that the features therein claimed are functional.”); (iii) whether the design is aesthetically pleasing and not dictated by function alone, *see Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989); (iv) whether alternative designs would adversely affect the utility of the article, *see PHG Technologies*, 469 F.3d at 1366; and (v) whether there are any elements in the design or an overall appearance clearly not dictated by function. *See id.*

### 11.2.2.2 Anticipation

In considering whether a design patent is anticipated by the prior art under § 102, the “ordinary observer” test is applied. *See Int’l Seaway Trading Corp. v. Walgreens Corp.*, 589 F.3d 1233, 1240 (Fed. Cir. 2009). As with infringement, the test applies only to those aspects of the design that are visible at some point during the “normal use lifetime” of the product and prior art, which includes from the point of sale through any use by consumers. *Id.* at 1241.

Anticipation requires a showing that a single prior art reference is “identical in all material respects” to the claimed invention. *OddzOn Prod., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1404 (Fed. Cir. 1997). First, the claim must be construed. Then the construed claim is compared to the accused

article. To find infringement, the two designs must be substantially the same. *Gorham Mfg. Co.* (1871). Designs are “substantially the same” when their resemblance is deceptive to the extent that it would induce the ordinary observer to purchase an article, supposing it to be the other. *Door-Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1313 (Fed. Cir. 2001). Once identity is established, a prior design will anticipate even though it is an article of different use or is in a nonanalogous art. See *In re Galvas*, 230 F.2d 447, 450 (CCPA 1956).

The experimental use exception to the Section 102(b) “public use” and “on sale” bars has limited application to design patents. See §§ 13.3.4.1.1, 13.3.4.1.5.1, 13.3.4.1.5.2. An ornamental design alone for an article of manufacture cannot qualify under the experimental use exception. *In re Mann*, 861 F.2d 1581 (Fed. Cir. 1988) (“obtaining the reactions of people to a design, whether they like it or not, is not experimentation”). However, where experimentation is directed to the functional features of an article, the use may fall within the experimental use exception. See *Tone Brothers, Inc. v. Sysco Corp.*, 28 F.3d 1192 (Fed. Cir. 1994); § 13.3.4.1.5.1.

Section 172 lowers the Section 102(d) statutory bar to six months.

### 11.2.2.3 Obviousness

Like utility patents, design patents must also meet the non-obviousness requirement of § 103. See *Titan Tire Corp. v. Case New Holland, Inc.*, 566 F.3d 1372, 1380 (Fed. Cir. 2009). Challenges to a design patent under § 103 may include evidence from one skilled in the art regarding prior art references and whether and how those references would be combined to form a single piece of prior art that would be compared to the patents in suit. The ultimate comparison of that hypothetical design, however, is done through the eyes of the ordinary observer—not through the eyes of the person skilled in the art. See *Int’l Seaway*, 589 F.3d at 1241. It remains unsettled to what extent the Supreme Court’s ruling in *KSR International v. Teleflex, Inc.*, 550 U.S. 398 (2007), should be applied to design patents. See *Titan Tire*, 566 F.3d at 1384-85.

The pertinent references sought to be combined to show obviousness need not be analogous arts in the mechanical sense, but must be so related that the “appearance of certain ornamental features in one would suggest the application of those features to another.” *In re Galvas*, 230 F.2d 447 (CCPA 1956).

Some decisions suggest that more weight should be given to secondary considerations, particularly commercial success, than in the case of utility patents. This is because design patent law is specifically meant to “to encourage ornamentation and beautification in manufactured articles so as

to increase their salability and satisfy the aesthetic sense of the purchasers.” *Forestek Plating & Mfg. Co. v. Knapp-Monarch Co.*, 106 F.2d 554, 559 (6th Cir. 1939). However care must be taken to be clear that commercial success is attributable to the patented design and not to other factors. See *Litton Sys, Inc. v. Whirlpool Corp.*, 728 F.2d 1423 (Fed. Cir. 1984).

Federal Circuit decisions recognize a “primary reference” requirement for the obviousness inquiry: a novel claimed design may be held obvious only if there is a “primary reference” in the prior art with basically the same appearance as the claimed design, and then, a secondary reference which provides a motivation to modify the primary reference so as to create the claimed design. See *Titan Tire*, 566 F.3d at 1381-83; *Durling v. Spectrum Furniture Co.*, 101 F.3d 100, 103 (Fed. Cir. 1996).

### **11.2.3 Patent Local Rules**

Most Patent Local Rules are directed to utility patent cases, *see, e.g.*, N.D. Ga. Rule 1.2(b) (limiting PLRs to utility patent cases); N.D. Ill. Rule 1.1 (same); E.D. Tex. Rule 1-2 (same), although several districts allow parties to extend their PLRs to non-utility patent disputes where appropriate, *see, e.g.*, N.D. Cal. Pat. L.R. 1-2; S.D. Cal. Pat. L.R. 1-3, 1-4. The District of New Jersey specifically excludes design patents from the more detailed pre-trial patent proceedings, including claim construction, infringement contentions, and invalidity contentions. See D.N.J. L. Pat. R. 3.1(c) and (e); 3.3(c); 3.4A(c); 4.1(c); 4.2(e); 4.3(g); 4.4; and 4.5(d) (2011). (The District of New Jersey Local Patent Rules Committee noted that in light of the Federal Circuit decision in *Egyptian Goddess v. Swisa*, 543 F.3d 665 (2008), holding, in part, that a trial court should not provide a detailed verbal description of the claimed design, it was not appropriate to apply “certain of the Local Patent Rules which call for a narrative claims chart, claim construction contentions and a claim construction hearing” to design patent cases. See Report of the Local Patent Rules Committee, Explanatory Notes for 2011 Amendments.)

### **11.2.4 Remedies**

All of the remedies available for utility patent infringement are available for design patent infringement. § 171 (“The provisions of this title relating to patents for inventions shall apply to patents for designs, except as otherwise provided.”). Design patentees can recover damages under § 284, obtain injunctive relief under 35 § 283, reasonable attorney fees in exceptional cases under § 285, and so forth, so long as they comply with the same formalities (e.g., marking under § 287).

A design patent plaintiff must satisfy the *eBay* test for preliminary or permanent injunctive relief, just as in a utility patent case. But because the analysis focuses on the *ornamental design* depicted in the patent, the patentee must make a slightly different factual showing with respect to the first *eBay* factor, irreparable injury. Thus, to show irreparable harm, the design patentee should be able to show “some causal nexus between” the defendant’s *design* and the plaintiff’s alleged lost sales. *Apple, Inc. v. Samsung Electronics Co., Ltd.*, 678 F.3d 1314, 1324 (Fed. Cir. 2012) (emphasis added); *id.* at 1321 (affirming refusal to grant preliminary injunction in “the absence of a nexus between the claimed design and the loss of market share” ). It also is possible to demonstrate irreparable harm by showing “design dilution,” meaning that the value of the patented design is diminished by the presence of similar substitutes. *Id.* at 1325 (noting, however, that the court properly did not find design dilution in the case at bar).

There is a special additional remedy available only to design patentees under § 289, in which a design patent owner can obtain the infringer’s total profits for sale of an article to which the infringing design has been applied, but no less than \$250. § 289. In establishing profits under § 289, the patentee need only demonstrate the defendant’s total sales. The defendant typically then demonstrates what portion of those sales is not attributable to the infringing design. Importantly, § 289 (2) applies to any entity that “sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied.” This means that distributors and retailers can be liable for *their* total profit, which is likely to far exceed the manufacturer’s total profit. Thus, design patent cases often give rise to indemnity disputes between manufacturers and retailers, because the possible total exposure for accused items with significant retail mark-ups may far exceed the manufacturer’s total revenue, to say nothing of its total profit.

While § 289 is an additional remedy available to design patent holders, a design patentee cannot “twice recover” an infringer’s profits. *See* § 289 (“Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.”). For example, a patentee is not entitled to both a reasonable royalty **and** the infringer’s profits. *See Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1291 (Fed. Cir. 2002). Similarly, when a utility patent and a design patent are asserted against the same accused product, a patentee can only recover damages for the single infringing act. *See id.* at 1292.

## Chapter 12

### Plant Patents

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Prior to 1930, inventions in plants faced two obstacles to patentability. Like other living organisms, plants were believed to be ineligible for patent protection as they were products of nature. *See, e.g., Ex parte Latimer*, 1889 Comm’n Dec. 123 (1889) (fiber from needle of evergreen tree unpatentable product of nature). The second barrier was that plants were not thought amenable to patent law’s “written description” requirement. Congress addressed these issues in enacting the Plant Patent Act of 1930, codified at 35 U.S.C. §§161-164, which covers patent new varieties of plants, but excludes sexual and tuber-propagated plants. Congress enacted a second special statutory system in 1970 – the Plant Variety Protection Act, codified at 7 U.S.C. §2321-2582 -- to protect plant varieties that are sexually reproduced by seed.

## 12.1 Substantive Law

### 12.1.1 Statutory Basis

Three forms of intellectual property protection are available for plants in the United States: (1) plant patents, (2) plant variety protection, and (3) utility patents.

#### 12.1.1.1 Plant Patent Act

The Plant Patent Act (“PPA”) grants patent rights to “[w]hoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings, other than a tuber propagated plant or a plant found in an uncultivated state . . . .” § 161. Thus, in order to obtain a plant patent, the statute requires that the patentee: (1) invent or discover a new and distinct variety of plant, and (2) asexually reproduce the plant.

The PPA affords a patentee exclusive rights over *asexually* reproduced plants. Asexual reproduction includes reproduction by layering, budding, grafting, and inarching. The PPA does not grant rights over sexually reproduced plants – plants that are reproduced from seeds or propagated from tubers (such as the Irish potato and the Jerusalem artichoke). Moreover, the PPA does not cover plants found in an uncultivated state, which has generally been interpreted as the wild. No case law to date, however, defines “uncultivated state.”

Plant patents are granted by the PTO, and provide the same exclusive rights as utility patents. Plant patents remain in effect for 20 years from the filing date of the application.

#### 12.1.1.2 Plant Variety Protection Act

The Plant Variety Protection Act (the “PVPA”) protects sexually reproduced and tuber propagated plant varieties. *See* 35 U.S.C. §§ 2321-2582. Whereas the PPA authorizes the issuance of plant patents, the PVPA authorizes the issuance of Plant Variety Protection (“PVP”) certificates. PVP certificates are issued by the Secretary of Agriculture, as opposed to the PTO.

A PVP certificate affords plant breeders the right “to exclude others from selling the variety, or offering it for sale, or reproducing it, or importing it, or exporting it, or using it in producing (as distinguished from developing) a hybrid or different variety . . . .” 35 U.S.C. § 2483(a). A PVP certificate remains in effect for 20 years from the date of issuance, or 25 years in the case of a tree or vine. *See* 35 U.S.C. § 2483(b).

### 12.1.1.3 Utility Patents

A novel plant variety can also be protected as a new “composition of matter” under the general utility Patent Act. See 35 U.S.C. § 101. Utility patents offer broader protection for plants, as utility patents may include trait claims, breeding method claims, seed deposit claims, and food product claims. For example, utility patents can protect plants bred to feature desirable traits such as heat tolerance. See, e.g. U.S. Patent No. 6,294,715. Alternatively, utility patents can protect genetically engineered plants, such as plants designed to tolerate herbicide exposures, providing protection beyond the methods and tools for their production. See, e.g. U.S. Patent No. 5,866,775.

Newly developed plant varieties are not limited to one statutory basis of protection. Specifically, the Supreme Court has held that neither the PPA nor the PVPA limits the scope of the coverage in 35 U.S.C. § 101. See *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Int’l*, 534 U.S. 124, 145 (2001). As such, sexually reproducing plants, for example, are patentable as utility patents and protectable under the PVPA.

### 12.1.2 The Plant Patent Claim

A plant patent consists of only one claim directed to a distinct and new variety of the plant specified, as described and illustrated in the specification, and can also recite the principal distinguishing characteristics. The claim must meet the requirements of 35 U.S.C. § 101. The statute, however, relaxes the requirement of an enabling disclosure, recognizing that a written description in the case of plant patents may not enable one having skill in the art to reproduce the variety exactly. See 35 U.S.C. § 162 (“No plant patent shall be declared invalid for noncompliance with section 112 of this title if the description is as complete as is reasonably possible.”).

A typical plant patent claim is as follows: “1. A novel and distinct variety of grapevine rootstock plant designated ‘9365-85’ having the characteristics described and illustrated herein.” See PP21,358.

### 12.1.3 The PVP Certificate

Unlike plant and utility patents, PVP certificates have no claims. A PVP certificate is granted for a plant variety that is new, distinct, uniform, and stable. See 7 U.S.C. § 2402(a).

The “new” requirement is similar to the statutory bar under § 102(b), (c), (d). A “new” variety “has not been sold or otherwise disposed of to other persons, by or with the consent of the breeder, or the successor in interest of the breeder, for purposes of exploitation of the variety” more than a specified period of time

before the application filing date. If the sale or disposal is in the United States, the specified period is one year. If the sale or disposal is outside of the United States, the specified period is four years, or six years in the case of a tree or vine. *See* 7 U.S.C. § 2402(a)(1).

A “distinct” variety “is clearly distinguishable from any other variety the existence of which is publicly known or a matter of common knowledge” as of the application filing date. *See* 7 U.S.C. § 2402(a)(2).

A “uniform” variety is one wherein “any variations are describable, predictable, and commercially acceptable.” *See* 7 U.S.C. § 2402(a)(3).

A “stable” variety is one, “when reproduced, will remain unchanged with regard to the essential and distinctive characteristics of the variety with a reasonable degree of reliability commensurate with that of varieties of the same category in which the same breeding method is employed.” *See* 7 U.S.C. § 2402(a)(4).

#### **12.1.4 Utility Patent Claims Related to Plants**

Utility plant patent claims may include seed deposit claims, claims directed to entire or parts of plants and isolated cells, trait claims, and breeding method claims.

An example of a seed deposit claim is as follows:

Claim 1: A broccoli seed designated 393-2-19 and having ATCC Accession Number 203533.

*See* U.S. Patent No. 6,294,715.

An example of a claim directed at a plant and its parts is as follows:

Claim 2: A broccoli plant or its parts produced by the seed of claim 1.

*See* U.S. Patent No. 6,294,715.

Typical trait claims are as follows:

Claim 3: A regenerated broccoli plant regenerated from tissue culture of the broccoli plant of claim 2 wherein said regenerated plant comprises a center head having a diameter of 3 to 8 inches at maturity when said regenerated plant is exposed to a maximum temperature of at least 85.degree. F. for 15 days during the growth cycle of said regenerated plant.

Claim 4: Progeny seed produced from crossing the plant of claim 2 with another broccoli plant wherein said progeny seed produces a progeny plant comprising a center head having a diameter of 3 to 8 inches at maturity when said progeny plant is exposed to a maximum temperature of at least 85°F for 15 days during the growth cycle of said progeny plant.

*See* U.S. Patent No. 6,294,715.

An example of a breeding method claim is as follows:

Claim 9: A method for producing hybrid corn seed comprising the steps of a) planting in pollinating proximity seeds of corn inbred line NP982 having ATCC Accession No. 209453 and a second inbred line, not NP982.

See U.S. Patent No. 5,792,905.

## 12.2 Case Management

### 12.2.1 Plant Patents

#### 12.2.1.1 Determination of Infringement of Plant Patents

The PPA grants to plant patentees “the right to exclude others from asexually reproducing the plant or selling or using, offering for sale, or selling the plant so reproduced, or any of its parts, throughout the United States, or from importing the plant so reproduced, or any parts thereof, into the United States.” § 163. Each act specified in this section constitutes an independent act of infringement. See *Yoder Bros., Inc. v. Cal.-Fla. Plant Corp.*, 537 F.2d 1347, 1383 (5th Cir. 1976).

Prior to the Plant Patent Amendments Act of 1998, however, a plant patent covered the entire plant, and one did not directly infringe by selling or using the asexually reproduced plant. Congress extended the plant patent scope in 1998 to include using, offering to sell, selling, and importing an asexually reproduced plant or any of its parts. This amendment is effective for plant patents issued on or after October 27, 1998, the date of enactment of the amendments. See Public Law 105-289, § 3, 112 Stat. 2781.

To prove infringement of a plant patent, the patentee must show that the alleged infringing plant resulted from asexual reproduction, i.e. that it is the progeny of the patented plant. See *Yoder*, 537 F.2d at 1380. The patentee, however, does not need to prove that one or more parts from the patented plant taken by the infringer, either directly or indirectly, actually matured into the patented plant variety. See *id.* at 1383. Moreover, the alleged infringer does not need to know of the patent or the source of the plant. See *Kim Bros. v. Hagler*, 167 F. Supp. 665, 668 (S.D. Calif. 1958), *aff'd*, 276 F.2d 259 (9th Cir. 1960).

In determining infringement, courts consider the scope of protection of plant patents, and compare the properly construed plant patent claim to that which is asserted to infringe. See *Imazio Nursery Inc. v. Dania Greenhouses*, 69 F.3d 1560, 1564-65 (Fed. Cir. 1995).

#### **12.2.1.1.1 Meaning of the Term “Variety”**

The meaning of the “variety” informs the scope of protection of plant patents. Although the PPA does not specifically define the term “variety,” the statute states that new plant varieties include “cultivated sports, mutants, hybrids, and newly found seedlings.” § 161. “Sports” refers to plant varieties that result from bud variation rather than seed variation. “Mutants” refers to varieties that result from seedling variation by self-pollination of the species. “Hybrids” refers to varieties that result from seedlings of cross-pollination of two species, two varieties, or of a species and a variety. “Newly found seedlings” refer to cultivated seedlings that have not previously been recognized as a new variety. See *Imazio Nursery*, 69 F.3d at 1566; see also *Ex parte Moore*, 115 U.S.P.Q. (BNA) 145, 147 (Pat. Off. Bd. App. 1957).

By contrast, the PVPA defines “variety” as a group of plants that have the same essential and distinctive characteristics. Courts, however, have rejected the argument that the term “variety” under the PPA should be interpreted in the same manner as defined under the PVPA. Even though the PPA and the PVPA both use the term “variety” and both grant some form of intellectual property protection for plant varieties, courts note that the two statutes differ significantly in their purposes. “The term ‘variety’ in both statutes cannot be read divorced from the very different circumstances in which that term is used. Those circumstances, asexual reproduction in the case of plant patents, and sexual reproduction in the case of plant variety protection, mandate the protection afforded under these different statutory provisions.” *Imazio Nursery*, 69 F.3d at 1568; see also *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc.*, 534 U.S. 124 (2001).

In light of this clear difference between the PPA and the PVPA, courts have focused on the meaning of “asexual reproduction” in determining the meaning of “variety” and the scope of plant patent protection.

#### **12.2.1.1.2 Meaning of “Asexual Reproduction”**

To assert plant patent infringement, the patentee must prove that the alleged infringing plant is either a direct or an indirect asexual reproduction of the patentee’s original parent plant. A defendant does not infringe by sexually reproducing the patented plant, i.e. by reproducing the patented plant using seeds. Instead, the defendant has to physically take, either directly or indirectly, one or more parts from the patented plant to produce the progeny of the patented plant. For example, the defendant may grow a new plant from plant cuttings, or graft a new plant from buds or nodes of the patented plant variety. The plant produced from asexual reproduction is the same plant, in contrast to sexual reproduction, which produces a different plant that may be like the parent plant. See *Yoder*

*Bros., Inc. v. California-Florida Plant Corp.*, 537 F.2d 1347 (5th Cir. 1976) (“The result of asexual reproduction is a plant that is genetically identical to its parent.”).

A defendant, however, does not infringe by independently breeding a variety that closely resembles the characteristics of the patentee’s variety. Independent creation is a defense to plant patent infringement. See *Imazio Nursery*, 69 F.3d at 1570.

### 12.2.1.2 Invalidity of Plant Patents

Like utility patents, plant patents are presumed valid. See § 282. Furthermore, validity challenges must be proven by clear and convincing evidence. See *California Table Grape Comm’n v. RB Sandrini, Inc.*, 2007 U.S. Dist. LEXIS 48362, at \*35 (E.D. Cal. 2007). The same general invalidity arguments for utility patents also apply to plant patents, although § 162 relaxes the written description for plant patents. See § 12.1.2.

#### 12.2.1.2.1 Anticipation

The statutory bar provisions under § 102(b), (c) and (d) apply to plant patents. Specifically, the public use or sale of a plant variety one year prior to the plant patent application date will bar a plant patent. Similar to utility patent cases, however, exceptions such as secret use may apply in plant patent cases. See e.g., *California Table Grape Com’n v. RB Sandrini, Inc.*, 2007 WL 1847631 (E.D. Cal. 2007). An asexually reproduced plant variety cannot be perfected or improved in an ordinary sense and consequently any use must be of the complete invention. Therefore, the traditional experimental use exception to a 35 U.S.C. § 102(b) public use bar is unavailable for plant patents. *Bourne v. Jones*, 114 F. Supp. 413, 419 (S.D. Fla. 1951), *aff’d*, 207 F.2d 173, (5th Cir. 1953).

The printed publication provisions in § 102(a) and (b) present a special challenge when applied to plant varieties because a written description of a new plant variety may not be enough to enable one skilled in the art to reproduce the claimed variety. For example, the United States Court of Customs and Patent Appeals held a publication with “a color picture of the rose clear enough to establish identity in appearance” was not an enabling disclosure of the new rose variety. See *In re Le Grice*, 301 F.2d 929, 944 (C.C.P.A. 1962) (reasoning that the instant publications were incapable of placing these roses in the public domain by their descriptions when interpreted in the light of the knowledge now possessed by plant breeders). In another case, however, the Federal Circuit held that “evidence of the foreign sale of a claimed reproducible plant variety may enable an otherwise non-enabled printed publication disclosing that plant, thereby creating a §102(b) bar.” *In re Elsner*, 381 F.3d 1125, 1128 (Fed. Cir. 2004).

#### **12.2.1.2.2 Obviousness**

Like utility patents, plant patents must also meet the non-obviousness requirement of § 103. In *Yoder Brothers, Inc. v. California-Florida Plant Corporation*, the Fifth Circuit Court of Appeals recognized the challenge of applying the traditional three-part test for obviousness, as set out in *Graham v. John Deere Co.*, 383 U.S. 1 (1966), to plants. 537 F.2d at 1378. With respect to the first two criteria of the *Graham* framework—i.e. the scope and content of the prior art, and the differences between the prior art and the claims at issue, the Fifth Circuit noted that they could consider the characteristics of prior plants of the same general type, and the differences between the prior plants and the claims at issue. See *id.* at 1379. The Fifth Circuit, however, saw “no meaningful way to apply the third criterion to plants – i.e. the level of ordinary skill in the prior art.” *Id.* As a result, the Fifth Circuit applied an “invention” requirement to the obviousness analysis, recognizing that “the ‘invention’ of a new plant is the discovery of new traits *plus* the foresight and appreciation to take the step of asexual reproduction.” *Id.* Courts have yet to address the manner and extent to which the Supreme Court’s ruling in *KSR International v. Teleflex, Inc.*, 550 U.S. 398 (2007) applies to plant patents.

#### **12.2.1.3 Remedies under the Plant Patent Act**

All of the remedies available for utility patent infringement are available for plant patent infringement, including royalties, lost profits, injunctions, and treble damages. See §§ 161, 281-297. The calculation of damage awards and considerations of equity in plant patent infringement cases mirror the theories developed in the course of utility patent litigation. For example, courts are reluctant to impose punitive damages in cases where the issue of patentability is close and litigated in good faith. See *Yoder*, 537 F.2d at 1383.

### **12.2.2 Plant Variety Protection**

#### **12.2.2.1 Determination of Infringement under the PVPA**

To prove infringement of a PVP certificate, the plaintiff must show by a preponderance of the evidence that defendant committed one or more of the acts constituting infringement defined in 7 U.S.C. § 2541. See *Delta & Pine Land Co. v. The Sinkers Corp.*, 177 F.3d 1343, 1347 (Fed. Cir. 1999). Infringing acts include, for example, selling, importing or exporting novel plant varieties.

Furthermore, plaintiff must show marking or actual notice. See 7 U.S.C. § 2567. Thus, a plaintiff can only sue under the PVPA once the variety is distributed with notice of PVP pending or after the PVP certificate issues. See

*Syngenta Seeds v. Delta Cotton Co-operative, Inc.*, 457 F.3d 1269, 1276 (Fed. Cir. 2006).

#### **12.2.2.1.1 Essentially Derived Varieties**

Unlike the utility patent system, the PVPA affords certificate holders little scope beyond the ‘disclosed embodiment.’ Although infringement of PVP certificates may extend to a variety “essentially derived from a protected variety” under 7 U.S.C. § 2541(c), this provision does not operate analogously to patent law’s doctrine of equivalents.

This “essentially derived” provision prevents infringers from escaping liability merely by making trivial changes to a protected variety. In other words, the “essentially derived infringement” provision prevents one party from identifying a successful PVPA-protected variety, altering a non-essential characteristic of that PVPA-protected variety, and then undercutting the PVPA-holder’s rights by selling the copy.

The statute defines “essentially derived variety” as a variety that “is predominantly derived from another variety or from a variety that is predominantly derived from the initial variety, while retaining the expression of the essential characteristics that result from the genotype or combination of genotypes of the initial variety.” 7 U.S.C. § 2401(a)(3)(A)(i).

#### **12.2.2.1.2 PVPA Exemptions**

The PVPA exempts various acts that might otherwise be considered infringement under section 2541. See 7 U.S.C. §§ 2542-2545.

Section 2542, known as the “Grandfather Clause,” authorizes a person to reproduce or sell a plant variety if he developed that variety more than one year before the effective filing date of the adverse application for a PVP certificate. For this section to apply, the person must at least have a good faith claim to the seed variety at issue or be a successor in interest to the original developer. See *N. Star Genetics, Ltd. v. Bata*, 2001 U.S. Dist. LEXIS 20065, at \*5-6 (N.D. 2001).

Section 2543 is the “saved seed” provision, also known as the crop exemption, authorizes a person to save seeds of a legally purchased plant variety, if the seed is replanted on the purchaser’s own property. Prior to the 1970 PVPA amendments, however, the exemption was even broader, allowing for limited sales of saved surplus seeds to third parties as long as these seeds were not primarily produced for sale. The Supreme Court read this exemption to extend only to the sale of such saved seeds as were originally intended for replanting on the seller’s own farm. See *Asgrow Seed Co. v. Winterboer*, 513 U.S. 179 (1995).

Section 2544 is the research exemption that for the use of protected varieties in research. This section has been interpreted to permit a breeder’s competitor to

use the protected seed to create new varieties without permission. See *Monsanto Co. v. Byrd*, 2000 U.S. Dist. LEXIS 22793, at \*10 (E.D.N.C. 2000).

Section 2545 is directed to carriers and advertisers, the scope of which has yet to be determined by courts.

#### **12.2.2.2 Invalidity of PVP Certificates**

Similar to a utility or plant patent, a PVP certificate enjoys a presumption of validity. See 7 U.S.C. § 2561 (“If a variety is sold under the name of a variety shown in a certificate, there is a prima facie presumption that it is the same variety.”). As a defense to infringement, the defendant bears the burden to establish invalidity of the PVP certificate. See *Genecorp, Inc. v. Progeny Advanced Genetics, Inc.*, 1998 U.S. Dist. LEXIS 21910, at \*12-13 (N.D.Cal. 1998).

#### **12.2.2.3 Remedies Under the PVPA**

Courts may issue an injunction under 7 U.S.C. § 2563, as well as award monetary damages, treble damages, and reasonable attorney fees under 7 U.S.C. § 2564. See e.g., *Heart Seed Co. v. Seeds, Inc.*, 1987 U.S. Dist. LEXIS 13969, at \*9-10 (E.D.Wash. 1987) (discussing injunctive relief, reasonable royalty, lost profits, treble damages, and attorney fees); *Bud Antle, Inc. v. Scattini Seed Co.*, 1985 U.S. Dist. LEXIS 12587, at \*6-8 1985 (N.D.Cal. 1985). Courts, however, are precluded from awarding damages for infringement prior to issuance of the PVP certificate if the court finds that the infringer had innocent intentions. See 7 U.S.C. § 2564(d); see also *BASF Agrochemical Prods. v. Unkel*, 2006 U.S. Dist. LEXIS 88672, at \*16 (W.D. La. 2006).

### **12.2.3 Utility Patent Issues Related to Plants**

As discussed in previous chapters, courts will often have to determine infringement or invalidity of a utility patent. Recent utility patent cases involving plants have also focused on several important patent law doctrines, including exhaustion, tying and patent misuse, and indirect infringement.

#### **12.2.3.1 Patent Exhaustion**

In *Monsanto Co. v. McFarling*, 302 F.3d 1291, 1299 (Fed. Cir. 2002) (“McFarling I”), the Federal Circuit held that the first sale doctrine of exhaustion of the patent right was not implicated where new seeds grown from the original batch had never been sold. Specifically, the original sale of the seeds did not

confer a license to construct new seeds. Since the new seeds were not sold by the patentee, they entailed no principle of patent exhaustion.

### **12.2.3.2 Patent Misuse**

The Federal Circuit Court of Appeals addressed the issue of tying and patent misuse in *Monsanto Co. v. McFarling*, 363 F.3d 1336 (Fed. Cir. 2004) (“McFarling II”). The court held that a contractual prohibition on the replanting of second generation seeds does not impermissibly extend a patentee’s rights, where the patent at issue also reads on the second and all subsequent generations of seeds.

### **12.2.3.3 Indirect Infringement**

Courts have also found indirect patent infringement of utility plant patents under inducement theory. For example, the Northern District Court of Indiana addressed the issue of inducement in a plant case, holding that the cleaning of patent protected seeds in furtherance of unauthorized replanting constituted an inducement of patent infringement. *See Monsanto Co. v. Parr*, 545 F. Supp. 2d 836, 842 (N.D. Ind. 2008) (issuing a permanent injunction to halt the unauthorized seed cleaning).

### **12.2.4 Other Plant-Related IP Issues: Variety Names and Trademarks**

When dealing with plant-related intellectual property cases, courts often encounter variety name and trademark issues.

When a new plant variety is developed, the varietal name for the new variety is differentiated from a trademark or brand that is intended to be used ultimately to market the variety. The Convention of the International Union for the Protection of New Plant Varieties (UPOV), to which the United States is a party, requires that “each new plant variety shall be designated by a denomination which will be its generic designation.” *See* UPOV, Article 20. UPOV further requires that each member of the Union register the generic designation of the new plant variety at the same time it issues the protection for the new variety. *Id.* Accordingly, under United States law, the generic or varietal designation must be listed in the plant patent application or application for a PVP certificate covering the new plant material. *See* MANUAL OF PATENT EXAMINING PROCEDURE §1612 (8th ed. 2010); *see also* United States Department of Agriculture – Agricultural Marketing Service, <http://www.ams.usda.gov> (providing information about the USDA guidelines for PVP applications).

UPOV provides criteria on the selection of the new varietal, which requires, that it (1) not mislead or cause confusion concerning the nature of the variety of

the identity of the breeder, (2) not interfere with prior rights of third parties, including trademark rights of third parties, and (3) differs from all other denominations used by other members of UPOV for the same or closely related categories of plants. UPOV, Article 20. Examination of varietal names is somewhat *ad hoc* in the United States as there is no registry of all varietal name designations that exist in the United States. UPOV has a database on CD-ROM of varietal names designated in plant variety protection applications that can be ordered from the UPOV site. See *International Union for the Protection of New Varieties of Plants*, <http://www.upov.int>. In addition, there are various databases specific to certain plant categories which may be examined to help locate conflicts.

The PTO examiners will review the UPOV database, United States patent and trademark filings to determine whether a varietal designation can be accepted. Likewise, the USDA will “pre-clear” a varietal name intended to be included in an application for a PVP certificate. The failure of the USPTO or USDA to identify a conflict does not insulate the applicant from a challenge from a third party who might object to the use of the varietal name on the ground that it conflicts or causes confusion with respect to an existing varietal designation or trademark right.

While patent and PVP certificate holders may have exclusivity of use of the generic designation while the rights of the PVP or patent are valid and only those rights holders can market and sell the protected variety, when those rights expire the generic or varietal designation may be used by competitors in connection with their own use and sale of the formerly protected varietal. See *In re KRB Seed Co.*, 76 U.S.P.Q. 2d (BNA) 1156, (T.T.A.B. 2005) (recognizing that the PVPA and UPOV require that once breeder’s protection period for new plant expires, those who sell plants must be able to call plant by its varietal name so that consumers will know what they are buying). It is not possible to extend the exclusivity in using the generic designation beyond the life of the plant protection by asserting trademark rights in the varietal designation. UPOV, Article 20 (“Each contracting state shall ensure that . . . no rights in the designation registered as the denomination of the variety shall hamper the free use of the denomination in connection with the variety, even after expiration of the breeder’s right.”).

Any application to register a trademark relating to a plant or varietal that consists of a term that was used as the varietal designation in a PVP certificate or plant patent for that plant or varietal will be rejected by the USPTO. See TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1202.12 (7th ed.) (“If the examining attorney determines that wording sought to be registered as a mark for live plants, agricultural seeds, fresh fruits or vegetables comprises a varietal or cultivar name, then the examining attorney must refuse registration, or require a disclaimer, on the ground that the matter is a varietal name of the goods and does not function as a trademark . . . .”); see also *In re Pennington Seed, Inc.*, 466 F.3d 1053 (Fed. Cir. 2006) (affirming the USPTO’s refusal to register REBEL as a

trademark for use on grass and grass seed due to the fact that REBEL was designated in a PVP certificate as varietal name, despite evidence of extensive marketing and advertising of term by applicant).

## Appendix A. Patent Glossary

**Note:** Many of these definitions are derived from the PTO glossary, available at [<http://www.uspto.gov/main/glossary/index.html>](http://www.uspto.gov/main/glossary/index.html).

**Abandonment:** A patent application becomes abandoned for failure to file a complete and proper reply within the time period provided under 37 C.F.R. § 1.134 and § 1.136 unless an office action indicates otherwise. Abandonment may be either of the invention or of an application. An abandoned application, in accordance with 37 C.F.R. §§ 1.135 and 1.138, is one which is removed from the Office docket of pending applications. *See* § 13.3.4.1.6.

**Abstract of the disclosure:** A concise statement of the technical disclosure including that which is new in the art to which the invention pertains.

**Agent (practitioner, representative):** One who is not an attorney but is authorized to act for or in place of the applicant(s) before the PTO, that is, an individual who is registered to practice before the PTO.

**All-limitation rule (all-elements rule):** A doctrine requiring that an allegedly infringing device contain every element of a claim in order to establish infringement, either literally or under the doctrine of equivalents. *See* § 13.4.1.4.2.1.1.

**Analogous art (pertinent art, relevant art):** In a nonobviousness analysis, art that a person having ordinary skill in the art would have consulted in attempting to solve the problem addressed by the innovation. Analogous art must be either within the same field of endeavor as the invention, or from a different field but reasonably pertinent to the same problem. *See* § 13.3.5.3.2.

**Antedate (swearing behind a reference):** A procedure whereby a patent applicant can establish an invention date earlier than the effective date of prior art that has been cited against his claims in a rejection for nonobviousness (§ 103) or lack of novelty (§§ 102(a) or (e)).

**Anticipation:** A single prior art reference anticipates a claim when it contains all the elements of the claim. The claim is rejected for lack of novelty under § 102.

**Assignment:** A transfer of ownership of a patent application or patent from one entity to another. Record all assignments with the PTO Assignment Services Division to maintain clear title to pending patent applications and patents.

**Benefit claim:** The claiming by an applicant in a non-provisional application of a benefit of an invention disclosed in a prior-filed co-pending (under examination at the same time) provisional or non-provisional application, or international application designating the United States for the purposes of securing an earlier effective filing date for the non-provisional application.

**Best mode:** The specification must set forth the best mode, or preferred embodiment, contemplated by the inventor at the time of filing of making and using

her invention (§ 112), or the patent may be declared invalid. *See* § 13.3.3.3. The AIA eliminated failure to set forth best mode as a basis for patent invalidity.

**Blocking patent:** Two or more patented inventions block each other when one cannot be practiced without infringing the other, and vice versa. Blocking patents often arise when an improvement on an invention is patented: the improvement cannot be practiced without infringing the original patent, and the original inventor cannot practice the improvement without infringing the improvement patent. The parties commonly agree to a cross-license to resolve the issue.

**Central claiming:** A claiming regime in which a claim recites the preferred embodiment of the invention but is deemed to cover a range of equivalents to that preferred embodiment.

**Claims:** Claims delineate the patented invention. The patent specification must conclude with a claim or claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as her invention or discovery.

**Claim Restriction:** A discretely claimed component of a patent claim. *See also* Element.

**Classification:** Patents are classified by a system using a three-digit class and a three-digit subclass to describe every similar grouping of patent art. A single invention may be described by multiple classification codes.

**Combination patent:** A patent granted for an invention that unites existing components in a novel way.

**Composed of** (used when defining the scope of a claim): A transitional phrase that is interpreted in the same manner as either “consisting of” or “consisting essentially of,” depending on the facts of the particular case.

**Comprising** (used when defining the scope of a claim): A transitional phrase that is synonymous with “including,” “containing” or “characterized by;” is inclusive or open-ended and does not exclude additional, unrecited elements or method steps. Comprising is a term of art used in claim language which means that the named elements are essential in describing the invention.

**Conception:** The formation in the mind of the inventor of the definite and permanent idea of the complete invention that is thereafter reduced to practice.

**Consisting essentially of** (used when defining the scope of a claim): A transitional phrase that limits the scope of a claim to the specified materials or steps and those that do not materially affect the basic and novel characteristics of the claimed invention. For the purposes of searching for and applying prior art under §§ 102 and 103, absent a clear indication in the specification or claims of what the basic and novel characteristics actually are, “consisting essentially of” will be construed as equivalent to “comprising.”

**Consisting of** (used when defining the scope of a claim): A transitional phrase that is closed and excludes any element, step, or ingredient not specified in the claim.

**Continuation:** A second application for the same invention claimed in a prior non-provisional application and filed before the first application becomes abandoned or patented.

**Continuation-in-part (CIP):** An application filed during the lifetime of an earlier non-provisional application that repeats some substantial portion or all of the earlier non-provisional application and adding matter not disclosed in the earlier non-provisional application. *See* § 13.2.3.4.

**Counterpart:** An application filed in a foreign patent office that is substantially similar to the patent application filed with the PTO and is based upon some or all of the same invention. The two applications would generally have the same applicant.

**Critical date:** The date one year prior to the date a patent application is filed. The patent will be invalid for lack of novelty if the invention was in public use in the United States, or patented or described anywhere in the world, prior to the critical date. *See* § 102(b); § 13.3.4.1.5.

**Declaration (of Inventor):** A document in which an applicant for patent declares, under penalty of fine or imprisonment, or both, that (1) he or she is the original or sole inventor, (2) shall state of what country he or she is a citizen, (3) that he or she has reviewed and understands the contents of the specification and claims which the declaration refers to, and (4) acknowledges the duty to disclose information that is material to patentability as defined by 37 C.F.R. § 1.56. An oath or declaration must be filed in each non-provisional patent application.

**Definiteness:** Shorthand for the requirement, under § 112 ¶ 2, that the claims particularly point out and distinctly claim the subject matter which the applicant regards as her invention. *See* § 13.3.3.4.

**Dependent claim:** A claim that refers back to and further limits a preceding dependent or independent claim. A dependent claim includes by reference every limitation of the claim from which it depends.

**Derivation Proceeding:** The AIA established this new proceeding to allow an inventor to challenge an earlier-filed third-party application or patent claiming subject matter that was derived from the inventor's own work. This proceeding partially substitutes for interference proceedings. *See* § 13.3.4.2.5.

**Design patent:** A patent for a new, original, and ornamental design for an article of manufacture.

**Designation:** A selection made by the applicant, in the Request for an International Application filed under the Patent Cooperation Treaty, as to the countries in which protection for an invention is desired.

**Diligence:** In order to establish a conception date as the date of invention, the inventor must have worked diligently following conception to reduce the invention to practice. In the course of an interference, a party can establish its conception date as the date of invention by showing reasonable diligence from before the other's conception until their own reduction to practice date. *See* § 102(g); § 13.3.4.1.2.3.

**Disclaimer:** There are two types of disclaimers under § 253: statutory disclaimers and terminal disclaimers. A patentee may make a statutory disclaimer of any complete claim, stating therein the extent of his or her interest in such patent. A patentee may make a terminal disclaimer to disclaim or dedicate to the public the remaining time of the term of the patent granted. A terminal disclaimer may be filed for the purpose of overcoming a judicially created double patenting rejection. Disclaimers are required to be in writing and recorded in the PTO, and are considered as part of the original patent to the extent of the interest actually possessed by the disclaimant and by those claiming under him or her.

**Disclosure:** In return for a patent, the inventor gives as consideration a complete disclosure of the invention for which protection is sought.

**Divisional application:** A later application for an independent or distinct invention disclosing and claiming only a portion of the subject matter disclosed in the earlier or parent application.

**Doctrine of equivalents:** A judicially developed principle for finding patent infringement when the accused process or product falls outside the literal scope of the patent claims. The essential objective inquiry is: "Does the accused product or process contain elements equivalent to each claimed element of the patented invention?" *See* § 13.4.1.4.2.

**Double patenting:** An inventor may not obtain claims in more than one patent directed either to the same invention or to an obvious variation of the same invention. A rejection by the PTO based on obviousness can be overcome by filing a terminal disclaimer stating that the additional patents will expire on the same date as the first patent. A terminal disclaimer therefore eliminates any improper extension of the initial patent term. *See* § 13.4.2.4.1.

**Effective filing date:** The filing date of an earlier-filed application accorded under §§ 119/365(a)/365(b) (foreign filing or domestic provisional application), 120/365(c) (earlier U.S. filing date), or 121 (divisional applications), or if none of these sections is satisfied, the actual filing date of the patent.

**Electronic file wrapper:** A system that provides a way to access electronic copies of the correspondence, documents and other pertinent records used in considering a particular patent application.

**Element:** A discretely claimed component of a patent claim. *See also* Claim restriction.

**Embodiment:** A manner in which an invention can be made, used, practiced or expressed. *See* Best mode.

**Enablement:** The specification must describe in “full, clear, concise, and exact terms” how to make and use the invention such that any person skilled in the art can do so without undue experimentation. *See* § 13.3.3.2.

**Ex parte Reexamination:** A procedure whereby patentees and third parties can seek reexamination of issued patents. *See* § 13.2.5.6.2.

**Experimental use:** Experimental use has two distinct meanings within patent law. First, experimental use is an exception to the public-use statutory bar under § 102(b). So long as the public use was to test or experiment with the invention, it is not counted in computing the one-year statutory bar. Second, experimental use is a defense to infringement, and requires that the construction and use of the patented invention be for scientific purposes only. *See* § 13.3.4.1.5.1.

**Express abandonment:** *See* Abandonment.

**File wrapper:** The folder into which papers for a particular application are collected and maintained. It contains a complete record of proceedings in the PTO from the filing of the initial patent application to the issued patent. The file wrapper of a patent application that is maintained by the PTO is the “official record.”

**File wrapper estoppel:** *See* Prosecution history estoppel.

**Filing date:** The date of receipt in the PTO of an application which includes (1) a specification containing a description and, if the application is a non-provisional application, at least one claim, and (2) any required drawings.

**Final office action:** A PTO action on the second or any subsequent examination or consideration by an examiner that is intended to close the prosecution of a non-provisional patent application.

**Grace period:** The one-year period between the critical date and the filing date, during which the invention may be offered for sale or used publicly in the United States, or described in a printed publication or patented anywhere in the world without invalidating the patent under § 102(b).

**Handgards claim:** An antitrust counterclaim to a patent infringement suit, alleging that the patentee either knew the patent was invalid or was not being infringed. *See Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986 (9th Cir. 1979).

**Having** (used when defining the scope of a claim): A transitional phrase that is synonymous with “including,” “containing” or “characterized by;” is inclusive or open-ended and does not exclude additional, unrecited elements or method steps.

**Improvement patent:** A patent based on an improvement to a pre-existing invention.

**Indefiniteness:** *See* Definiteness.

**Independent claim:** A claim that does not refer back to or depend on another claim.

**Information disclosure statement (IDS):** A list of patents, publications, U.S. applications, or other information submitted for consideration by the PTO in a non-provisional patent application filed under § 111(a) to comply with applicant's duty to submit information which is material to patentability of the claimed invention. *See* § 13.2.2.1.

**Inter partes Reexamination:** A procedure allowing third parties to seek invalidation by the PTO of patents granted on applications filed on or after November 29, 1999. It was phased out beginning on September 16, 2011 and replaced by the AIA's *Inter partes* Review procedure. *See* § 13.2.5.6.3.

**Inter partes Review (IPR):** A procedure established by the AIA for third parties to seek invalidation of patents. *See* § 13.2.5.7.

**Interference:** A proceeding, typically conducted before the Board of Patent Appeals and Interferences or in certain circumstances before a district court, to determine priority of invention between a pending application and/or one or more unexpired patents.

**Invention:** Any art or process, machine, manufacture, design, or composition of matter, or any new and useful improvement thereof, or any variety of plant, which is or may be patentable under the patent laws of the United States.

**Invention date:** The date either on which an invention is reduced to practice or conceived, so long as the inventor can show reasonable diligence from conception until reduction to practice.

**Jepson claim format:** A claim containing a preamble explaining the current state of the art, followed by a description of the claimed patentable improvement.

**Joint inventor:** An inventor who is named with at least one other inventor in a patent application, wherein each inventor contributes to the conception of the invention set forth in at least one claim in a patent application.

**Laches:** An equitable defense that the plaintiff unreasonably delayed in asserting an infringement claim. If a patentee files suit more than six years after she became (or reasonably should have become) aware of the alleged infringement, a presumption of laches arises and the patentee must establish legitimate reasons for the delay. This defense does not bar the plaintiff's action entirely, but prevents the recovery of any damages accrued prior to the filing of the action. *See* § 13.4.2.3.4.

**License:** An agreement between a patent owner and a licensee that the patent owner will not sue the licensee for acts that would otherwise constitute infringement.

**Limitation:** A component of an invention described in a patent claim. *See* Element.

**Literal infringement:** Literal infringement requires an accused device to satisfy every element of the asserted patent claim precisely. *See* § 13.4.1.4.1.

**Markush claim format:** A Markush claim claims a genus of inventions in a single claim where the family of inventions all share a common trait, for example, “a chemical compound of the formula  $\text{COOH-CH}_2\text{-R}$ , where R is selected from the group consisting of \_\_\_\_\_.” Markush claims normally do not occur outside of the field of chemistry.

**Means-plus-function claim format:** A means-plus-function claim defines one or more elements of the claim as a “means for [performing a function].” This special type of limitation is interpreted to cover the structure(s) described in the specification for performing the claimed function as well as equivalents of that/those structure(s) as of the time of filing. *See* § 112, ¶ 6; § 13.4.1.4.1.1.

**Method claim:** A claim covering a way of doing something, typically conveyed as a series of steps.

**Multiple dependent claim:** A dependent claim that further limits and refers back in the alternative to more than one preceding independent or dependent claim. Acceptable multiple dependent claims shall refer to preceding claims using the terms “or,” “any one of,” “one of,” “any of,” “either.” A multiple dependent claim may not depend on another multiple dependent claim, either directly or indirectly.

**National stage application:** An application that has entered the national phase of the Patent Cooperation Treaty by the fulfillment of certain requirements in a national patent office. Such an application is filed under § 371 in the United States and is referred to as a “371 application.”

**New matter:** Information in an amendment to a pending patent that departs from the original disclosure. Under § 132, amendments cannot introduce new matter into the disclosure of the invention.

**Non-final office action:** An office action made by the examiner where the applicant is entitled to reply and request reconsideration or further examination, with or without making an amendment.

**Nonobviousness:** The requirement that in order to be patentable, an invention be sufficiently different from the prior art that, at the time it was made, it would not have been obvious to a person having ordinary skill in the art. *See* § 13.3.5.

**Non-patent literature:** Documents and publications that are not patents or published patent applications but are cited as references for being relevant in a patent prosecution. For example, a magazine article or doctoral thesis relevant to a claimed invention might be cited as non-patent literature. Typically, references cited in an application are grouped into: domestic patents and patent application publications, foreign patents, and non-patent literature.

**Non-provisional application:** The “regular” type of patent applications, as distinct from provisional applications filed under § 111(b), often referred to simply as “applications.” *See* § 13.2.2.2.1.

**Non-responsive amendment:** An amendment filed by the applicant that does not fully respond to the examiner's office action in accordance with 37 C.F.R. § 1.111.

**Normal publication:** Regular 18-month publication or redacted publication of a non-provisional application.

**Notice of allowance:** A notification to the applicant that she is entitled to a patent under the law and requesting payment of a specified issue fee (and possibly a publication fee as well) within three months (non-extendable) from the mailing date of the notice of allowance.

**Notice of references cited** (also known as a PTO-892 form): A list of relevant references cited by a patent examiner in an office action. The following are some examples of such references: domestic patents, domestic patent application publications, foreign patents or patent publications, publications, electronic documents, and affidavits.

**Notice:** The practice of marking a patented article with the words “patent” followed by the patent number. Without notice, the patentee may recover only for damages that occurred after the infringer received a charge of patent infringement.

**Novelty:** The requirement under § 102 that an invention be sufficiently new relative to the prior art. *See* § 13.3.4.

**Oath:** *See* Declaration (of Inventor).

**Obviousness:** *See* Nonobviousness.

**Opposition:** A procedure allowing a third party to request a patent application's refusal or an issued patent's annulment.

**Original application:** “Original” is used in the patent statute and rules to refer to an application which is not a reissue application. An original application may be a first filing or a continuing application.

**Patent:** A quasi-property right granted by the government of the United States to an inventor “to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States” for a limited time in exchange for public disclosure of the invention.

**Parent application:** The term “parent” is applied to an earlier application of the inventor disclosing a given invention.

**Patent Cooperation Treaty (PCT):** A mechanism by which an applicant can file a single application that, when certain requirements have been fulfilled, is equivalent to a regular national filing in each designated country. There are currently over 130 PCT Contracting States.

**Patent pending:** A phrase that often appears on manufactured items. It means that someone has applied for a patent on an invention that is contained in the manufactured item. It serves as a warning that a patent may issue that would cover the item and that copiers should be careful because they might infringe if the

patent issues. Once the patent issues, the patent owner will stop using the phrase “patent pending” and start using a phrase such as “covered by U.S. Patent Number XXXXXXXX.”

**Patent term:** The period of time during which a patent is enforceable. For patent applications filed after June 8, 1995, the expiration date is 20 years from the earliest effective filing date, subject to various extensions for delays occurring during prosecution and regulatory approval for drug-related patents. *See* § 13.2.5.

**Patent Trial and Appeal Board (PTAB):** The AIA created this administrative body to replace the Board of Patent Appeals and Interferences (BPAI). It hears appeals by a patent applicant from a USPTO patent examiner's final refusal to allow a patent application or adverse decision in an *ex parte* patent reexamination proceeding, *inter partes* and post-grant review proceedings filed by a party challenging the validity of an issued patent, derivation proceedings filed by a subsequent patent applicant claiming that an earlier patent applicant for the same invention derived the invention from the subsequent patent applicant, and interference proceedings to determine the first inventor of an invention commenced before September 16, 2012. PTAB decisions concerning *inter partes* and post-grant reviews and *ex parte* reexamination proceedings may be appealed only to the US Court of Appeals for the Federal Circuit (Federal Circuit). In several circumstances, a civil action against the USPTO in the US District Court for the Eastern District of Virginia may be instituted after a final PTAB decision: (1) where a patent applicant is dissatisfied with a PTAB decision concerning the final rejection of the patent application unless the applicant has appealed to the Federal Circuit (*see* § 145); (2) in a derivation proceeding where the losing party initially filed a notice of appeal from the PTAB decision to the Federal Circuit, the adverse party may request that further proceedings instead be conducted in the Eastern District of Virginia (*see* AIA § 7); and (3) where a party is dissatisfied with the decision in an interference proceeding over which the PTAB has jurisdiction unless that party has appealed to the Federal Circuit (*see* § 146).

**Peripheral claiming:** A regime in which an applicant delineates the precise boundaries of the claimed area of exclusivity, in contrast to central claiming in which the applicant defines the claim directly.

**Person having ordinary skill in the art (PHOSITA):** A hypothetical person with knowledge of all analogous art from whose perspective nonobviousness, written description, and enablement are analyzed. *See* §§ 103, 112; *see also* §§ 13.3.3, 13.3.5.3.1.

**Person:** For purposes of small entity determination, a person is defined as any inventor or other individual (e.g., an individual to whom an inventor has transferred some rights in the invention) who has not assigned, granted conveyed, or licensed, and is under no obligation under contract or law to assign, grant, convey, or license any rights in the invention.

**Petition to make special (PTMS):** An applicant may petition the PTO to examine her application ahead of other pending applications. A petition to make special may be granted on the basis of an inventor's age or poor health, that the patent will enable manufacture of the invention, is presently being infringed, relates to certain fields including superconductivity, HIV/AIDS, and counter-terrorism, or several other reasons.

**Post-Grant Review (PGR):** Under this new procedure added by the AIA, third parties may file a petition seeking to cancel one or more patent claims within nine months of a patent's issue or reissue date. *See* §13.2.5.4.

**Preferred embodiment:** How the inventor sets forth the best mode for carrying out the claimed invention in the application.

**Prior art:** The general category of technologies and events against which novelty and nonobviousness are evaluated. What qualifies as prior art is specified in §§ 102 and 103.

**Priority claim:** Claims under §§ 119(a)-(e) and 120 for the benefit of the filing date of earlier filed applications.

**Pro se:** Used to designate an independent inventor who has elected to file an application by herself without the services of a licensed representative.

**Prosecution history estoppel:** A doctrine that prevents a patentee from obtaining coverage through the doctrine of equivalents over subject matter which was surrendered during prosecution. *See* § 13.4.1.4.2.1.2.

**Prosecution:** The process for applying for and obtaining a patent from the PTO.

**Provisional application:** A provisional application for patent is a U.S. national application for patent filed in the PTO under § 111(b), which allows filing without a formal patent claim, oath or declaration, or any information disclosure (prior art) statement. A provisional application can establish an early effective filing date in a non-provisional patent application filed under § 111(a) and automatically becomes abandoned after one year. It also allows the term "Patent Pending" to be applied. *See* § 13.2.2.2.4.

**Reads on:** An accused device, manufacture, composition, or process "reads on" (and hence infringes) a patent claim if it embodies each of the claim limitations. Similarly, a patent claim "reads on" a prior art reference (and hence is invalid) if the prior art reference contains each of the claim limitations.

**Record copy:** Original copy of an international application filed under the Patent Cooperation Treaty maintained by the International Bureau of the World Intellectual Property Organization.

**Redacted publication:** A patent application publication that omits material that was present in the specification or claims of the non-provisional patent application filed in the PTO. *See* 37 C.F.R. § 1.217 and M.P.E.P. § 1132.

**Reduction to practice:** Following conception, reduction to practice is the final step in the inventive process. Reduction to practice can be actual – by constructing a physical embodiment of the invention, or constructive – by filing a patent application which satisfies the disclosure requirements of § 112. *See* § 13.3.4.1.2.2.

**Reexamination proceeding:** At any time during the enforceability of a patent, any person may file a request for the PTO to conduct a second examination of any claim of the patent on the basis of prior art patents or printed publications which that person states to be pertinent and applicable to the patent and believes to have a bearing on the patentability (see 37 C.F.R. § 1.501). In order for the request for reexamination to be granted, a substantial new question of patentability must be present with regard to at least one patent claim. The request must be in writing and must be accompanied by payment of a reexamination request filing fee as set forth in 37 C.F.R. § 1.20(c). *See* § 13.2.5.6.1.

**Reference:** *See* Prior art.

**Reissue application:** An application for a patent to take the place of an unexpired patent that is defective in one or more particulars.

**Rejoinder:** The returning to active consideration of claims previously withdrawn from consideration to due to a restriction requirement – i.e., a determination by the PTO that an application contains more than one invention.

**Request for continued examination (RCE):** A request filed in an application in which prosecution is closed (e.g., the application is under final rejection or a notice of allowance) that is filed to reopen prosecution and continue examination of the application.

**Restriction:** If two or more independent and distinct inventions are claimed in a single application, the examiner may require the applicant to elect a single invention to which the claims will be restricted. This requirement is known as a requirement for restriction (also known as a requirement for division). Such requirement will normally be made before any action on the merits; however, it may be made at any time before final action (final rejection).

**Reverse doctrine of equivalents:** A doctrine excusing infringement where an accused device literally infringes a patent, but should nonetheless be excused because it substantially differs in operative principle and results. Although it has not been applied in over a century to excuse infringement, it continues to be raised. *See* § 13.4.1.4.3.

**Specification:** A written description of the invention and the manner and process of making and using the same.

**Statutory disclaimer:** *See* Disclaimer.

**Submarine patent:** An informal term for a patent that is intentionally delayed in prosecution by the applicant in order to let an infringing user continue to develop its business, with the intention of claiming later-invented technology once the patent finally “surfaces” from the PTO. As of November 29, 2000, most patent

applications must be published within 18 months of filing, so submarine patents have become less common.

**Substitute patent application:** An application which is in essence a duplicate of a prior application by the same applicant abandoned before the filing of the substitute application. A substitute application does not obtain the benefit of the filing date of the prior application.

**Supplemental Examination:** A procedure added by the AIA authorizing a patentee to seek further consideration of additional information relevant to patentability. *See* § 13.2.5.3.

**Terminal disclaimer:** *See* Disclaimer.

**Utility:** In order to be patentable, an invention must have specific, substantial, and credible utility. *See* § 13.3.2.

**Walker process claim:** An antitrust counterclaim to a patent infringement suit, alleging that the patent was fraudulently obtained so as to exert monopolistic power and is therefore invalid. *See Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965).

**Written description:** The portion of a patent specification, as required by § 112 ¶ 1, describing the background of the invention, a summary of the invention, and a detailed description of the invention. The patentee must convey with reasonably clarity to those skilled in the art that, as of the filing date sought, he or she was in possession of the invention, and the written description must enable a person having ordinary skill in the art to practice the invention without undue experimentation. *See* § 13.3.3.1.

## Appendix B. Acronyms

AIA: America Invents Act  
AILPA: American Intellectual Property Law Association  
AIPA: American Inventors Protection Act of 1999  
AU: (Group) Art Unit  
BPAI: Board of Patent Appeals and Interferences  
CIP: Continuation-in-Part  
CPA: Continued Prosecution Application  
CRU: Central Reexamination Unit  
DOE: Doctrine of Equivalents  
EAST: Examiner Automated Search Tools  
EFD: Effective filing date  
EFS: Electronic Filing System  
FTF: First-to-File  
FTI: First-to-Invent  
ePAS: Electronic Patent Assignment System  
EPO: European Patent Office  
ESD: Examination Support Document  
GAU: Group Art Unit  
IDS: Information disclosure statement  
IPR: *Inter partes* review  
IT: Information Technology  
ITC: International Trade Commission  
MPEP: Manual of Patent Examining Procedure  
NOA: Notice of allowance  
NPL: Non patent literature  
OG: Official Gazette  
OIPE: Office of Initial Patent Examination  
PAIR: Patent Application Information Retrieval  
PCT: Patent Cooperation Treaty  
PGR: Post-grant review  
PLR: Patent Local Rules  
PTA: Patent Term Adjustment  
PTAB: Patent Trial and Appeal Board  
PTE: Patent Term Extension  
PTO: Patent and Trademark Office

*Patent Glossary*

RCE: Request for continued examination

TD: Terminal disclaimer

WIPO: World Intellectual Property Organization

WTO: World Trade Organization

USITC: United States International Trade Commission

USPTO: United States Patent and Trademark Office

## **Appendix C. Patent Resources**

### **Organizations**

American Intellectual Property Law Association

<http://www.aipla.org/>

ABA Section of Intellectual Property Law

[www.abanet.org/intelprop](http://www.abanet.org/intelprop)

Intellectual Property Owners Association

[www.ipo.org](http://www.ipo.org)

Federal Circuit Bar Association

<http://www.fedcirbar.org/olc/pub/LVFC/>

### **Online resources**

PatentlyO—“The nation’s leading patent law blog”

<http://www.patentlyo.com/>

Orange Book Blog—“At the Intersection of Patent and FDA Law”

<http://www.orangebookblog.typepad.com/>

Promote the Progress—“The patent education portal”

<http://promotetheprogress.com/>

<http://www.google.com/patents>

<http://patft.uspto.gov/>

PTO full-text and full-page image patent databases

Manual of Patent Examining Procedure (MPEP)

<http://www.uspto.gov/web/offices/pac/mpep/mpep.htm>

### **Publications**

Chisum on Patents: A Treatise on the Law of Patentability, Validity,  
and Infringement

Donald S. Chisum. New York : LEXIS Pub., 1978-

Moy's Walker on Patents

4th ed., Thomson West

Herbert F. Schwartz and Robert J. Goldman, Patent Law and Practice (7<sup>th</sup> ed.  
2011) (free to the judiciary via FJC Online at <http://cwn.fjc.dcn>)

Federal Circuit Bar Journal

<http://www.law.gmu.edu/fcbj/>

*Anatomy of a Patent Case*

George Pappas, et al., American College of Trial Lawyers

Federal Judicial Center (2009)

*Civil Litigation Management Manual*  
2001, 463 pp.

This manual provides trial judges with a guide to managing civil cases. It sets out a wide array of case-management techniques, beginning with case filing and concluding with steps for streamlining trials, and it discusses a number of special topics, including pro se and high-visibility cases, the role of staff, and automation that supports case management. The manual, which was produced in response to the Civil Justice Reform Act of 1990, is based on the experiences of federal district and magistrate judges and reflects techniques they have developed. It was prepared under the direction of the Judicial Conference Committee on Court Administration and Case Management, with substantial contributions from the Administrative Office of the U.S. Courts and the Federal Judicial Center, and was approved by the Judicial Conference in March 2001.

*Effective Use of Courtroom Technology: A Judge's Guide to Pretrial and Trial*  
Federal Judicial Center 2001, 358 pp.

This publication is the result of joint project between the Federal Judicial Center and the National Institute for Trial Advocacy. It describes the substantive and procedural considerations that may arise when lawyers bring electronic equipment to the courtroom or use court-provided equipment for displaying or playing evidentiary exhibits or illustrative aids during trial. It draws upon the expertise of judges who work in courtrooms equipped with technology, law professors who teach trial advocacy and evidence, and practitioners who have trial experience using technology in civil and criminal cases. It collects practical experience and expert judgments, but does not purport to test these observations empirically or analyze case law. Although various forms of courtroom technology have been around since the 1970s, and model courtrooms equipped with technology began appearing in law schools in 1990, little scientific research has been done in the field and relatively little case law exists.

*The Elements of Case Management: A Pocket Guide for Judges, Second Edition*  
William W Schwarzer & Alan Hirsch  
Federal Judicial Center 2006, 22 pp.

This is a primer for judges on techniques and methods of case management.

*Managing Discovery of Electronic Information: A Pocket Guide for Judges*  
Barbara J. Rothstein, Ronald J. Hedges & Elizabeth C. Wiggins  
Federal Judicial Center 2007, 26 pages

This pocket guide helps federal judges manage the discovery of electronically stored information (ESI). It covers issues unique to the discovery of ESI, including its scope, the allocation of costs, the form of production, the waiver of privilege and work product protection, and the preservation of data and spoliation.

*Manual for Complex Litigation, Fourth Edition*  
2004, 798 pp.

This manual describes approaches that trial judges have found useful in managing complex cases. This edition updates the treatment of electronic discovery and other aspects of pretrial management and describes major changes in the substantive and procedural law affecting case management in mass tort, class action, intellectual property, employment discrimination, and other types of litigation. A new chapter deals with managing scientific evidence.

*Patent Claim Construction: A Survey of Federal District Court Judges*  
Rebecca N. Eyre, Joe S. Cecil & Eric Topor  
Federal Judicial Center (2008) 32 pp.

This report presents the results of a survey of federal district court judges regarding their use of patent litigation case management and claim construction procedures. When applicable, the report also compares these judges' reported practices with the recommendations contained in four recent sources. In general, surveyed judges' reported practices are consistent with the sources' recommendations, and judges who are relatively more experienced with patent litigation and claim construction tended to give similar answers to those given by judges less experienced in these areas.

## Video

*An Introduction to the Patent System*  
Federal Judicial Center 2002

4342-V/02 (one DVD) (17 minutes) (sample patent) (available for download in QuickTime, Real Player, and Windows Media Player from FJC Online at <http://cwn.fjc.dcn> and on the WorldWideWeb at <http://www.fjc.gov>)

This 17-minute video is designed to be shown to jurors in patent jury trials. It contains important background information intended to help jurors understand what patents are, why they are needed, how inventors get them, the role of the Patent and Trademark Office, and why disputes over patents arise.

*An Introduction to the Patent System* was developed with the assistance of an advisory committee of district judges and patent attorneys. Special care was taken to ensure that it provides an impartial and objective view of the patent process. It is, however, up to the individual trial judge to decide whether or not to use this video in patent jury trials. The Center is simply making it available as a resource.

Judges who decide to use the video may wish to incorporate it into their preliminary instructions to the jury. When used in this manner, it may eliminate the need for the parties to call expert witnesses at trial to explain patent basics to the jury.

## Appendix D - Patent Local Rules

Patent Local Rules (PLRs) date back to December 1, 2000 when the Northern District of California promulgated the first set of rules governing the content and timing of disclosures in patent cases. These rules established a default regime for operationalizing the claim construction process that developed following the Supreme Court's decision in *Markman v. Westview Instruments*, 515 U.S. 1192 (1995). See generally James Ware & Brian Davy, The History, Content, Application, and Influence of the Northern District of California's Patent Local Rules, 25 *Santa Clara Computer & High Tech. L.J.* 965 (2009). The N.D. Cal. has since updated its PLRs. Eighteen district courts now have some form of Patent Local Rules. Many follow the N.D. Cal. model. Some districts have augmented the N.D. Cal. model to address distinctive aspects of their docket. For example, the District of New Jersey, which is home to many pharmaceutical companies, developed rules specific to Hatch-Waxman ANDA cases. Other districts, such as the District of Massachusetts, implement somewhat different approaches. Some districts also include model scheduling orders and protective orders in their local rules. This Appendix contains the PLRs that have been implemented as of April 1, 2012. The highlighted documents are contained herein.

### California

- **Northern District (revised rules effective Dec. 1, 2009)**
- Southern District (effective Nov. 1, 2011)

### Georgia

- Northern District (effective Jul. 15, 2004)

### Idaho (effective Dec. 1, 2009)

### Illinois

- Northern District

### Indiana

- Southern District (updated Mar. 14, 2012)

### Massachusetts (effective Nov. 4, 2008)

### Minnesota (effective May 9, 2011)

### Missouri

- Eastern District

### Nevada (effective Aug. 1, 2011)

### New Hampshire (published Dec. 1, 2011)

### New Jersey (revised rules effective Nov. 1, 2011)

#### North Carolina

- Eastern District (published July 2011)
- Western District (effective Mar. 31, 2011)

#### Ohio

- Northern District (effective Oct. 22, 2009)
- Southern District (effective Jun. 1, 2010)

#### Pennsylvania

- Western District (effective Dec. 1, 2005)

#### Texas

- Eastern District (effective Feb. 22, 2005)
- Northern District (effective May 1, 2007)
- Southern District (effective Jan. 1, 2008)

#### Washington

- Eastern District (effective Nov. 10, 2010)
- Western District (effective Jan. 1, 2009)

UNITED STATES DISTRICT COURT  
Northern District of California

PATENT LOCAL RULES

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## **1. SCOPE OF RULES**

### **1-1. Title**

These are the Local Rules of Practice for Patent Cases before the United States District Court for the Northern District of California. They should be cited as “Patent L.R. \_\_\_\_.”

### **1-2. Scope and Construction**

These rules apply to all civil actions filed in or transferred to this Court which allege infringement of a utility patent in a complaint, counterclaim, cross-claim or third party claim, or which seek a declaratory judgment that a utility patent is not infringed, is invalid or is unenforceable. The Civil Local Rules of this Court shall also apply to such actions, except to the extent that they are inconsistent with these Patent Local Rules. If the filings or actions in a case do not trigger the application of these Patent Local Rules under the terms set forth herein, the parties shall, as soon as such circumstances become known, meet and confer for the purpose of agreeing on the application of these Patent Local Rules to the case and promptly report the results of the meet and confer to the Court.

### **1-3. Modification of these Rules**

The Court may modify the obligations or deadlines set forth in these Patent Local Rules based on the circumstances of any particular case, including, without limitation, the simplicity or complexity of the case as shown by the patents, claims, products, or parties involved. Such modifications shall, in most cases, be made at the initial case management conference, but may be made at other times upon a showing of good cause. In advance of submission of any request for a modification, the parties shall meet and confer for purposes of reaching an agreement, if possible, upon any modification.

### **1-4. Effective Date**

These Patent Local Rules take effect on December 1, 2009. They govern patent cases filed on or after that date. For actions pending prior to December 1, 2009, the provisions of the Patent Local Rules that were in effect on November 30, 2009, shall apply, except that the time periods for actions pending before December 1, 2009 shall be those set forth in and computed as in the Federal Rules of Civil Procedure and the Patent Local Rules that took effect on December 1, 2009.

## **2. GENERAL PROVISIONS**

### **2-1. Governing Procedure**

- (a) **Initial Case Management Conference.** When the parties confer pursuant to Fed. R. Civ. P. 26(f), in addition to the matters covered by Fed. R. Civ. P. 26, the parties shall discuss and address in the Case Management Statement filed pursuant to Fed. R. Civ. P. 26(f) and Civil L.R. 16-9, the following topics:
- (1) Proposed modification of the obligations or deadlines set forth in these Patent Local Rules to ensure that they are suitable for the circumstances of the particular case (see Patent L.R. 1-3);
  - (2) The scope and timing of any claim construction discovery including disclosure of and discovery from any expert witness permitted by the court;
  - (3) The format of the Claim Construction Hearing, including whether the Court will hear live testimony, the order of presentation, and the estimated length of the hearing; and
  - (4) How the parties intend to educate the court on the technology at issue.

### **2-2. Confidentiality**

Discovery cannot be withheld on the basis of confidentiality absent Court order. The Protective Order authorized by the Northern District of California shall govern discovery unless the Court enters a different protective order. The approved Protective Order can be found on the Court's website.

### **2-3. Certification of Disclosures**

All statements, disclosures, or charts filed or served in accordance with these Patent Local Rules shall be dated and signed by counsel of record. Counsel's signature shall constitute a certification that to the best of his or her knowledge, information, and belief, formed after an inquiry that is reasonable under the circumstances, the information contained in the statement, disclosure, or chart is complete and correct at the time it is made.

### **2-4. Admissibility of Disclosures**

Statements, disclosures, or charts governed by these Patent Local Rules are admissible to the extent permitted by the Federal Rules of Evidence or Procedure. However, the statements and disclosures provided for in Patent L.R. 4-1 and 4-2 are not admissible for any purpose other than in connection with motions seeking an extension or modification of the time periods within which actions contemplated by these Patent Local Rules shall be taken.

### **2-5. Relationship to Federal Rules of Civil Procedure**

Except as provided in this paragraph or as otherwise ordered, it shall not be a ground for objecting to an opposing party's discovery request (e.g., interrogatory, document request, request for admission, deposition question) or declining to provide information otherwise required to be disclosed pursuant to Fed. R. Civ. P. 26(a)(1) that the discovery request or disclosure requirement is premature in light of, or otherwise conflicts with, these Patent Local Rules, absent other legitimate objection. A party may object, however, to responding to the

following categories of discovery requests (or decline to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) on the ground that they are premature in light of the timetable provided in the Patent Local Rules:

- (a) Requests seeking to elicit a party's claim construction position;
- (b) Requests seeking to elicit from the patent claimant a comparison of the asserted claims and the accused apparatus, product, device, process, method, act, or other instrumentality;
- (c) Requests seeking to elicit from an accused infringer a comparison of the asserted claims and the prior art; and
- (d) Requests seeking to elicit from an accused infringer the identification of any advice of counsel, and related documents.

Where a party properly objects to a discovery request (or declines to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) as set forth above, that party shall provide the requested information on the date on which it is required to be provided to an opposing party under these Patent Local Rules or as set by the Court, unless there exists another legitimate ground for objection.

### **3. PATENT DISCLOSURES**

#### **3-1. Disclosure of Asserted Claims and Infringement Contentions**

Not later than 14 days after the Initial Case Management Conference, a party claiming patent infringement shall serve on all parties a “Disclosure of Asserted Claims and Infringement Contentions.” Separately for each opposing party, the “Disclosure of Asserted Claims and Infringement Contentions” shall contain the following information:

- (a) Each claim of each patent in suit that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. §271 asserted;
- (b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality (“Accused Instrumentality”) of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;
- (c) A chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function.
- (d) For each claim which is alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of multiple parties, the role of each such party in the direct infringement must be described.
- (e) Whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality;
- (f) For any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled; and
- (g) If a party claiming patent infringement wishes to preserve the right to rely, for any purpose, on the assertion that its own apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, the party shall identify, separately for each asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim.
- (h) If a party claiming patent infringement alleges willful infringement, the basis for such allegation.

#### **3-2. Document Production Accompanying Disclosure**

With the “Disclosure of Asserted Claims and Infringement Contentions,” the party claiming patent infringement shall produce to each opposing party or make available for inspection and copying:

- (a) Documents (e.g., contracts, purchase orders, invoices, advertisements, marketing materials, offer letters, beta site testing agreements, and third party or joint development agreements) sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, or any public use of, the claimed invention prior to the date of application for the patent in suit. A party's production of a document as required herein shall not constitute an admission that such document evidences or is prior art under 35 U.S.C. § 102;
- (b) All documents evidencing the conception, reduction to practice, design, and development of each claimed invention, which were created on or before the date of application for the patent in suit or the priority date identified pursuant to Patent L.R. 3-1(f), whichever is earlier;
- (c) A copy of the file history for each patent in suit; and
- (d) All documents evidencing ownership of the patent rights by the party asserting patent infringement.
- (e) If a party identifies instrumentalities pursuant to Patent L.R. 3-1(g), documents sufficient to show the operation of any aspects or elements of such instrumentalities the patent claimant relies upon as embodying any asserted claims.

The producing party shall separately identify by production number which documents correspond to each category.

### **3-3. Invalidity Contentions**

Not later than 45 days after service upon it of the "Disclosure of Asserted Claims and Infringement Contentions," each party opposing a claim of patent infringement, shall serve on all parties its "Invalidity Contentions" which shall contain the following information:

- (a) The identity of each item of prior art that allegedly anticipates each asserted claim or renders it obvious. Each prior art patent shall be identified by its number, country of origin, and date of issue. Each prior art publication shall be identified by its title, date of publication, and where feasible, author and publisher. Prior art under 35 U.S.C. § 102(b) shall be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity of the person or entity which made the use or which made and received the offer, or the person or entity which made the information known or to whom it was made known. Prior art under 35 U.S.C. § 102(f) shall be identified by providing the name of the person(s) from whom and the circumstances under which the invention or any part of it was derived. Prior art under 35 U.S.C. § 102(g) shall be identified by providing the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applicant(s);
- (b) Whether each item of prior art anticipates each asserted claim or renders it obvious. If obviousness is alleged, an explanation of why the prior art renders the asserted claim obvious, including an identification of any combinations of prior art showing obviousness;

- (c) A chart identifying where specifically in each alleged item of prior art each limitation of each asserted claim is found, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in each item of prior art that performs the claimed function; and
- (d) Any grounds of invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112(2) or enablement or written description under 35 U.S.C. § 112(1) of any of the asserted claims.

### **3-4. Document Production Accompanying Invalidity Contentions**

With the “Invalidity Contentions,” the party opposing a claim of patent infringement shall produce or make available for inspection and copying:

- (a) Source code, specifications, schematics, flow charts, artwork, formulas, or other documentation sufficient to show the operation of any aspects or elements of an Accused Instrumentality identified by the patent claimant in its Patent L.R. 3-1(c) chart; and
- (b) A copy or sample of the prior art identified pursuant to Patent L.R. 3-3(a) which does not appear in the file history of the patent(s) at issue. To the extent any such item is not in English, an English translation of the portion(s) relied upon shall be produced.

The producing party shall separately identify by production number which documents correspond to each category.

### **3-5. Disclosure Requirement in Patent Cases for Declaratory Judgment of Invalidity**

- (a) **Invalidity Contentions If No Claim of Infringement.** In all cases in which a party files a complaint or other pleading seeking a declaratory judgment that a patent is invalid Patent L.R. 3-1 and 3-2 shall not apply unless and until a claim for patent infringement is made by a party. If the defendant does not assert a claim for patent infringement in its answer to the complaint, no later than 14 days after the defendant serves its answer, or 14 days after the Initial Case Management Conference, whichever is later, the party seeking a declaratory judgment of invalidity shall serve upon each opposing party its Invalidity Contentions that conform to Patent L.R. 3-3 and produce or make available for inspection and copying the documents described in Patent L.R. 3-4.
- (b) **Inapplicability of Rule.** This Patent L.R. 3-5 shall not apply to cases in which a request for a declaratory judgment that a patent is invalid is filed in response to a complaint for infringement of the same patent.

### **3-6. Amendment to Contentions**

Amendment of the Infringement Contentions or the Invalidity Contentions may be made only by order of the Court upon a timely showing of good cause. Non-exhaustive examples of circumstances that may, absent undue prejudice to the non-moving party, support a finding of good cause include:

- (a) A claim construction by the Court different from that proposed by the party seeking amendment;

- (b) Recent discovery of material, prior art despite earlier diligent search; and
- (c) Recent discovery of nonpublic information about the Accused Instrumentality which was not discovered, despite diligent efforts, before the service of the Infringement Contentions.

The duty to supplement discovery responses does not excuse the need to obtain leave of court to amend contentions.

### **3-7. Advice of Counsel**

Not later than 50 days after service by the Court of its Claim Construction Ruling, each party relying upon advice of counsel as part of a patent-related claim or defense for any reason shall:

- (a) Produce or make available for inspection and copying any written advice and documents related thereto for which the attorney-client and work product protection have been waived;
- (b) Provide a written summary of any oral advice and produce or make available for inspection and copying that summary and documents related thereto for which the attorney-client and work product protection have been waived; and
- (c) Serve a privilege log identifying any other documents, except those authored by counsel acting solely as trial counsel, relating to the subject matter of the advice which the party is withholding on the grounds of attorney-client privilege or work product protection.

A party who does not comply with the requirements of this Patent L.R. 3-7 shall not be permitted to rely on advice of counsel for any purpose absent a stipulation of all parties or by order of the Court.

## **4. CLAIM CONSTRUCTION PROCEEDINGS**

### **4-1. Exchange of Proposed Terms for Construction**

- (a) Not later than 14 days after service of the “Invalidity Contentions” pursuant to Patent L.R. 3-3, not later than 42 days after service upon it of the “Disclosure of Asserted Claims and Infringement Contentions” in those actions where validity is not at issue (and Patent L.R. 3-3 does not apply), or, in all cases in which a party files a complaint or other pleading seeking a declaratory judgment not based on validity, not later than 14 days after the defendant serves an answer that does not assert a claim for patent infringement (and Patent L.R. 3-1 does not apply), each party shall serve on each other party a list of claim terms which that party contends should be construed by the Court, and identify any claim term which that party contends should be governed by 35 U.S.C. § 112(6).
- (b) The parties shall thereafter meet and confer for the purposes of limiting the terms in dispute by narrowing or resolving differences and facilitating the ultimate preparation of a Joint Claim Construction and Prehearing Statement. The parties shall also jointly identify the 10 terms likely to be most significant to resolving the parties’ dispute, including those terms for which construction may be case or claim dispositive.

### **4-2. Exchange of Preliminary Claim Constructions and Extrinsic Evidence**

- (a) Not later than 21 days after the exchange of the lists pursuant to Patent L.R. 4-1, the parties shall simultaneously exchange proposed constructions of each term identified by either party for claim construction. Each such “Preliminary Claim Construction” shall also, for each term which any party contends is governed by 35 U.S.C. § 112(6), identify the structure(s), act(s), or material(s) corresponding to that term’s function.
- (b) At the same time the parties exchange their respective “Preliminary Claim Constructions,” each party shall also identify all references from the specification or prosecution history that support its proposed construction and designate any supporting extrinsic evidence including, without limitation, dictionary definitions, citations to learned treatises and prior art, and testimony of percipient and expert witnesses. Extrinsic evidence shall be identified by production number or by producing a copy if not previously produced. With respect to any supporting witness, percipient or expert, the identifying party shall also provide a description of the substance of that witness’ proposed testimony that includes a listing of any opinions to be rendered in connection with claim construction.
- (c) The parties shall thereafter meet and confer for the purposes of narrowing the issues and finalizing preparation of a Joint Claim Construction and Prehearing Statement.

### **4-3. Joint Claim Construction and Prehearing Statement**

Not later than 60 days after service of the “Invalidity Contentions,” the parties shall complete and file a Joint Claim Construction and Prehearing Statement, which shall contain the following information:

- (a) The construction of those terms on which the parties agree;

- (b) Each party's proposed construction of each disputed term, together with an identification of all references from the specification or prosecution history that support that construction, and an identification of any extrinsic evidence known to the party on which it intends to rely either to support its proposed construction or to oppose any other party's proposed construction, including, but not limited to, as permitted by law, dictionary definitions, citations to learned treatises and prior art, and testimony of percipient and expert witnesses;
- (c) An identification of the terms whose construction will be most significant to the resolution of the case up to a maximum of 10. The parties shall also identify any term among the 10 whose construction will be case or claim dispositive. If the parties cannot agree on the 10 most significant terms, the parties shall identify the ones which they do agree are most significant and then they may evenly divide the remainder with each party identifying what it believes are the remaining most significant terms. However, the total terms identified by all parties as most significant cannot exceed 10. For example, in a case involving two parties, if the parties agree upon the identification of five terms as most significant, each may only identify two additional terms as most significant; if the parties agree upon eight such terms, each party may only identify only one additional term as most significant.
- (d) The anticipated length of time necessary for the Claim Construction Hearing;
- (e) Whether any party proposes to call one or more witnesses at the Claim Construction Hearing, the identity of each such witness, and for each witness, a summary of his or her testimony including, for any expert, each opinion to be offered related to claim construction.

#### **4-4. Completion of Claim Construction Discovery**

Not later than 30 days after service and filing of the Joint Claim Construction and Prehearing Statement, the parties shall complete all discovery relating to claim construction, including any depositions with respect to claim construction of any witnesses, including experts, identified in the Preliminary Claim Construction statement (Patent L.R. 4-2) or Joint Claim Construction and Prehearing Statement (Patent L.R. 4-3).

#### **4-5. Claim Construction Briefs**

- (a) Not later than 45 days after serving and filing the Joint Claim Construction and Prehearing Statement, the party claiming patent infringement, or the party asserting invalidity if there is no infringement issue present in the case, shall serve and file an opening brief and any evidence supporting its claim construction.
- (b) Not later than 14 days after service upon it of an opening brief, each opposing party shall serve and file its responsive brief and supporting evidence.
- (c) Not later than 7 days after service upon it of a responsive brief, the party claiming patent infringement, or the party asserting invalidity if there is no infringement issue present in the case, shall serve and file any reply brief and any evidence directly rebutting the supporting evidence contained in an opposing party's response.

**4-6. Claim Construction Hearing**

Subject to the convenience of the Court's calendar, two weeks following submission of the reply brief specified in Patent L.R. 4-5(c), the Court shall conduct a Claim Construction Hearing, to the extent the parties or the Court believe a hearing is necessary for construction of the claims at issue.

**4-7. Good Faith Participation**

A failure to make a good faith effort to narrow the instances of disputed terms or otherwise participate in the meet and confer process of any of the provisions of section 4 may expose counsel to sanctions, including under 28 U.S.C. § 1927.

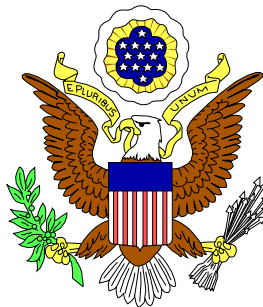
**LOCAL CIVIL AND CRIMINAL RULES**

**OF THE**

**UNITED STATES DISTRICT COURT**

**FOR THE**

**DISTRICT OF NEW JERSEY**



**With Revisions as of November 1, 2011**

**(e) Time and Procedure for Objection to Sale.** An interested person may object to the sale by filing a written objection with the Clerk within seven days following the sale, serving the objection on all parties of record, the successful bidder, and the Marshal, and depositing such sum with the Marshal as determined by him or her to be sufficient to pay the expense of keeping the property for at least seven days. Payment to the Marshal shall be in cash, certified check or cashier's check.

**(f) Confirmation of Sale.** A sale shall be confirmed by order of the Court within seven days, but no sooner than three days, after the sale. If an objection to the sale has been filed, the Court shall hold a hearing on the confirmation of the sale. The Marshal shall transfer title to the purchaser upon the order of the Court.

**(g) Disposition of Deposits.**

**(1) Objection Sustained.** If an objection is sustained, sums deposited by the successful bidder will be returned to the bidder forthwith. The sum deposited by the objector will be applied to pay the fees and expenses incurred by the Marshal in keeping the property until it is resold, and any balance remaining shall be returned to the objector. The objector will be reimbursed for the expense of keeping the property from the proceeds of a subsequent sale.

**(2) Objection Overruled.** If the objection is overruled, the sum deposited by the objector will be applied to pay the expense of keeping the property from the day the objection was filed until the day the sale is confirmed, and any balance remaining will be returned to the objector forthwith.

**LAMR (e)(13) Discharge of Stipulations for Value and Other Security.** When an order is entered in any cause marking the case dismissed or settled, the entry shall operate as a cancellation of all stipulations for value or other security provided to release the property seized that were filed in the case, unless otherwise provided in the order or by the Court.

**LOCAL ADMIRALTY AND MARITIME RULE (f). LIMITATION OF LIABILITY**

**LAMR (f) Security for Costs.** The amount of security for costs under Supplemental Rule F(1) shall be \$250, and it may be combined with the security for value and interest, unless otherwise ordered.

**Source:** G.R. 5.

**L. Civ. R. 9.3 -- LOCAL PATENT RULES**

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**UNITED STATES DISTRICT COURT  
DISTRICT OF NEW JERSEY**

**REPORT OF THE LOCAL PATENT RULES COMMITTEE  
Explanatory Notes for 2011 Amendments**

In September 2010, almost two years after the Local Patent Rules had been adopted, the Committee reconvened to assess the impact and effectiveness of the Local Patent Rules. Based on the experiences of members of the Committee from the Judiciary and the Bar, there was an unanimous view that the Local Patent Rules have served to benefit the Court and the parties in patent litigation.

Notwithstanding those positive experiences, the Committee also believed that certain amendments might be warranted. Those areas of proposed changes include: (a) design patents; (b) certain disclosure obligations; (c) clarifying disclosure of evidence in connection with a *Markman* hearing; (d) need for responses to infringement and invalidity contentions; (e) specific modifications for disclosures exclusive to Hatch-Waxman cases; (f) amendments to required submissions or filings; and clarification in the language of rules.

Subcommittees were appointed for each of the subject areas and shortly thereafter recommendations were proposed to the full Committee, which discussed them at length.

With regard to design patents, shortly after the Committee had submitted its proposed patent rules in 2008, the Court of Appeals for the Federal Circuit issued its *en banc* ruling in *Egyptian Goddess v. Swisa*, 543 F.3d 665 (2008), which held, in part, that a trial court should not provide a detailed verbal description of the claimed design. This holding is in tension with certain of the Local Patent Rules which call for a narrative claims chart, claim construction contentions and a claim construction hearing. The Committee determined that in light of the Federal Circuit authority modifications were appropriate to better suit the needs of design patents. See L. Pat. R. 3.1(c) and (e); 3.3(c); 3.4A(c); 4.1(c); 4.2(e); 4.3(g); 4.4; and 4.5(d).

While the Local Patent Rules expressly reference obligations regarding infringement and invalidity, the Committee noted that in cases outside of Hatch-Waxman matters, no provision presently exists that requires the allegedly infringing party to provide its non-infringement contentions. Accordingly, the Committee proposed disclosure obligations for non-infringement similar to those required for assertion of infringement and invalidity. See L. Pat. R. 3.2A(a) and (b); and 3.4(c).

As to invalidity contentions, while there are disclosure obligations by a party asserting invalidity, the Committee determined that a requirement that mandates that the patent holder respond in kind to invalidity contentions will provide parity between the parties and serve to focus the invalidity challenge. See L. Pat. R. 3.4A(a),(b) and (c); and 3.5 (a).

To help ensure that the spirit of the disclosure obligations is fully appreciated, the Committee recommended various rules requiring parties to disclose all materials that they intend to rely upon in connection with infringement, non-infringement, and invalidity contentions and or responses thereto. See L. Pat. R. 3.2(f); 3.2A(c); 3.4(c); and 3.4A(d).

In the area of Hatch-Waxman actions under L. Pat. R. 3.6, the Committee concluded that in order to help narrow the focus of a generic's invalidity contentions, the patent holder should be required to provide early disclosure of each patent and patent claim for infringement to which its infringement contentions would be limited. This eliminates speculation and added work by the generics in formulating their non-infringement and invalidity contentions. Changes recommended to disclosure obligations in non-Hatch-Waxman cases as they would apply in the

Hatch-Waxman context were also proposed. In addition, the Committee determined that the ANDA filer should produce its Abbreviated New Drug Application or New Drug Application shortly after filing an answer or motion as this is a fundamental element of the Hatch-Waxman action. It was also recommended that the ANDA filer be required to advise the Food and Drug Administration (“FDA”) of any motion for injunctive relief and supply the parties with relevant communications with the FDA which concern the subject matter filed in the District Court. This is intended to keep the FDA and parties apprised of any proceedings that may impact the ongoing litigation. See L. Pat. R. 3.6(a), (b), (c), (i) and (j).

In an effort to avoid potential misunderstandings as to the scope of permitted amendments to obligations under the Local Patent Rules, the Committee sought to clarify that amendments apply to all filings with the Court or exchanges between the parties as may be required by the Local Patent Rules. The proposed rule also makes plain that any amendments require the approval of the Court, notwithstanding consent by the parties. See L. Pat. R. 3.7.

Finally, as to claim construction and claim construction proceedings, the Committee proposed adding language to clarify that evidence to be used must be disclosed in a timely fashion. See L. Pat. R. 4.2(b) and (c); and 4.3(f).

In December 2010, the Committee submitted the proposed amendments to the Board of Judges for their consideration.

#### Local Patent Rules Committee

Hon. Jerome B. Simandle, U.S.D.J., Chair

Hon. Stanley R. Chesler, U.S.D.J.

Hon. Mary L. Cooper, U.S.D.J.

Hon. Faith S. Hochberg, U.S.D.J.

Hon. Peter G. Sheridan, U.S.D.J.

Hon. Tonianne J. Bongiovanni, U.S. M.J.

Hon. Joel Schneider, U.S.M.J.

Hon. Mark Falk, U.S.M.J.

Hon. Patty Shwartz, U.S.M.J.

John T. O’Brien, Legal Coordinator

Arnold B. Calmann, Esq.

Thomas Curtin, Esq.

David De Lorenzi, Esq.

Marc S. Friedman, Esq.

Dennis F. Gleason, Esq.

Mary Sue Henifin, Esq.

Norman E. Lehrer, Esq.

Peter Menell, Prof. of Law,

Univ. of Calif., Berkeley School of Law

William L. Mentlik, Esq.

George F. Pappas, Esq.

Matthew D. Powers, Esq.

Donald Robinson, Esq.

Robert G. Shepherd Esq.

December 2, 2010

## **L. Civ. R. 9.3 -- LOCAL PATENT RULES**

### **1. SCOPE OF RULES**

#### **1.1. Title.**

These are the Local Patent Rules for the United States District Court for the District of New Jersey. They should be cited as “L. Pat. R. \_\_.”

#### **1.2. Scope and Construction.**

These rules apply to all civil actions filed in or transferred to this Court which allege infringement of a patent in a complaint, counterclaim, cross-claim or third party claim, or which seek a declaratory judgment that a patent is not infringed, is invalid or is unenforceable. The Local Civil Rules of this Court shall also apply to such actions, except to the extent that they are inconsistent with these Local Patent Rules. If the filings or actions in a case do not trigger the application of these Local Patent Rules under the terms set forth herein, the parties shall, as soon as such circumstances become known, meet and confer for the purpose of agreeing on the application of these Local Patent Rules to the case and promptly report the results of the meet and confer to the Court.

#### **1.3. Modification of these Rules.**

The Court may modify the obligations or deadlines set forth in these Local Patent Rules based on the circumstances of any particular case, including, without limitation, the simplicity or complexity of the case as shown by the patents, claims, products, or parties involved. Such modifications shall, in most cases, be made at the initial Scheduling Conference, but may be made at other times by the Court sua sponte or upon a showing of good cause. In advance of submission of any request for a modification, the parties shall meet and confer for purposes of reaching an agreement, if possible, upon any modification.

#### **1.4. Effective Date.**

These Local Patent Rules take effect on January 1, 2009. They govern patent cases filed, transferred or removed on or after that date. For actions pending prior to the effective date, the Court will confer with the parties and apply these rules as the Court deems practicable.

#### **1.5. Patent Pilot Project.**

Procedures for allocation and assignment of patent cases under the Patent Pilot Project pursuant to Pub. L. No. 111-349, § 1, are provided in L. Civ. R. 40.1(f) and Appendix T to the Local Civil Rules.

## **2. GENERAL PROVISIONS**

### **2.1. Governing Procedure.**

**(a) Initial Scheduling Conference.** When the parties confer pursuant to Fed. R. Civ. P. 26(f), the parties shall discuss and address in the Discovery Plan submitted pursuant to Fed. R. Civ. P. 26(f) and L. Civ. R. 26.1(b)(2) the topics set forth in those rules and the following topics:

(1) Proposed modification of the obligations or deadlines set forth in these Local Patent Rules to ensure that they are suitable for the circumstances of the particular case (see L. Pat. R. 1.3);

- (2) The scope and timing of any claim construction discovery including disclosure of and discovery from any expert witness permitted by the court;
- (3) The format of the Claim Construction Hearing, including whether the Court will hear live testimony, the order of presentation, and the estimated length of the hearing;
- (4) How the parties intend to educate the Court on the patent(s) at issue; and
- (5) The need for any discovery confidentiality order and a schedule for presenting certification(s) required by L. Civ. R. 5.3(b)(2).

## **2.2. Confidentiality.**

Discovery cannot be withheld or delayed on the basis of confidentiality absent Court order. Pending entry of a discovery confidentiality order, discovery and disclosures deemed confidential by a party shall be produced to the adverse party for outside counsel's Attorney's Eyes Only, solely for purposes of the pending case and shall not be disclosed to the client or any other person.

Within 30 days after the initial Scheduling Conference, (a) the parties shall present a consent discovery confidentiality order, supported by a sufficient certification under L. Civ. R. 5.3(b)(2), or (b) in the absence of consent, a party shall, supported by a sufficient certification, apply for entry of a discovery confidentiality order under L. Civ. R. 5.3(b)(5) and L. Civ. R. 37.1(a)(1). The Court will decide those issues and enter the appropriate order, or the Court may enter the District's approved Discovery Confidentiality Order as set forth in Appendix S to these Rules if appropriate, in whole or in part.

With respect to all issues of discovery confidentiality, the parties shall comply with all terms of L. Civ. R. 5.3.

## **2.3. Relationship to Federal Rules of Civil Procedure.**

Except as provided in this paragraph or as otherwise ordered, it shall not be a ground for objecting to an opposing party's discovery request (e.g., interrogatory, document request, request for admission, deposition question) or declining to provide information otherwise required to be disclosed pursuant to Fed. R. Civ. P. 26(a)(1) that the discovery request or disclosure requirement is premature in light of, or otherwise conflicts with, these Local Patent Rules, absent other legitimate objection. A party may object, however, to responding to the following categories of discovery requests (or decline to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) on the ground that they are premature in light of the timetable provided in the Local Patent Rules:

- (a) Requests seeking to elicit a party's claim construction position;
- (b) Requests seeking to elicit a comparison of the asserted claims and the accused apparatus, product, device, process, method, act, or other instrumentality;
- (c) Requests seeking to elicit a comparison of the asserted claims and the prior art; and
- (d) Requests seeking to elicit the identification of any advice of counsel, and related documents.

Where a party properly objects to a discovery request (or declines to provide information in its initial disclosures under Fed. R. Civ. P. 26(a)(1)) as set forth above, that party shall provide

the requested information on the date on which it is required to be provided to an opposing party under these Local Patent Rules or as set by the Court, unless there exists another legitimate ground for objection.

## **2.4. Exchange of Expert Materials.**

(a) Disclosures of claim construction expert materials and depositions of such experts are governed by L. Pat. R. 4.1, et seq., unless otherwise ordered by the Court.

(b) Upon a sufficient showing that expert reports related to issues other than claim construction cannot be rendered until after a claim construction ruling has been entered by the Court, the disclosure of expert materials related to issues other than claim construction will not be required until claim construction issues have been decided.

## **3. PATENT DISCLOSURES**

### **3.1. Disclosure of Asserted Claims and Infringement Contentions.**

Not later than 14 days after the initial Scheduling Conference, a party asserting patent infringement shall serve on all parties a “Disclosure of Asserted Claims and Infringement Contentions.” Separately for each opposing party, the “Disclosure of Asserted Claims and Infringement Contentions” shall contain the following information:

(a) Each claim of each patent in suit that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted;

(b) Separately for each asserted claim, each accused apparatus, product, device, process, method, act, or other instrumentality (“Accused Instrumentality”) of each opposing party of which the party is aware. This identification shall be as specific as possible. Each product, device, and apparatus shall be identified by name or model number, if known. Each method or process shall be identified by name, if known, or by any product, device, or apparatus which, when used, allegedly results in the practice of the claimed method or process;

(c) Other than for design patents, a chart identifying specifically where each limitation of each asserted claim is found within each Accused Instrumentality, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in the Accused Instrumentality that performs the claimed function;

(d) For each claim which is alleged to have been indirectly infringed, an identification of any direct infringement and a description of the acts of the alleged indirect infringer that contribute to or are inducing that direct infringement. Insofar as alleged direct infringement is based on joint acts of multiple parties, the role of each such party in the direct infringement must be described;

(e) Other than for design patents, whether each limitation of each asserted claim is alleged to be literally present or present under the doctrine of equivalents in the Accused Instrumentality;

(f) For any patent that claims priority to an earlier application, the priority date to which each asserted claim allegedly is entitled;

(g) If a party asserting patent infringement wishes to preserve the right to rely, for any purpose, on the assertion that its own apparatus, product, device, process, method, act, or other instrumentality practices the claimed invention, the party shall identify, separately for each

asserted claim, each such apparatus, product, device, process, method, act, or other instrumentality that incorporates or reflects that particular claim; and

(h) If a party asserting patent infringement alleges willful infringement, the basis for such allegation.

### **3.2. Document Production Accompanying Disclosure.**

With the “Disclosure of Asserted Claims and Infringement Contentions,” the party asserting patent infringement shall produce to each opposing party or make available for inspection and copying:

(a) Documents (e.g., contracts, purchase orders, invoices, advertisements, marketing materials, offer letters, beta site testing agreements, and third party or joint development agreements) sufficient to evidence each discussion with, disclosure to, or other manner of providing to a third party, or sale of or offer to sell, or any public use of, the claimed invention prior to the date of application for the patent in suit. A party's production of a document as required herein shall not constitute an admission that such document evidences or is prior art under 35 U.S.C. § 102;

(b) All documents evidencing the conception, reduction to practice, design, and development of each claimed invention, which were created on or before the date of application for the patent in suit or the priority date identified pursuant to L. Pat. R. 3.1(f), whichever is earlier;

(c) A copy of the file history for each patent in suit (or so much thereof as is in the possession of the party asserting patent infringement);

(d) All documents evidencing ownership of the patent rights by the party asserting patent infringement;

(e) If a party identifies instrumentalities pursuant to L. Pat. R. 3.1(g), documents sufficient to show the operation of any aspects or elements of such instrumentalities the party asserting patent infringement relies upon as embodying any asserted claims; and

(f) All documents or things that a party asserting patent infringement intends to rely on in support of any of its infringement contentions under these Rules.

(g) With respect to each of the above document productions, the producing party shall separately identify by production number which documents correspond to each category.

#### **3.2A Non-Infringement Contentions and Responses.**

Not later than 45 days after service upon it of the “Disclosure of Asserted Claims and Infringement Contentions,” each party opposing an assertion of patent infringement shall serve on all parties its “Non-infringement Contentions and Responses” to Infringement Contentions which shall include the following:

(a) The written basis for its Non-Infringement Contentions and responses;

(b) The party's responses shall follow the order of the infringement claims chart that is required under L. Pat. R. 3.1(c), and shall set forth the party's agreement or disagreement with each allegation therein, including any additional or different claims at issue;

(c) The production or the making available for inspection of any document or thing that it intends to rely on in defense against any such Infringement Contentions.

### **3.3. Invalidity Contentions.**

Not later than 45 days after service upon it of the “Disclosure of Asserted Claims and Infringement Contentions,” each party opposing an assertion of patent infringement, shall serve on all parties its “Invalidity Contentions” which shall contain the following information:

(a) The identity of each item of prior art that allegedly anticipates each asserted claim or renders it obvious. Each prior art patent shall be identified by its number, country of origin, and date of issue. Each prior art publication shall be identified by its title, date of publication, and where feasible, author and publisher. Prior art under 35 U.S.C. § 102(b) shall be identified by specifying the item offered for sale or publicly used or known, the date the offer or use took place or the information became known, and the identity of the person or entity which made the use or which made and received the offer, or the person or entity which made the information known or to whom it was made known. Prior art under 35 U.S.C. § 102(f) shall be identified by providing the name of the person(s) from whom and the circumstances under which the invention or any part of it was derived. Prior art under 35 U.S.C. § 102(g) shall be identified by providing the identities of the person(s) or entities involved in and the circumstances surrounding the making of the invention before the patent applicant(s);

(b) Whether each item of prior art anticipates each asserted claim or renders it obvious. If obviousness is alleged, an explanation of why the prior art renders the asserted claim obvious, including an identification of any combinations of prior art showing obviousness;

(c) Other than for design patents, a chart identifying where specifically in each alleged item of prior art each limitation of each asserted claim is found, including for each limitation that such party contends is governed by 35 U.S.C. § 112(6), the identity of the structure(s), act(s), or material(s) in each item of prior art that performs the claimed function; and

(d) Any grounds of invalidity based on 35 U.S.C. § 101, indefiniteness under 35 U.S.C. § 112(2) or enablement or written description under 35 U.S.C. § 112(1) of any of the asserted claims.

### **3.4. Document Production Accompanying Invalidity Contentions.**

With the “Invalidity Contentions,” the party opposing an assertion of patent infringement shall produce or make available for inspection and copying:

(a) Source code, specifications, schematics, flow charts, artwork, formulas, or other documentation sufficient to show the operation, composition, or structure of any aspects or elements of an Accused Instrumentality identified by the party asserting patent infringement in its L. Pat. R. 3.1(c) chart; and

(b) A copy or sample of the prior art identified pursuant to L. Pat. R. 3.3(a) which does not appear in the file history of the patent(s) at issue. To the extent any such item is not in English, an English translation of the portion(s) relied upon shall be produced.

(c) A party asserting invalidity shall also produce any other document or thing on which it intends to rely in support of its assertion.

(d) With respect to each of the above document productions, the producing party shall separately identify by production number which documents correspond to each category.

### **3.4A Responses to Invalidity Contentions.**

Not later than 14 days after service upon it of the “Invalidity Contentions,” each party defending the validity of the patent shall serve on all parties its “Responses to Invalidity Contentions” which shall include the following:

(a) For each item of asserted prior art, the identification of each limitation of each asserted claim that the party believes is absent from the prior art, except for design patents, where the party shall supply an explanation why the prior art does not anticipate the claim;

(b) If obviousness is alleged, an explanation of why the prior art does not render the asserted claim obvious;

(c) The party's responses shall follow the order of the invalidity chart required under L. Pat. R. 3.3(c), and shall set forth the party's agreement or disagreement with each allegation therein and the written basis thereof; and

(d) The production or the making available for inspection and copying of any document or thing that the party intends to rely on in support of its Responses herein.

### **3.5. Disclosure Requirement in Patent Cases for Declaratory Judgment of Invalidity.**

(a) **Invalidity Contentions If No Claim of Infringement.** In all cases in which a party files a complaint or other pleading seeking a declaratory judgment that a patent is invalid, L. Pat. R. 3.1 and 3.2 shall not apply unless and until a claim for patent infringement is made by a party. If the declaratory defendant does not assert a claim for patent infringement in its answer to the complaint, or within 14 days after the Initial Scheduling Conference, whichever is later, the party seeking a declaratory judgment of invalidity shall serve upon each opposing party its Invalidity Contentions that conform to L. Pat. R. 3.3 and produce or make available for inspection and copying the documents described in L. Pat. R. 3.4. Each party opposing the declaratory plaintiff's complaint seeking a declaratory judgment of invalidity shall serve its “Responses to Invalidity Contentions” as required under L. Pat. R. 3.4A.

(b) **Inapplicability of Rule.** This L. Pat. R. 3.5 shall not apply to cases in which a request for a declaratory judgment that a patent is invalid is filed in response to a complaint for infringement of the same patent, in which case the provisions of L. Pat. R. 3.3 and 3.4 shall govern.

### **3.6. Disclosure Requirements for Patent Cases Arising Under 21 U.S.C. § 355 (commonly referred to as “the Hatch-Waxman Act”).**

The following applies to all patents subject to a Paragraph IV certification in cases arising under 21 U.S.C. § 355 (commonly referred to as “the Hatch-Waxman Act”). This rule takes precedence over any conflicting provisions in L. Pat. R. 3.1 to 3.5 for all cases arising under 21 U.S.C. § 355.

(a) On the date a party answers, moves, or otherwise responds, each party who is an ANDA filer shall produce to each party asserting patent infringement the entire Abbreviated New Drug Application or New Drug Application that is the basis of the case in question.

(b) Not more than seven days after the initial Scheduling Conference, each party asserting patent infringement shall serve on all parties a “Disclosure of Asserted Claims” that lists each

claim of each patent that is allegedly infringed by each opposing party, including for each claim the applicable statutory subsections of 35 U.S.C. § 271 asserted.

(c) Not more than 14 days after the initial Scheduling Conference, each party opposing an assertion of patent infringement shall provide to each party asserting patent infringement the written basis for its “Invalidity Contentions,” for any patents referred to in the opposing party's Paragraph IV Certification, which shall contain all disclosures required by L. Pat. R. 3.3.

(d) Any “Invalidity Contentions” disclosed under L. Pat. R. 3.6(c), shall be accompanied by the production of documents required under L. Pat. R. 3.4(b) and (c).

(e) Not more than 14 days after the initial Scheduling Conference, each party opposing an assertion of patent infringement shall provide to each party asserting patent infringement the written basis for its “Non-Infringement Contentions,” for any patents referred to in the opposing party's Paragraph IV Certification which shall include a claim chart identifying each claim at issue in the case and each limitation of each claim at issue. The claim chart shall specifically identify for each claim which claim limitation(s) is/(are) literally absent from each opposing party's allegedly infringing Abbreviated New Drug Application or New Drug Application.

(f) Any “Non-Infringement Contentions” disclosed under L. Pat. R. 3.6(e), shall be accompanied by the production of any document or thing that each party who is an ANDA filer intends to rely on in defense against any infringement contentions by each party asserting patent infringement.

(g) Not more than 45 days after the disclosure of the “Non-Infringement Contentions” as required by L. Pat. R. 3.6(e), each party asserting patent infringement shall provide each opposing party with a “Disclosure of Infringement Contentions,” for all patents referred to in each opposing party's Paragraph IV Certification, which shall contain all disclosures required by L. Pat. R. 3.1. The infringement contentions shall be limited to the claims identified in L. Pat. R. 3.6(b).

(h) Any “Disclosure of Asserted Claims and Infringement Contentions” disclosed under L. Pat. R. 3.6(g), shall be accompanied by the production of documents required under L. Pat. R. 3.2.

(i) Not more than 45 days after the disclosure of “Invalidity Contentions” as required by L. Pat. R. 3.6(c), the party defending the validity of the patent shall serve on each other party its “Responses to Invalidity Contentions” as required under L. Pat. R. 3.4A.

(j) Each party that has an ANDA application pending with the Food and Drug Administration (“FDA”) that is the basis of the pending case shall: (1) notify the FDA of any and all motions for injunctive relief no later than three business days after the date on which such a motion is filed; and (2) provide a copy of all correspondence between itself and the FDA pertaining to the ANDA application to each party asserting infringement, or set forth the basis of any claim of privilege for such correspondence pursuant to L. Civ. R. 34.1, no later than seven days after the date it sends same to the FDA or receives same from the FDA.

### **3.7. Amendments.**

Amendment of any contentions, disclosures, or other documents required to be filed or exchanged pursuant to these Local Patent Rules may be made only by order of the Court upon a timely application and showing of good cause. The application shall disclose whether parties

consent or object. Non-exhaustive examples of circumstances that may, absent undue prejudice to the adverse party, support a finding of good cause include: (a) a claim construction by the Court different from that proposed by the party seeking amendment; (b) recent discovery of material prior art despite earlier diligent search; (c) recent discovery of nonpublic information about the Accused Instrumentality which was not discovered, despite diligent efforts, before the service of the Infringement Contentions; (d) disclosure of an infringement contention by a Hatch-Waxman Act party asserting infringement under L. Pat. R. 3.6(g) that requires response by the adverse party because it was not previously presented or reasonably anticipated; and (e) consent by the parties in interest to the amendment and a showing that it will not lead to an enlargement of time or impact other scheduled deadlines. The duty to supplement discovery responses under Fed. R. Civ. P. 26(e) does not excuse the need to obtain leave of Court to amend contentions, disclosures, or other documents required to be filed or exchanged pursuant to these Local Patent Rules.

### **3.8. Advice of Counsel.**

Unless otherwise ordered by the Court, not later than 30 days after entry of the Court's claim construction order, or upon such other date as set by the Court, each party relying upon advice of counsel as part of a patent-related claim or defense for any reason shall:

(a) Produce or make available for inspection and copying any written advice and documents related thereto for which the attorney-client and work product protection have been waived;

(b) Provide a written summary of any oral advice and produce or make available for inspection and copying that summary and documents related thereto for which the attorney-client and work product protection have been waived; and

(c) Serve a privilege log identifying any documents other than those identified in subpart (a) above, except those authored by counsel acting solely as trial counsel, relating to the subject matter of the advice which the party is withholding on the grounds of attorney-client privilege or work product protection.

A party who does not comply with the requirements of this L. Pat. R. 3.8 shall not be permitted to rely on advice of counsel for any purpose absent a stipulation of all parties or by order of the Court.

## **4. CLAIM CONSTRUCTION PROCEEDINGS**

### **4.1. Exchange of Proposed Terms for Construction.**

(a) Not later than 14 days after service of the "Responses to Invalidity Contentions" pursuant to L. Pat. R. 3.4A, not later than 45 days after service upon it of the "Non-Infringement Contentions and Responses" pursuant to L. Pat. R. 3.2A in those actions where validity is not at issue (and L. Pat. R. 3.3 does not apply), or, in all cases in which a party files a complaint or other pleading seeking a declaratory judgment not based on validity, not later than 14 days after the defendant serves an answer that does not assert a claim for patent infringement (and L. Pat. R. 3.1 does not apply), each party shall serve on each other party a list of claim terms which that party contends should be construed by the Court, and identify any claim term which that party contends should be governed by 35 U.S.C. § 112(6).

(b) The parties shall thereafter meet and confer for the purposes of limiting the terms in dispute by narrowing or resolving differences and facilitating the ultimate preparation of a Joint Claim Construction and Prehearing Statement.

(c) This rule does not apply to design patents.

#### **4.2. Exchange of Preliminary Claim Constructions and Extrinsic Evidence.**

(a) Not later than 21 days after the exchange of the lists pursuant to L. Pat. R. 4.1, the parties shall simultaneously exchange preliminary proposed constructions of each term identified by any party for claim construction. Each such “Preliminary Claim Construction” shall also, for each term which any party contends is governed by 35 U.S.C. § 112(6), identify the structure(s), act(s), or material(s) corresponding to that term's function.

(b) At the same time the parties exchange their respective “Preliminary Claim Constructions,” each party shall also identify all intrinsic evidence, all references from the specification or prosecution history that support its preliminary proposed construction and designate any supporting extrinsic evidence including, without limitation, dictionary definitions, citations to learned treatises and prior art and testimony of all witnesses including expert witnesses. Extrinsic evidence shall be identified by production number or by producing a copy if not previously produced. With respect to all witnesses including experts, the identifying party shall also provide a description of the substance of that witness' proposed testimony that includes a listing of any opinions to be rendered in connection with claim construction.

(c) Not later than 14 days after the parties exchange the “Preliminary Claim Constructions” under this rule, the parties shall exchange an identification of all intrinsic evidence and extrinsic evidence that each party intends to rely upon to oppose any other party's proposed construction, including without limitation, the evidence referenced in L. Pat. R. 4.2(b).

(d) The parties shall thereafter meet and confer for the purposes of narrowing the issues and finalizing preparation of a Joint Claim Construction and Prehearing Statement.

(e) This rule does not apply to design patents.

#### **4.3. Joint Claim Construction and Prehearing Statement.**

Not later than 30 days after the exchange of “Preliminary Claim Constructions” under L. Pat. R. 4.2(a), the parties shall complete and file a Joint Claim Construction and Prehearing Statement, which shall contain the following information:

(a) The construction of those terms on which the parties agree;

(b) Each party's proposed construction of each disputed term, together with an identification of all references from the intrinsic evidence that support that construction, and an identification of any extrinsic evidence known to the party on which it intends to rely either to support its proposed construction or to oppose any other party's proposed construction, including, but not limited to, as permitted by law, dictionary definitions, citations to learned treatises and prior art, and testimony of all witnesses including experts;

(c) An identification of the terms whose construction will be most significant to the resolution of the case. The parties shall also identify any term whose construction will be case or claim dispositive or substantially conducive to promoting settlement, and the reasons therefor;

(d) The anticipated length of time necessary for the Claim Construction Hearing; and

(e) Whether any party proposes to call one or more witnesses at the Claim Construction Hearing, the identity of each such witness, and for each witness, a summary of his or her testimony including, for any expert, each opinion to be offered related to claim construction.

(f) Any evidence that is not identified under L. Pat. R. 4.2(a) through 4.2(c) inclusive shall not be included in the Joint Claim Construction and Prehearing Statement.

(g) This rule does not apply to design patents.

#### **4.4. Completion of Claim Construction Discovery.**

Not later than 30 days after service and filing of the Joint Claim Construction and Prehearing Statement, the parties shall complete all discovery relating to claim construction, including any depositions with respect to claim construction of any witnesses, other than experts, identified in the Preliminary Claim Construction statement (L. Pat. R. 4.2) or Joint Claim Construction and Prehearing Statement (L. Pat. R. 4.3). This rule does not apply to design patents.

#### **4.5. Claim Construction Submissions.**

(a) Not later than 45 days after serving and filing the Joint Claim Construction and Prehearing Statement, the parties shall contemporaneously file and serve their opening *Markman* briefs and any evidence supporting claim construction, including experts' certifications or declarations ("Opening *Markman* Submissions").

(b) Unless otherwise ordered by the Court, any discovery from an expert witness who submitted a certification or declaration under L. Pat. R. 4.5(a) shall be concluded within 30 days after filing the Opening *Markman* Submissions.

(c) Not later than 60 days after the filing of the Opening *Markman* Submissions, the parties shall contemporaneously file and serve responding *Markman* briefs and any evidence supporting claim construction, including any responding experts' certifications or declarations.

(d) With regard to design patents only, subsections (a), (b), and (c) shall not apply. Where a design patent is at issue, not later than 45 days after the submission of "Non-Infringement Contentions and Responses" under L. Pat. R. 3.2A and/or "Responses to Invalidity Contentions" under L. Pat. R. 3.4A, the parties shall contemporaneously file and serve opening *Markman* briefs and any evidence supporting claim construction. Not more than 30 days after the filing of the opening *Markman* briefs, the parties shall contemporaneously file and serve responding *Markman* briefs and any evidence supporting claim construction.

#### **4.6. Claim Construction Hearing.**

Within two weeks following submission of the briefs and evidence specified in L. Pat. R. 4.5(c) and (d), counsel shall confer and propose to the Court a schedule for a Claim Construction Hearing, to the extent the parties or the Court believe a hearing is necessary for construction of the claims at issue.

Adopted December 11, 2008, Effective January 1, 2009, Amended March 18, 2011, October 4, 2011.

## **Appendix E. Model Patent Jury Instructions**

**Northern District of California in its Model Patent Jury Instructions  
(Nov. 3, 2011)**

**Federal Circuit Bar Association, Model Jury Instructions (Feb. 2012)**

Model Patent Jury Instructions  
for the Northern District of California

November 3, 2011

Working Committee

Martin Fliesler – Chair  
Professor Mark Lemley  
Kathi Lutton  
David McIntyre  
Matthew Powers  
Honorable Ronald Whyte  
James Yoon

## **I. Introduction**

These Revised Model Patent Jury Instructions have been adopted by the Northern District of California as model patent instructions. The court intends to revise these instructions as needed to make them more complete and to ensure compliance with U.S. Supreme Court and Federal Circuit decisions. The court is indebted to the Working Committee which spent many hours drafting these model instructions.

The instructions have been prepared to assist judges in communicating effectively and in plain English with jurors in patent cases. The instructions are models and are not intended to be used without tailoring. They are not substitutes for the individual research and drafting that may be required in a particular case.

These instructions include only instructions on patent law. They will need to be supplemented with standard instructions on, among other things, the duties of the judge and jury, the consideration of evidence, the duty to deliberate, and the return of a verdict. The Ninth Circuit's Manual of Model Civil Jury Instructions (Revised April 2007) is a good reference for standard instructions for civil cases.

The instructions use the terms “patent holder” and “alleged infringer” in brackets. The names of the parties should be substituted for these terms as appropriate. Other language is bracketed as it may not be appropriate for a particular case. Empty brackets signify additional case specific information to be added, such as patent or claim numbers.

Suggested revisions to these instructions may be sent to the Honorable Ronald M. Whyte at the e-mail address: [Ronald\\_Whyte@cand.uscourts.gov](mailto:Ronald_Whyte@cand.uscourts.gov) or at his U.S. mail address: U.S. Court Building, 280 S. First Street, San Jose, California 95113.

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## **WHAT A PATENT IS AND HOW ONE IS OBTAINED**

This case involves a dispute relating to a United States patent. Before summarizing the positions of the parties and the legal issues involved in the dispute, let me take a moment to explain what a patent is and how one is obtained.

Patents are granted by the United States Patent and Trademark Office (sometimes called “the PTO”). The process of obtaining a patent is called patent prosecution. A valid United States patent gives the patent owner the right to prevent others from making, using, offering to sell, or selling the patented invention within the United States, or from importing it into the United States, during the term of the patent without the patent holder’s permission. A violation of the patent owner’s rights is called infringement. The patent owner may try to enforce a patent against persons believed to be infringers by a lawsuit filed in federal court.

To obtain a patent one must file an application with the PTO. The PTO is an agency of the federal government and employs trained examiners who review applications for patents. The application includes what is called a “specification,” which must contain a written description of the claimed invention telling what the invention is, how it works, how to make it and how to use it so others skilled in the field will know how to make or use it. The specification concludes with one or more numbered sentences. These are the patent “claims.” When the patent is eventually granted by the PTO, the claims define the boundaries of its protection and give notice to the public of those boundaries.

After the applicant files the application, a PTO patent examiner reviews the patent application to determine whether the claims are patentable and whether the specification adequately describes the invention claimed. In examining a patent application, the patent examiner reviews records available to the PTO for what is referred to as “prior art.” The examiner also will review prior art if it is submitted to the PTO by the applicant. Prior art is defined by law, and I will give you at a later time specific instructions as to what constitutes prior art. However, in general, prior art includes things that existed before the claimed invention, that were publicly known, or used in a publicly accessible way in this country, or that were patented or described in a publication in any country. The examiner considers, among other things, whether each claim defines an invention that is new, useful, and not obvious in view of the prior art. A patent lists the prior art that the examiner considered; this list is called the “cited references.”

After the prior art search and examination of the application, the patent examiner then informs the applicant in writing what the examiner has found and whether any claim is patentable, and thus will be “allowed.” This writing from the patent examiner is called an “office action.” If the examiner rejects the claims, the applicant then responds and sometimes changes the claims or submits new claims. This process, which takes place only between the examiner and the patent applicant, may go back and forth for some time until the examiner is satisfied that the application and claims meet the requirements for a patent. The papers generated during this time of communicating back and forth between the patent examiner and the applicant make up what is called the “prosecution history.” All of this material becomes available to the public no later than

the date when the patent issues.

The fact that the PTO grants a patent does not necessarily mean that any invention claimed in the patent, in fact, deserves the protection of a patent. For example, the PTO may not have had available to it all the information that will be presented to you. A person accused of infringement has the right to argue here in federal court that a claimed invention in the patent is invalid because it does not meet the requirements for a patent.

*A.2. Preliminary Instructions*

**PATENT AT ISSUE**

[The court should show the jury the patent at issue and point out the parts including the specification, drawings and claims including the claims at issue.]

### *A.3. Preliminary Instructions*

#### **SUMMARY OF CONTENTIONS**

To help you follow the evidence, I will now give you a summary of the positions of the parties.

The parties in this case are [patent holder] and [alleged infringer]. The case involves a United States patent obtained by [inventor], and transferred by [inventor] to [patent holder]. The patent involved in this case is United States Patent Number [patent number] which lists [inventor] as the inventor. For convenience, the parties and I will often refer to this patent as the [last three numbers of the patent] patent, [last three numbers of patent] being the last three numbers of its patent number.

[Patent holder] filed suit in this court seeking money damages from [alleged infringer] for allegedly infringing the [ ] patent by [making], [importing], [using], [selling], and [offering for sale] [products] [methods] that [patent holder] argues are covered by claims [ ] of the patent. [[Patent holder] also argues that [alleged infringer] has [actively induced infringement of these claims of the [ ] patent by others] [and] [contributed to the infringement of these claims of the [ ] patent by others].] The [products] [methods] that are alleged to infringe are [list of accused products or methods].

[Alleged infringer] denies that it has infringed claims [ ] of the [ ] patent and argues that, in addition, the claims are invalid. [Add other defenses, if applicable]. Invalidity is a defense to infringement.

Your job will be to decide whether claims [ ] of the [ ] patent have been infringed and whether those claims are invalid. If you decide that any claim of the [ ] patent has been infringed and is not invalid, you will then need to decide any money damages to be awarded to [patent holder] to compensate it for the infringement. [You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damage award you give. I will take willfulness into account later.]

You may hear evidence that [alleged infringer] has its own patent(s) or that [alleged infringer] improved on the [ ] patent. While this evidence is relevant to some issues you will be asked to decide, a party can still infringe even if it has its own patents in the same area. You will be instructed after trial as to what, if any, relevance these facts have to the particular issues in this case. Meanwhile, please keep an open mind.

Before you decide whether [alleged infringer] has infringed the claim[s] of the patent or whether the claim[s] [is][are] invalid, you will need to understand the patent claims. As I mentioned, the patent claims are numbered sentences at the end of the patent that describe the boundaries of the patent's protection. It is my job as judge to explain to you the meaning of any language in the claim[s] that needs interpretation.

[The Court may wish to hand out its claim constructions (if the claims have been construed at this point) and the glossary at this time. If the claim constructions are handed out, the following

instruction should be read:

I have already determined the meaning of certain terms of the claims of the [ ] patent. You have been given a document reflecting those meanings. You are to apply my definitions of these terms throughout this case. However, my interpretation of the language of the claims should not be taken as an indication that I have a view regarding issues such as infringement and invalidity. Those issues are yours to decide. I will provide you with more detailed instructions on the meaning of the claims before you retire to deliberate your verdict.]

#### *A.4. Preliminary Instructions*

### **OVERVIEW OF APPLICABLE LAW**

[The court may want to consider giving preliminary instructions on the patent law applicable to the specific issues in the case. This could help focus the jury on the facts relevant to the issues it will have to decide. If this is done, the instructions intended to be given after the close of evidence could be adapted and given as preliminary instructions. This, of course, would not negate the need to give complete instructions at the close of evidence.]

### *A.5. Preliminary Instructions*

## **OUTLINE OF TRIAL**

The trial will now begin. First, each side may make an opening statement. An opening statement is not evidence. It is simply an outline to help you understand what that party expects the evidence will show.

The presentation of evidence will then begin. Witnesses will take the witness stand and the documents will be offered and admitted into evidence. There are two standards of proof that you will apply to the evidence, depending on the issue you are deciding. On some issues, you must decide whether something is more likely true than not. On other issues you must use a higher standard and decide whether it is highly probable that something is true.

[Patent holder] will present its evidence on its contention that [some] [the] claims of the [ ] patent have been [and continue to be] infringed by [alleged infringer] [and that the infringement has been [and continues to be] willful.] These witnesses will be questioned by [Patent holder]'s counsel in what is called direct examination. After the direct examination of a witness is completed, the opposing side has an opportunity to cross-examine the witness. To prove infringement of any claim, [patent holder] must persuade you that it is more likely than not that [alleged infringer] has infringed that claim. [To persuade you that any infringement was willful, [patent holder] must prove that it is highly probable that the infringement was willful.]

After [Patent holder] has presented its witnesses, [alleged infringer] will call its witnesses, who will also be examined and cross-examined. [Alleged infringer] will present its evidence that the claims of the [ ] patent are invalid. To prove invalidity of any claim, [alleged infringer] must persuade you that it is highly probable that the claim is invalid. In addition to presenting its evidence of invalidity, [alleged infringer] will put on evidence responding to [patent holder]'s infringement [and willfulness] contention[s].

[Patent holder] will then return and will put on evidence responding to [alleged infringer]'s contention that the claims of the [ ] patent are invalid. [Patent holder] will also have the option to put on what is referred to as “rebuttal” evidence to any evidence offered by [alleged infringer] of non-infringement [or lack of willfulness].

Finally, [alleged infringer] will have the option to put on “rebuttal” evidence to any evidence offered by [patent holder] on the validity of [some] [the] claims of the [ ] patent.

[During the presentation of the evidence, the attorneys will be allowed brief opportunities to explain what they believe the evidence has shown or what they believe upcoming evidence will show. Such comments are not evidence and are being allowed solely for the purpose of helping you understand the evidence.]

Because the evidence is introduced piecemeal, you need to keep an open mind as the evidence comes in and wait for all the evidence before you make any decisions. In other words, you

should keep an open mind throughout the entire trial.

[The parties may present the testimony of a witness by reading from his or her deposition transcript or playing a videotape of the witness's deposition testimony. A deposition is the sworn testimony of a witness taken before trial and is entitled to the same consideration as if the witness had testified at trial.]

After the evidence has been presented, [the attorneys will make closing arguments and I will give you final instructions on the law that applies to the case] [I will give you final instructions on the law that applies to the case and the attorneys will make closing arguments]. Closing arguments are not evidence. After the [closing arguments and instructions] [instructions and closing arguments], you will then decide the case.

### *B.1. Summary of Contentions*

#### **SUMMARY OF CONTENTIONS**

I will first give you a summary of each side's contentions in this case. I will then tell you what each side must prove to win on each of its contentions. As I previously told you, [patent holder] seeks money damages from [alleged infringer] for allegedly infringing the [ ] patent by [making,] [importing,] [using,] [selling] and [offering for sale] [products] [methods] that [patent holder] argues are covered by claims [ ] of the patent. These are the asserted claims of the [ ] patent. [Patent holder] also argues that [alleged infringer] has [actively induced infringement of these claims of the [ ] patent by others] [contributed to the infringement of these claims of the [ ] patent by others]. The [products] [methods] that are alleged to infringe are [list of accused products or methods].

[Alleged infringer] denies that it has infringed the asserted claims of the patent and argues that, in addition, claims [ ] are invalid. [Add other defenses if applicable.]

Your job is to decide whether the asserted claims of the [ ] patent have been infringed and whether any of the asserted claims of the [ ] patent are invalid. If you decide that any claim of the patent has been infringed and is not invalid, you will then need to decide any money damages to be awarded to [patent holder] to compensate it for the infringement. [You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damage award you make. I will take willfulness into account later.]

## B.2. Claim Construction

### 2.1 INTERPRETATION OF CLAIMS

Before you decide whether [alleged infringer] has infringed the claim[s] of the patent or whether the claim[s] [is][are] invalid, you will need to understand the patent claims. As I mentioned, the patent claims are numbered sentences at the end of the patent that describes the boundaries of the patent's protection. It is my job as judge to explain to you the meaning of any language in the claim[s] that needs interpretation.

I have interpreted the meaning of some of the language in the patent claims involved in this case. You must accept those interpretations as correct. My interpretation of the language should not be taken as an indication that I have a view regarding the issues of infringement and invalidity. The decisions regarding infringement and invalidity are yours to make.

[Court gives its claim interpretation. This instruction must be coordinated with instruction 3.5 “Means-Plus-Function Claims—Literal Infringement” if the claims at issue include means-plus-function limitations.]

#### Authorities

*Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 384-391 (1996); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1324 (Fed. Cir. 2005); *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1304-13 (Fed. Cir. 1999); *Cybor Corp. v. FAS Techs.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995) (*en banc*).

### *B.3. Infringement*

#### **3.1 INFRINGEMENT – BURDEN OF PROOF**

I will now instruct you on the rules you must follow in deciding whether [patent holder] has proven that [alleged infringer] has infringed one or more of the asserted claims of the [ ] patent. To prove infringement of any claim, [patent holder] must persuade you that it is more likely than not that [alleged infringer] has infringed that claim.

#### Authorities

*Warner-Lambert Co. v. Teva Pharm. USA, Inc.*, 418 F.3d 1326, 1341 n.15 (Fed. Cir. 2005); *Seal-Flex, Inc. v. Athletic Track and Court Constr.*, 172 F.3d 836, 842 (Fed. Cir. 1999); *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 5 F.3d 1464, 1468-69 (Fed. Cir. 1993).

### B.3. Infringement

## 3.2 DIRECT INFRINGEMENT

A patent's claims define what is covered by the patent. A [product] [method] directly infringes a patent if it is covered by at least one claim of the patent.

Deciding whether a claim has been directly infringed is a two-step process. The first step is to decide the meaning of the patent claim. I have already made this decision, [and I will instruct you later as to the meaning of the asserted patent claims] [and I have already instructed you as to the meaning of the asserted patent claims]. The second step is to decide whether [alleged direct infringer] has [made,] [used,] [sold,] [offered for sale] or [imported] within the United States a [product] [method] covered by a claim of the [ ] patent.<sup>1</sup> If it has, it infringes. You, the jury, make this decision.

[With one exception,] you must consider each of the asserted claims of the patent individually, and decide whether [alleged direct infringer]'s [product] [method] infringes that claim. [The one exception to considering claims individually concerns dependent claims. A dependent claim includes all of the requirements of a particular independent claim, plus additional requirements of its own. As a result, if you find that an independent claim is not infringed, you must also find that its dependent claims are not infringed. On the other hand, if you find that an independent claim has been infringed, you must still separately decide whether the additional requirements of its dependent claims have also been infringed.]

[You have heard evidence about both [patent holder]'s commercial [[product] [method]] and [alleged infringer]'s accused [[product] [method]]. However, in deciding the issue of infringement you may not compare [alleged infringer]'s accused [[product] [method]] to [patent holder]'s commercial [[product] [method]]. Rather, you must compare the [alleged infringer]'s accused [[product] [method]] to the claims of the [ ] patent when making your decision regarding infringement.]<sup>2</sup>

Whether or not [alleged infringer] knew its [product][method] infringed or even knew of the patent does not matter in determining direct infringement.

There are two ways in which a patent claim may be directly infringed. A claim may be “literally” infringed, or it may be infringed under the “doctrine of equivalents.” The following instructions will provide more detail on these two types of direct infringement. [You should note, however, that what are called “means-plus-function” requirements in a claim are subject to different rules for deciding direct infringement. These separate rules apply to claims [ ]. I will describe these separate rules shortly.]

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<sup>1</sup> Consistent with the policy of these instructions not to propose instructions on issues that arise only rarely, we have not proposed instructions on international infringement under sections 35 U.S.C. 271(f) and (g). If those issues arise, the reference in this instruction to infringement “within the United States” should be modified accordingly. See *Microsoft Corp. v. AT&T Corp.*, 127 S.Ct. 1746 (2007); *Bayer AG v. Housey Pharms. Inc.*, 340 F.3d 1367 (Fed. Cir. 2003).

<sup>2</sup> This instruction is appropriate in cases where the plaintiff sells a commercial product and contends that such product practices at least one of the asserted patent claims.

### Authorities

35 U.S.C. § 271; *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1310-11 (Fed. Cir. 2005); *DeMarini Sports, Inc. v. Worth, Inc.*, 239 F.3d 1314, 1330-34 (Fed. Cir. 2001); *Seal-Flex, Inc. v. Athletic Track and Court Constr.*, 172 F.3d 836, 842 (Fed. Cir. 1999); *Carroll Touch, Inc. v. Electro Mech. Sys., Inc.*, 15 F.3d 1573, 1576 (Fed. Cir. 1993).

### B.3. Infringement

#### 3.3 LITERAL INFRINGEMENT

To decide whether [alleged infringer]’s [product] [method] literally infringes a claim of the [ ] patent, you must compare that [product] [method] with the patent claim and determine whether every requirement of the claim is included in that [product] [method]. If so, [alleged infringer]’s [product] [method] literally infringes that claim. If, however, [alleged infringer]’s [product] [method] does not have every requirement in the patent claim, [alleged infringer]’s [product] [method] does not literally infringe that claim. You must decide literal infringement for each asserted claim separately.

[If the patent claim uses the term “comprising,” that patent claim is to be understood as an open claim. An open claim is infringed as long as every requirement in the claim is present in [alleged infringer]’s [product] [method]. The fact that [alleged infringer]’s [product] [method] also includes other [parts] [steps] will not avoid infringement, as long as it has every requirement in the patent claim.]

[If the patent claim uses the term “consisting of,” that patent claim is to be understood as a closed claim. To infringe a closed claim, [alleged infringer]’s [product] [method] must have every requirement in the claim and no other [parts] [steps].]

[If the patent claim uses the term “consisting essentially of,” that patent claim is to be understood as a partially closed claim. A partially closed claim is infringed as long as every requirement in the claim is present in [alleged infringer]’s [product] [method]. The fact that [alleged infringer]’s [product] [method] also includes other [parts] [steps] will not avoid infringement so long as those [parts] [steps] do not materially affect the basic and novel properties of the invention. If [accused infringer]’s [product] [method] includes other [parts] [steps] that do change those basic and novel properties, it does not infringe.<sup>3</sup>]

[If [alleged infringer]’s [product] [method] does not itself include every requirement in the patent claim, [alleged infringer] cannot be liable for infringement merely because other parties supplied the missing elements, unless [accused infringer] directed or controlled the acts by those parties.] [Alleged infringer] does not direct or control someone else’s action merely because [alleged infringer] entered into a business relationship with that person. Instead, [alleged infringer] must specifically instruct or cause that other person to perform each step in an infringing manner, so that every step is attributable to [alleged infringer] as controlling party.

[If one party controls and makes use of a system that contains all the requirements of the claim, that party may be an infringer even though the parts of the system do not all operate in the same place or at the same time.]<sup>4</sup>

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<sup>3</sup> Generally, only one of the three preceding paragraphs will be appropriate, depending on the transition used in the claim; the others should be omitted. In cases in which more than one claim is at issue, and the claims use different transitions, more than one paragraph will be used.

<sup>4</sup> The final sentence of this instruction is appropriate in cases involving system claims, but not method claims. *Centillion Data Sys., LLC v. Qwest Comm’ns Int’l*, 631 F.3d 1279 (Fed. Cir. 2011).

## Authorities

*MicroStrategy Inc. v. Business Objects, S.A.*, 429 F.3d 1344, 1352-53 (Fed. Cir. 2005); *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1353 (Fed. Cir. 2001); *Cole v. Kimberly-Clark Corp.*, 102 F.3d 524, 532 (Fed. Cir. 1996); *Ecolab, Inc. v. FMC Corp.*, 535 F.3d 1369 (Fed. Cir. 2009); *Cross Med. Prods. v. Medtronic Sofamor Danek*, 424 F.3d 1293 (Fed. Cir. 2005); *BMC Res., Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007). Note that the issue of divided infringement is the subject of two en banc cases pending at this writing: *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311, (Fed.Cir. 2010) and *McKesson Techs. v. Epic Sys. Corp.*, 2011 WL 2173401 (Fed. Cir. May 26, 2011).

### *B.3. Infringement*

#### **3.4 INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS**

If you decide that [alleged infringer]’s [product] [method] does not literally infringe an asserted patent claim, you must then decide whether that [product] [method] infringes the asserted claim under what is called the “doctrine of equivalents.”

Under the doctrine of equivalents, the [product] [method] can infringe an asserted patent claim if it includes [parts] [steps] that are identical or equivalent to the requirements of the claim. If the [product] [method] is missing an identical or equivalent [part] [step] to even one requirement of the asserted patent claim, the [product] [method] cannot infringe the claim under the doctrine of equivalents. Thus, in making your decision under the doctrine of equivalents, you must look at each individual requirement of the asserted patent claim and decide whether the [product] [method] has either an identical or equivalent [part] [step] to that individual claim requirement.

A [part] [step] of a [product] [method] is equivalent to a requirement of an asserted claim if a person of ordinary skill in the field would think that the differences between the [part] [step] and the requirement were not substantial as of the time of the alleged infringement.

Changes in technique or improvements made possible by technology developed after the patent application is filed may still be equivalent for the purposes of the doctrine of equivalents if it still meets the other requirements of the doctrine of equivalents set forth in this instruction.

[One way to decide whether any difference between a requirement of an asserted claim and a [part] [step] of the [product] [method] is not substantial is to consider whether, as of the time of the alleged infringement, the [part] [step] of the [product] [method] performed substantially the same function, in substantially the same way, to achieve substantially the same result as the requirement in the patent claim.]

[In deciding whether any difference between a claim requirement and the [product] [method] is not substantial, you may consider whether, at the time of the alleged infringement, persons of ordinary skill in the field would have known of the interchangeability of the [part] [step] with the claimed requirement. The known interchangeability between the claim requirement and the [part] [step] of the [product] [method] is not necessary to find infringement under the doctrine of equivalents. However, known interchangeability may support a conclusion that the difference between the [part] [step] in the [product] [method] and the claim requirement is not substantial. The fact that a [part] [step] of the [product] [method] performs the same function as the claim requirement is not, by itself, sufficient to show known interchangeability.]

[You may not use the doctrine of equivalents to find infringement if you find that [alleged infringer]’s [product] [method] is the same as what was in the prior art before the application for the [ ] patent or what would have been obvious to persons of ordinary skill in the field in light of what was in the prior art. A patent holder may not obtain, under the doctrine of equivalents, protection that it could not have lawfully obtained from the Patent and Trademark Office.]<sup>5</sup>

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<sup>5</sup> If this instruction is applicable in a given case, then the court should instruct the jury that if [alleged infringer] has

[You may not use the doctrine of equivalents to find infringement if you find that the subject matter alleged to be equivalent to a requirement of the patent claim was described in the [ ] patent but not covered by any of its claims. The subject matter described but not claimed must be specific enough that one of ordinary skill in the art would understand that it was present in the patent.]

#### Authorities

*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002); *Warner-Jenkinson Co., Inc. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950); *Abraxis Bioscience, Inc. v. Mayne Pharma (USA) Inc.*, 467 F.3d 1370, 1379-82 (Fed. Cir. 2006); *Pfizer, Inc. v. Teva Pharms., USA, Inc.*, 429 F.3d 1364, 1378 (Fed. Cir. 2005); *Johnston & Johnston Assoc. v. R.E. Service Co.*, 285 F.3d 1046 (Fed. Cir. 2002) (*en banc*); *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1480 (Fed. Cir. 1998); *Dolly, Inc. v. Spalding & Evenflo Cos.*, 16 F.3d 394, 397 (Fed. Cir. 1994).

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offered evidence sufficient to show that the accused [product] [method] is in the prior art, the burden shifts to the [patent holder] to prove that what it attempts to cover under the doctrine of equivalents is not in the prior art or would not have been obvious from the prior art. See *Fiskares, Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318, 1323 (Fed. Cir. 2000); *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1364-66 (Fed. Cir. 2000); *Streamfeeder, LLC v. Sure-Feed Systems, Inc.*, 175 F.3d 974, 981-84 (Fed. Cir. 1999).

### B.3. Infringement

#### 3.5 MEANS-PLUS-FUNCTION CLAIMS – LITERAL INFRINGEMENT<sup>6</sup>

I will now describe the separate rules that apply to “means-plus-function” requirements that are used in some claims. Claims [ ] in the [ ] patent contain “means-plus-function” requirements. A means-plus-function requirement only covers the specific [structure] disclosed in a patent specification for performing the claimed function and the equivalents of those specific [structure] that perform the claimed function. A means-plus-function requirement does not cover all possible structures that could be used to perform the claimed function.

As an example, the term “means for processing data” might be understood to encompass a variety of different ways of making a calculation, including not only a computer or calculator but a pencil and paper or even the human brain. But because the phrase is a means-plus-function requirement, we interpret that phrase not to cover every possible means for processing data, but instead to cover the actual means disclosed in the patent for processing data and other means that are equivalent to it.

For purposes of this trial, I have interpreted each means-plus-function requirement for you and identified the structure in the patent specification that corresponds to these means-plus-function requirements. Specifically, I have determined that:

[X. [ ] is the structure that perform[s] the [ ] function identified in the means-plus-function requirement of claim [ ].]

[X. [ ] is the structure that perform[s] the [ ] function identified in the means-plus-function requirement of claim [ ].]

In deciding if [patent holder] has proven that [alleged infringer]’s [product] includes structure covered by a means-plus-function requirement, you must first decide whether the [product] has any structure that performs the function I just described to you. If not, the claim containing that means-plus-function requirement is not infringed.

If you find that the [alleged infringer]’s [accused product] does have structure that performs the claimed function, you must then determine whether that structure is the same as or equivalent to the structure I have identified in the specification. If they are the same or equivalent, the means-plus-function requirement is satisfied by that structure of the [accused product]. If all the other requirements of the claim are satisfied, the [accused product] infringes the claim.

In order to prove that [a structure] in the [accused product] is equivalent to the structure in the [ ] patent, the [patent holder] must show that a person of ordinary skill in the field would have considered that the differences between the structure described in the [ ] patent and the structure in the [accused product] are not substantial. The [patent holder] must also show that

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<sup>6</sup> If a claim at issue is a method claim with a limitation written in “step-plus-function” format, this instruction should be modified accordingly, for example, substituting “acts” for “structure.”

the structure was available on the date the [ ] patent was granted.<sup>7</sup>

### Authorities

35 U.S.C. § 112(6); *Frank's Casing Crew & Rental Tools, Inc. v. Weatherford Intern., Inc.*, 389 F.3d 1370, 1378 (Fed. Cir. 2004); *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1266 (Fed. Cir. 1999); *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1307 (Fed. Cir. 1998); *Micro Chem., Inc. v. Great Plains Chem. Co., Inc.*, 103 F.3d 1538, 1547 (Fed. Cir. 1997); *Valmont Indus., Inc. v. Reinke Mfg. Co., Inc.*, 983 F.2d 1039, 1042 (Fed. Cir. 1993).

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<sup>7</sup> There is an important difference between what can be an equivalent under § 112(6) and what can be an equivalent under the doctrine of equivalents. An equivalent structure or act under § 112(6) cannot embrace technology developed after the issuance of the patent because the literal meaning of a claim is fixed upon its issuance. *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1310 (Fed. Cir. 1998); *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999). Although new matter cannot be added to a patent application after it has been filed, current Federal Circuit law nevertheless uses the patent issuance date, as opposed to the effective filing date, to distinguish what constitutes an “after arising equivalent.” An after arising equivalent infringes, if at all, under the doctrine of equivalents and could infringe under the doctrine of equivalents without infringing literally under § 112(6). Furthermore, under § 112(6) the accused device must perform the identical function as recited in the claim element while the doctrine of equivalents may be satisfied when the function performed by the accused device is only substantially the same. *Al-Site*, 174 F.3d. at 1320-21.

### *B.3. Infringement*

#### **3.6 MEANS-PLUS-FUNCTION CLAIMS – INFRINGEMENT UNDER THE DOCTRINE OF EQUIVALENTS**

[No model instruction is provided since an instruction on this subject is necessarily case specific. However, a means-plus-function requirement can be met under the doctrine of equivalents if the function is not the same but is equivalent (*see, e.g., WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1353 (Fed. Cir. 1999) or the corresponding structure in the accused product is later developed technology. *See Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1310 (Fed. Cir. 1998); *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999).]

### *B.3. Infringement*

#### **3.7 LIMITATIONS ON THE DOCTRINE OF EQUIVALENTS**

Because [patent holder] made certain claim changes or statements during the patent application process for the [ ] patent, the doctrine of equivalents analysis cannot be applied to the following requirements of the asserted claims:

[List requirements on a claim-by-claim basis]

Unless each of these requirements is literally present within the [alleged infringer]'s [product] [method], there can be no infringement of the claim.

#### Authorities

*Honeywell Int'l Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131 (Fed. Cir. 2004) (*en banc*); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 344 F.3d (Fed. Cir. 2003) (*en banc*).

### B.3. Infringement

#### 3.8 CONTRIBUTORY INFRINGEMENT

[Patent holder] [also] argues that [alleged infringer] has contributed to infringement by another. Contributory infringement may arise when someone supplies something that is used to infringe one or more of the patent claims.

In order for there to be contributory infringement by [alleged infringer], someone other than [alleged infringer] must directly infringe a claim of the [ ] patent; if there is no direct infringement by anyone, there can be no contributory infringement.

If you find someone has directly infringed the [ ] patent, then contributory infringement exists if:

- (1) [Alleged infringer] supplied an important component of the infringing part of the [product] or [method];
- (2) The component is not a common component suitable for non-infringing use; and
- (3) [Alleged infringer] supplied the component with the knowledge of the [ ] patent and knowledge that the component was especially made or adapted for use in an infringing manner.

A “common component suitable for non-infringing use” is a component that has uses [other than as a component of the patented product][other than in the patented method], and those other uses are not occasional, farfetched, impractical, experimental, or hypothetical.

#### Authorities

35 U.S.C. § 271(c); *PharmaStem Therapeutics, Inc. v. ViaCell, Inc. et. al.*, 491 F.3d 1342, 1356-58 (Fed. Cir. 2007); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964); *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1303 (Fed. Cir. 2006); *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365 (Fed. Cir. 2001); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990); *Preemption Devices, Inc. v. Minn. Mining & Mfr. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986).

### B.3. Infringement

## 3.9 INDUCING PATENT INFRINGEMENT

[Patent holder] argues that [alleged infringer] has actively induced another to infringe the [ ] patent. In order for there to be inducement of infringement by [alleged infringer], someone else must directly infringe a claim of the [ ] patent; if there is no direct infringement by anyone, there can be no induced infringement. In order to be liable for inducement of infringement, [alleged infringer] must:

1. have intentionally taken action that actually induced direct infringement by another;
2. have been aware of the [ ] patent; and
3. have known that the acts it was causing would be infringing.

If [alleged infringer] did not know of the existence of the patent or that the acts it was inducing were infringing, it cannot be liable for inducement unless it actually believed that it was highly probable its actions would encourage infringement of a patent and it took intentional acts to avoid learning the truth. It is not enough that [accused infringer] was merely indifferent to the possibility that it might encourage infringement of a patent. Nor is it enough that [accused infringer] took a risk that was substantial and unjustified.

If you find that [alleged infringer] was aware of the patent, but believed that the acts it encouraged did not infringe that patent[, or that the patent was invalid,]<sup>8</sup> [alleged infringer] cannot be liable for inducement. [[Alleged infringer]'s reliance on advice given by their lawyers is one factor you may consider in deciding whether [alleged infringer] believed that it was not encouraging infringement of the patent[, or that the patent was invalid.]]

### Authorities

35 U.S.C. § 271(b); *Global-Tech Appliances, Inc. et. al. v. SEB S.A.*, 131 S.Ct. 2060, \_\_\_ (2011); *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304-06 (Fed. Cir. 2006) (*en banc*) (quoting *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 936 (2005)); *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060 (2011); *Broadcom Corp. v. Qualcomm, Inc.*, 543 F.3d 683 (Fed. Cir. 2008).

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<sup>8</sup> Case law does not resolve the question whether one who knows that they are encouraging infringement of a patent but believes that patent to be invalid has the requisite intent to induce infringement. The logic by which belief in noninfringement exculpates would seem to extend to a belief in invalidity as well.

### B.3. Infringement

#### 3.10 WILLFUL INFRINGEMENT

In this case, [patent holder] argues that [alleged infringer] willfully infringed the [patent holder]'s patent.

To prove willful infringement, [patent holder] must first persuade you that the [alleged infringer] infringed a valid [and enforceable] claim of the [patent holder]'s patent. The requirements for proving such infringement were discussed in my prior instructions.

In addition, to prove willful infringement, the [patent holder] must persuade you that it is highly probable that [prior to the filing date of the complaint], [alleged infringer] acted with reckless disregard of the claims of the [patent holder]'s [patent].

To demonstrate such “reckless disregard,” [patent holder] must satisfy a two-part test. The first part of the test is objective. The [patent holder] must persuade you that the [alleged infringer] acted despite an objectively high likelihood that its actions constituted infringement of a valid [and enforceable] patent. The state of mind of the [alleged infringer] is not relevant to this inquiry. Rather, the appropriate inquiry is whether the defenses put forth by [alleged infringer], fail to raise any substantial question with regard to infringement or validity [or enforceability]. Only if you conclude that the defenses fail to raise any substantial question with regard to infringement or validity [or enforceability], do you need to consider the second part of the test.

The second part of the test does depend on the state of mind of the [alleged infringer]. The [patent holder] must persuade you that [alleged infringer] actually knew, or it was so obvious that [alleged infringer] should have known, that its actions constituted infringement of a valid [and enforceable] patent.

In deciding whether [alleged infringer] acted with reckless disregard for [patent holder]'s patent, you should consider all of the facts surrounding the alleged infringement including, but not limited to, the following factors.

Factors that may be considered as evidence that [alleged infringer] was not willful include:

- (1) Whether [alleged infringer] acted in a manner consistent with the standards of commerce for its industry; [and]
- (2) Although there is no obligation to obtain an opinion of counsel whether [alleged infringer] relied on a legal opinion that was well-supported and believable and that advised [alleged infringer] (1) that the [product] [method] did not infringe [patent holder]'s patent or (2) that the patent was invalid [or unenforceable].<sup>9</sup>

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<sup>9</sup> This bracketed language should only be included if the alleged infringer relies on advice of counsel. There is no affirmative obligation to obtain opinion of counsel. *In re Seagate Technology, LLC*, 2007 U.S. App. LEXIS 19768 (Fed. Cir. Aug. 20, 2007).

Factors that may be considered as evidence that [alleged infringer] was willful include:

(1) Whether [alleged infringer] intentionally copied a product of [patent holder] covered by the patent.

#### Authorities

35 U.S.C. § 284; *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007); *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337, 1345 (Fed. Cir. 2004) (*en banc*); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1346 (Fed. Cir. 2001); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999); *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992); *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990).

### *B.4.1 Validity*

## **4.1 INVALIDITY – BURDEN OF PROOF**

I will now instruct you on the rules you must follow in deciding whether [alleged infringer] has proven that claims [ ] of the [ ] patent are invalid. Before discussing the specific rules, I want to remind you about the standard of proof that applies to this defense. To prove invalidity of any patent claim, [alleged infringer] must persuade you that it is highly probable that the claim is invalid.

[During this case, the [alleged infringer] has submitted prior art that was not considered by the United States Patent and Trademark Office (PTO) during the prosecution of the [ ] patent. The [alleged infringer] contends that such prior art invalidates certain claims of the [ ] patent. In deciding the issue of invalidity, you may take into account the fact that the prior art was not considered by the PTO when it issued the [ ] patent. Prior art that differs from the prior art considered by the PTO may carry more weight than the prior art that was considered and may make the [alleged infringer's] burden of showing that it is highly probable that a patent claim is invalid easier to sustain.

### Authorities

*Microsoft Corp. v. i4i LTD Partnership*, 131 S.Ct. 2238, 2242, 2251, \_\_\_ U.S. \_\_\_ (2011); *Buildex, Inc. v. Kason Indus., Inc.*, 849 F.2d 1461, 1463 (Fed. Cir. 1988); *Hybritech, Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375 (Fed. Cir. 1986).

#### 4.2a WRITTEN DESCRIPTION REQUIREMENT

A patent claim is invalid if the patent does not contain an adequate written description of the claimed invention. The purpose of this written description requirement is to demonstrate that the inventor was in possession of the invention at the time the application for the patent was filed, even though the claims may have been changed or new claims added since that time. The written description requirement is satisfied if a person of ordinary skill in the field reading the original patent application at the time it was filed would have recognized that the patent application described the invention as claimed, even though the description may not use the exact words found in the claim. A requirement in a claim need not be specifically disclosed in the patent application as originally filed if a person of ordinary skill would understand that the missing requirement is necessarily implied in the patent application as originally filed.

##### Authorities

35 U.S.C. § 112(1) and (2); *In Re Skvorecz*, 580 F.3d 1262, 1269 (Fed. Cir. 2009); *Kao Corp. v. Unilever U.S., Inc.*, 441 F.3d 963, 968 (Fed. Cir. 2006); *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247 (Fed. Cir. 2004); *Purdue Pharma L.P. v. Faulding, Inc.*, 230 F.3d 1320, 1323 (Fed. Cir. 2000); *Lampi Corp. v. Am. Power Prods., Inc.*, 228 F.3d 1365, 1377-78 (Fed. Cir. 2000); *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1478-80 (Fed. Cir. 1998); *In re Alton*, 76 F.3d 1168, 1172 (Fed. Cir. 1996); *University of Rochester v. G.D. Searle & Co.*, 358 F.3d 916, 926-928 (Fed. Cir. 2004).

### B.4.2 Validity—Adequacy of Patent Specification

#### 4.2b ENABLEMENT

A patent claim is invalid if the patent at the time it was originally filed did not contain a description of the claimed invention that is sufficiently full and clear to enable a person of ordinary skill in the field at the time to make and use the full scope of the invention. This is known as the “enablement” requirement.

The patent may be enabling even though it does not expressly state some information if a person of ordinary skill in the field could make and use the invention without having to do excessive experimentation. In determining whether excessive experimentation is required, you may consider the following factors:

- the scope of the claimed invention;
- the amount of guidance presented in the patent;
- the amount of experimentation necessary;
- the time and cost of any necessary experimentation;
- how routine any necessary experimentation is in the field of [identify field];
- whether the patent discloses specific working examples of the claimed invention;
- the nature and predictability of the field; and
- the level of ordinary skill in the field of [identity field].

The question of whether a patent is enabling is judged as of the date the original application for the patent was first filed.<sup>10</sup>

#### Authorities

35 U.S.C. § 112(1); *Sitrick v. Dreamworks, LLC*, 516 F.3d 993, 999 (Fed. Cir. 2008); *Auto. Techs. Int’l, Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007); *AK Steel Corp. v. Sollac & Ugine*, 344 F.3d 1234, 1244 (Fed. Cir. 2003); *Union Pac. Resources Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 690-92 (Fed. Cir. 2001); *Ajinomoto Co. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1345-46 (Fed. Cir. 2000); *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988).

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<sup>10</sup> Where a claim is the result of a continuation-in-part application and the priority date is disputed, this language will need to be revised to reflect the concept of effective filing date.

### *B.4.2 Validity—Adequacy of Patent Specification*

#### **4.2c BEST MODE**

A patent claim is invalid if the patent does not disclose what [the inventor] [any of the inventors] believed was the best way to carry out the claimed invention at the time the patent application was filed. This is known as the “best mode” requirement. It ensures that the public obtains a full disclosure of the best way to carry out the claimed invention known to [the inventor] [any of the inventors] at the time the [original] patent application was first filed. The disclosure of the best mode must be detailed enough to enable the persons of ordinary skill in the field of [identity] field to carry out that best mode without excessive experimentation.

The best mode requirement focuses on what [the inventor] [any of the inventors] believed at the time the [original] patent application was first filed. It does not matter whether the best mode contemplated by [the inventor] [any of the inventors] was, in fact, the best way to carry out the invention. The question is whether the patent includes what [the inventor] [any of the inventors] believed was the best mode at the time the [original] patent application was filed. If [the inventor did not believe] [none of the inventors believed] there was a best way to carry out the invention at the time that application was filed, there is no requirement that the patent describe a best mode. Although a patent specification must disclose the best mode, it may disclose other modes as well and need not state which of the modes disclosed is best. If [the inventor] [any of the inventors] believed there was a better way to carry out the invention and the patent does not disclose it, the patent is invalid.

#### Authorities

35 U.S.C. § 112(1); *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 518 F.3d 1353, 1364-64 (Fed. Cir. 2008); *Cardiac Pacemaker, Inc. v. St. Jude Medical, Inc.*, 381 F.3d 1371, 1378-79 (Fed. Cir. 2004); *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1049-52 (Fed. Cir. 1995); *Transco Prods. v. Performance Contracting*, 38 F.3d 551 (Fed. Cir. 1994); *Wahl Instruments v. Acvious*, 950 F.2d 1575 (Fed. Cir. 1991); *Chemcast Corp. v. Arco Indus. Corp.*, 913 F.2d 923, 926-28 (Fed. Cir. 1990); *Spectra-Physics Inc. v. Coherent, Inc.*, 827 F.2d 1524 (Fed. Cir. 1987).

#### **4.3a1 ANTICIPATION**

A patent claim is invalid if the claimed invention is not new. For the claim to be invalid because it is not new, all of its requirements must have existed in a single device or method that predates the claimed invention, or must have been described in a single previous publication or patent that predates the claimed invention. In patent law, these previous devices, methods, publications or patents are called “prior art references.” If a patent claim is not new we say it is “anticipated” by a prior art reference.

The description in the written reference does not have to be in the same words as the claim, but all of the requirements of the claim must be there, either stated or necessarily implied, so that someone of ordinary skill in the field of [identify field] looking at that one reference would be able to make and use the claimed invention.

Here is a list of the ways that [alleged infringer] can show that a patent claim was not new [use those that apply to this case]:

[– if the claimed invention was already publicly known or publicly used by others in the United States before [insert date of conception unless at issue];]

[– if the claimed invention was already patented or described in a printed publication anywhere in the world before [insert date of conception unless at issue]. [A reference is a “printed publication” if it is accessible to those interested in the field, even if it is difficult to find.];]

[– if the claimed invention was already made by someone else in the United States before [insert date of conception unless in issue], if that other person had not abandoned the invention or kept it secret;]

[– if the claimed invention was already described in another issued U.S. patent or published U.S. patent application that was based on a patent application filed before [insert date of the patent holder’s application filing date] [or] [insert date of conception unless at issue];]

[– if [named inventor] did not invent the claimed invention but instead learned of the claimed invention from someone else;]

[– if the [patent holder] and [alleged infringer] dispute who is a first inventor, the person who first conceived of the claimed invention and first reduced it to practice is the first inventor. If one person conceived of the claimed invention first, but reduced to practice second, that person is the first inventor only if that person (a) began to reduce the claimed invention to practice before the other party conceived of it and (b) continued to work diligently to reduce it to practice. [A claimed invention is “reduced to practice” when it has been tested sufficiently to show that it will work for its intended purpose or when it is fully described in a patent application filed with the PTO].]

[Since it is in dispute, you must determine a date of conception for the [claimed invention] [and/or] [prior invention]. Conception is the mental part of an inventive act and is proven when the invention is shown in its complete form by drawings, disclosure to another or other forms of evidence presented at trial.]

#### Authorities

35 U.S.C. § 102(a), (c), (e), (f) and (g); *Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1358-60 (Fed. Cir. 2006); *Invitrogen Corp. v. Biocrest Mfg., L.P.*, 424 F.3d 1374, 1379-82 (Fed. Cir. 2005); *Apotex U.S.A., Inc. v. Merck & Co.*, 254 F.3d 1031, 1035 (Fed. Cir. 2001); *Mycogen Plant Science, Inc. v. Monsanto Co.*, 243 F.3d 1316, 1330 (Fed. Cir. 2001); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1367-70 (Fed. Cir. 2000); *Singh v. Brake*, 222 F.3d 1362, 1366-70 (Fed. Cir. 2000); *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349 (Fed. Cir. 1998); *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1576-78 (Fed. Cir. 1997); *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 545 (Fed. Cir. 1996); *In re Bartfeld*, 925 F.2d 1450 (Fed. Cir. 1985); *Ralston Purina Co. v. Far-Mar-Co, Inc.*, 772 F.2d 1570, 1574 (Fed. Cir. 1985); *American Stock Exch., LLC v. Mopies*, 250 F. Supp. 2d 323 (S.D.N.Y. 2003); *In re Wyer*, 655 F.2d 221, 226 (C.C.P.A. 1981).

### B.4.3 Validity—The Claims

#### 4.3a2 STATUTORY BARS

A patent claim is invalid if the patent application was not filed within the time required by law. This is called a “statutory bar.” For a patent claim to be invalid by a statutory bar, all of its requirements must have been present in one prior art reference dated more than one year before the patent application was filed. Here is a list of ways [alleged infringer] can show that the patent application was not timely filed: [choose those that apply]

[– if the claimed invention was already patented or described in a printed publication anywhere in the world before [insert date that is one year before effective filing date of patent application]. [A reference is a “printed publication” if it is accessible to those interested in the field, even if it is difficult to find.];]

[– if the claimed invention was already being openly used in the United States before [insert date that is one year before application filing date] and that use was not primarily an experimental use (a) controlled by the inventor, and (b) to test whether the invention worked for its intended purpose;]

[– if a device or method using the claimed invention was sold or offered for sale in the United States, and that claimed invention was ready for patenting, before [insert date that is one year before application filing date]. [The claimed invention is not being [sold] [or] [offered for sale] if the [patent holder] shows that the [sale] [or] [offer for sale] was primarily experimental.] [The claimed invention is ready for patenting if it was actually built, or if the inventor had prepared drawings or other descriptions of the claimed invention that were sufficiently detailed to enable a person of ordinary skill in the field to make and use the invention based on them.];]

[– if the [patent holder] had already obtained a patent on the claimed invention in a foreign country before filing the original U.S. application, and the foreign application was filed at least one year before the U.S. application.]

For a claim to be invalid because of a statutory bar, all of the claimed requirements must have been either (1) disclosed in a single prior art reference, (2) implicitly disclosed in a reference to one skilled in the field, or (3) must have been present in the reference, whether or not that was understood at the time. The disclosure in a reference does not have to be in the same words as the claim, but all the requirements must be there, either described in enough detail or necessarily implied, to enable someone of ordinary skill in the field of [identify field] looking at the reference to make and use the claimed invention.

#### Authorities

35 U.S.C. § 102(b) and (d); *Pfaff v. Wells Elec. Inc.*, 525 U.S. 55 (1998); *Schering Corp. v. Geneva Pharms.*, 339 F.2d 1273 (Fed Cir. 2003); *Helifix Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 1346 (Fed. Cir. 2000); *Abbot Labs. v. Geneva Pharms., Inc.*, 182 F.3d 1315, 1318 (Fed. Cir.

1999); *Finnigan Corp. v. Int'l Trade Comm'n*, 180 F.3d 1354 (Fed. Cir. 1999); *J.A. LaPorte, Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577, 1581 (Fed. Cir. 1986); *In re Hall*, 781 F.2d 897, 898-99 (Fed. Cir. 1986); *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1150 (Fed. Cir. 1983).

### B.4.3 Validity—The Claims

#### 4.3b OBVIOUSNESS<sup>11</sup> – (Alternative 1)

Not all innovations are patentable. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field [at the time the application was filed][as of [insert date]]. The court, however, is charged with the responsibility of making the determination as to whether a patent claim was obvious based upon your determination of several factual questions.

First, you must decide the level of ordinary skill in the field that someone would have had at the time the claimed invention was made. In deciding the level of ordinary skill, you should consider all the evidence introduced at trial, including:

- (1) the levels of education and experience of persons working in the field;
- (2) the types of problems encountered in the field; and
- (3) the sophistication of the technology.

[Patent holder] contends that the level of ordinary skill in the field was [ ]. [Alleged infringer] contends that the level of ordinary skill in the field was [ ].

Second, you must decide the scope and content of the prior art. [Patent holder] and [alleged infringer] disagree as to whether [identify prior art reference(s)] should be included in the prior art you use to decide the validity of claims [ ] of the [ ] patent. In order to be considered as prior art to the [ ] patent, these references must be reasonably related to the claimed invention of that patent. A reference is reasonably related if it is in the same field as the claimed invention or is from another field to which a person of ordinary skill in the field would look to solve a known problem.

Third, you must decide what difference, if any, existed between the claimed invention and the prior art.

Finally, you must determine which, if any, of the following factors have been established by the evidence:

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<sup>11</sup> This instruction provides the jury with an instruction on the underlying factual questions it must answer to enable the court to make the ultimate legal determination of the obviousness question. The court, not the jury, should make the legal conclusion on the obviousness question based on underlying factual determinations made by the jury. *KSR Intern. Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007) (“The ultimate judgment of obviousness is a legal determination.”); see *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). It is anticipated that these factual issues will be presented to the jury as specifically as possible. For example, if the only dispute between the parties is whether a particular reference is with the “scope and content” of the prior art, that is the only *Graham* factor that should be presented to the jury. As another example, if the only factual dispute between the parties on the “difference between the prior art and the claimed invention” is whether a prior art reference discloses a particular claim limitation, that is the only issue that should be presented to the jury on that *Graham* factor. The introductory comment to the sample verdict form discusses further the functions of the judge and jury in determining obviousness.

- [(1) commercial success of a product due to the merits of the claimed invention];]
- [(2) a long felt need for the solution provided by the claimed invention];]
- [(3) unsuccessful attempts by others to find the solution provided by the claimed invention];]
- [(4) copying of the claimed invention by others];]
- [(5) unexpected and superior results from the claimed invention]]
- [(6) acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention];]
- [(7) other evidence tending to show nonobviousness];]
- [(8) independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it]; and]
- [(9) other evidence tending to show obviousness].]

#### Authorities

35 U.S.C. § 103; *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 407 (2007); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000); *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 957 (Fed. Cir. 1997); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 991 (Fed. Cir. 1988); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1000 (Fed. Cir. 1986); *Pentec, Inc. v. Graphic Controls Corp.*, 776 F.2d 309, 313 (Fed. Cir. 1985). *See Novo Nordisk A/S v. Becton Dickinson & Co.*, 304 F.3d 1216, 1219-20 (Fed. Cir. 2002); *Wang Labs. v. Toshiba Corp.*, 993 F.2d 858, 864 (Fed. Cir. 1993); *Daiichi Sankyo Co. v. Apotex, Inc.*, 501 F.3d 1254, 1256 (Fed. Cir. 2007); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1125 (Fed. Cir. 2000); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1355 (Fed. Cir. 2000); *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 718-19 (Fed. Cir. 1991).

#### 4.3b OBVIOUSNESS<sup>12</sup> – (Alternative 2)

Not all innovations are patentable. A patent claim is invalid if the claimed invention would have been obvious to a person of ordinary skill in the field [at the time the application was filed] [as of [insert date]]. This means that even if all of the requirements of the claim cannot be found in a single prior art reference that would anticipate the claim or constitute a statutory bar to that claim, a person of ordinary skill in the field of [identify field] who knew about all this prior art would have come up with the claimed invention.

The ultimate conclusion of whether a claim is obvious should be based upon your determination of several factual decisions.

First, you must decide the level of ordinary skill in the field that someone would have had at the time the claimed invention was made. In deciding the level of ordinary skill, you should consider all the evidence introduced at trial, including:

- (1) the levels of education and experience of persons working in the field;
- (2) the types of problems encountered in the field; and
- (3) the sophistication of the technology.

[Patent holder] contends that the level of ordinary skill in the field was [ ]. [Alleged infringer] contends that the level of ordinary skill in the field was [ ].

Second, you must decide the scope and content of the prior art. [Patent holder] and [alleged infringer] disagree as to whether [identify prior art reference(s)] should be included in the prior art you use to decide the validity of claims [ ] of the [ ] patent. In order to be considered as prior art to the [ ] patent, these references must be reasonably related to the claimed invention of that patent. A reference is reasonably related if it is in the same field as the claimed invention or is from another field to which a person of ordinary skill in the field would look to solve a known problem.

Third, you must decide what difference, if any, existed between the claimed invention and the prior art.

Finally, you should consider any of the following factors that you find have been shown by the evidence:

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<sup>12</sup> This instruction provides the jury with an instruction on how to analyze the obviousness question and reach a conclusion on it in the event that the Court decides to allow the jury to render an advisory verdict on the ultimate question of obviousness. However, the court, not the jury, should make the legal conclusion on the obviousness question based on underlying factual determinations made by the jury. *KSR Intern. Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007) (“The ultimate judgment of obviousness is a legal determination.”); see *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). The introductory comment to the sample verdict form discusses further the functions of the judge and jury in determining obviousness.

- [(1) commercial success of a product due to the merits of the claimed invention];]
- [(2) a long felt need for the solution provided by the claimed invention];]
- [(3) unsuccessful attempts by others to find the solution provided by the claimed invention];]
- [(4) copying of the claimed invention by others];]
- [(5) unexpected and superior results from the claimed invention];]
- [(6) acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention];]
- [(7) other evidence tending to show nonobviousness];]
- [(8) independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it] [; and]
- [(9) other evidence tending to show obviousness].]

[The presence of any of the [list factors 1-7 as appropriate] may be considered by you as an indication that the claimed invention would not have been obvious at the time the claimed invention was made, and the presence of the [list factors 8-9 as appropriate] may be considered by you as an indication that the claimed invention would have been obvious at such time. Although you should consider any evidence of these factors, the relevance and importance of any of them to your decision on whether the claimed invention would have been obvious is up to you.]

A patent claim composed of several elements is not proved obvious merely by demonstrating that each of its elements was independently known in the prior art. In evaluating whether such a claim would have been obvious, you may consider whether [the alleged infringer] has identified a reason that would have prompted a person of ordinary skill in the field to combine the elements or concepts from the prior art in the same way as in the claimed invention. There is no single way to define the line between true inventiveness on the one hand (which is patentable) and the application of common sense and ordinary skill to solve a problem on the other hand (which is not patentable). For example, market forces or other design incentives may be what produced a change, rather than true inventiveness. You may consider whether the change was merely the predictable result of using prior art elements according to their known functions, or whether it was the result of true inventiveness. You may also consider whether there is some teaching or suggestion in the prior art to make the modification or combination of elements claimed in the patent. Also, you may consider whether the innovation applies a known technique that had been used to improve a similar device or method in a similar way. You may also consider whether the claimed invention would have been obvious to try, meaning that the claimed innovation was one of a relatively small number of possible approaches to the problem with a reasonable expectation

of success by those skilled in the art. However, you must be careful not to determine obviousness using the benefit of hindsight; many true inventions might seem obvious after the fact. You should put yourself in the position of a person of ordinary skill in the field at the time the claimed invention was made and you should not consider what is known today or what is learned from the teaching of the patent.

#### Authorities

35 U.S.C. § 103; *Graham v. John Deere Co.*, 383 U.S. 1 (1966); *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398, 407 (2007); *Ruiz v. A.B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000); *Arkie Lures, Inc. v. Gene Larew Tackle, Inc.*, 119 F.3d 953, 957 (Fed. Cir. 1997); *Specialty Composites v. Cabot Corp.*, 845 F.2d 981, 991 (Fed. Cir. 1988); *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1000 (Fed. Cir. 1986); *Pentec, Inc. v. Graphic Controls Corp.*, 776 F.2d 309, 313 (Fed. Cir. 1985). *See Novo Nordisk A/S v. Becton Dickinson & Co.*, 304 F.3d 1216, 1219-20 (Fed. Cir. 2002); *Wang Labs. v. Toshiba Corp.*, 993 F.2d 858, 864 (Fed. Cir. 1993); *Daiichi Sankyo Co. v. Apotex, Inc.*, 501 F.3d 1254, 1256 (Fed. Cir. 2007); *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120, 1125 (Fed. Cir. 2000); *SIBIA Neurosciences, Inc. v. Cadus Pharm. Corp.*, 225 F.3d 1349, 1355 (Fed. Cir. 2000); *Ryko Mfg. Co. v. Nu-Star, Inc.*, 950 F.2d 714, 718-19 (Fed. Cir. 1991).

### 4.3c INVENTORSHIP

[[Alleged infringer] can meet its burden of proving that a patent is invalid by showing that it fails to name all actual inventors and only the actual inventors. This is known as the “inventorship” requirement.]

or

[To obtain correction of the inventors listed on the patent, or to prove a claim for [type of state law claim that requires proof of patent law inventorship], [plaintiff] must show that it is highly probable that [s]he is an actual inventor of the patent.]<sup>13</sup>

To be an inventor, one must make a significant contribution to the conception of one or more claims of the patent.<sup>14</sup> Persons may be inventors even though they do not physically work together or make the same type or amount of contribution, or contribute to the subject matter of each claim of the patent. However, merely helping with experimentation by carrying out the actual inventor’s instructions or explaining the actual inventor’s well-known concepts or the current state of the art does not make someone an inventor.

#### Authorities

35 U.S.C. § 102(f) and 35 U.S.C. § 256; *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349-50 (Fed. Cir. 1998) (“If a patentee demonstrates that inventorship can be corrected as provided for in Section 256, a district court must order correction of the patent, thus saving it from being rendered invalid.” *Id.* at 1350.); *Hess v. Advanced Cardiovascular Sys.*, 106 F.3d 976, 980 (Fed. Cir. 1997); *Burroughs Wellcome Co. v. Barr Lab.*, 40 F.3d 1223, 1227-28 (Fed. Cir. 1994); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 624 (Fed. Cir. 1985).

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<sup>13</sup> The former paragraph is appropriate where the defendant in an infringement suit claims that the patent is invalid for failure to name the correct inventors. The latter paragraph is appropriate when a plaintiff brings state-law claims that depend on the plaintiff proving his or her status as an inventor. *Shum v. Intel Corp.*, 2007 WL 2404718 (Fed. Cir. Aug. 24, 2007). Those claims must apply the federal patent law standard. *Univ. of Colorado Found. v. American Cyanamid*, 196 F.3d 1366 (Fed. Cir. 1999). Fraud and unjust enrichment claims are examples, if the basis of the claim is that the plaintiff in fact invented the subject matter of the patent. Correction of inventorship is not an issue for the jury, and may be ordered in one set of circumstances if the omission of an inventor is without deceptive intention, but not in another set of circumstances. *Stark v. Advanced Magnetics, Inc., et al.*, 119 F.3d 1551 (Fed Cir. 1997).

<sup>14</sup> Alleged infringer, in order to meet its burden of proof, must present corroborating evidence of a contemporaneous disclosure that would enable one skilled in the field to make the claimed invention. Corroborating evidence may take many forms and is evaluated under a rule of reason analysis. The court should tailor instructions to the specific facts of the case. See *Linear Tech. Corp. v. Impala Linear Corp.*, 379 F.3d 1311 (Fed. Cir. 2004); *Univ. of Colo. Found., Inc. v. Am. Cyanimid Co.*, 342 F.3d 1298 (Fed. Cir. 2003).

## B.5. Patent Damages

### 5.1 DAMAGES – BURDEN OF PROOF

I will instruct you about the measure of damages. By instructing you on damages, I am not suggesting which party should win on any issue. If you find that [alleged infringer] infringed any valid claim of the [ ] patent, you must then determine the amount of money damages to be awarded to [patent holder] to compensate it for the infringement.

The amount of those damages must be adequate to compensate [patent holder] for the infringement. A damages award should put the patent holder in approximately the financial position it would have been in had the infringement not occurred, but in no event may the damages award be less than a reasonable royalty. You should keep in mind that the damages you award are meant to compensate the patent holder and not to punish an infringer.

[Patent holder] has the burden to persuade you of the amount of its damages. You should award only those damages that [patent holder] more likely than not suffered. While [patent holder] is not required to prove its damages with mathematical precision, it must prove them with reasonable certainty. [Patent holder] is not entitled to damages that are remote or speculative.

#### Authorities

35 U.S.C. § 284; *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381-82 (Fed. Cir. 2003); *Grain Processing Corp. v. American Maize-Prod. Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-09 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1544-45 (Fed. Cir. 1995) (en banc).

## **5.2 LOST PROFITS – GENERALLY**

In this case, [patent holder] seeks to recover lost profits for some of [alleged infringer]’s sales of [infringing product], and a reasonable royalty on the rest of [alleged infringer]’s sales.

To recover lost profits for infringing sales, [patent holder] must show that but for the infringement there is a reasonable probability that it would have made sales that [alleged infringer] made of the infringing product. [Patent holder] must show the share of [alleged infringer]’s sales that it would have made if the infringing product had not been on the market.

You must allocate the lost profits based upon the customer demand for the patented feature of the infringing [product] [method]. That is, you must determine which profits derive from the patented invention that [alleged infringer] sells, and not from other features of the infringing [product] [method].

### Authorities

*Aro Mfg. Co. v. Convertible Top Co.*, 377 U.S. 476, 502-07 (1964); *Beauregard v. Mega Sys., LLC*, 350 F.3d 1327, 1345-46 (Fed. Cir. 2003); *Central Soya Co. v. George A. Hormel & Co.*, 723 F.2d 1573, 1579 (Fed. Cir. 1983); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983).

## B.5. Patent Damages

### 5.3 LOST PROFITS – FACTORS TO CONSIDER

[Patent holder] is entitled to lost profits if it proves all of the following:

- (1) that there was a demand for the patented [product] [method] [product produced by the method];
- (2) that there were no non-infringing substitutes, or, if there were, the number of the sales made by [alleged infringer] that [patent holder] would have made despite the availability of other non-infringing substitutes. An alternative may be considered available as a potential substitute even if it was not actually on sale during the infringement period. Factors suggesting that the alternative was available include whether the material, experience, and know-how for the alleged substitute were readily available. Factors suggesting that the alternative was not available include whether the material was of such high cost as to render the alternative unavailable and whether [alleged infringer] had to design or invent around the patented technology to develop an alleged substitute;
- (3) that [patent holder] had the manufacturing and marketing capacity to make any infringing sales actually made by the infringer and for which [patent holder] seeks an award of lost profits; and
- (4) the amount of profit that [patent holder] would have made if [alleged infringer] had not infringed.

#### Authorities

*Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377-79 (Fed. Cir. 2003); *Micro Chem., Inc. v. Lextron, Inc.*, 318 F.3d 1119, 1122-23 (Fed. Cir. 2003); *Gargoyles, Inc. v. United States*, 113 F.3d 1572, 1577-78 (Fed. Cir. 1997); *Carella v. Starlight Archery*, 804 F.2d 135, 141 (Fed. Cir. 1986); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 552-53 (Fed. Cir. 1984); *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978).

## *B.5. Patent Damages*

### **5.3a LOST PROFITS – MARKET SHARE**

One way [patent holder] may prove the number of sales it would have made if the infringement had not happened is to prove its share of the relevant market excluding infringing products. You may award [patent holder] a share of profits equal to that market share.

In deciding [patent holder]'s market share, you must decide which products are in [patent holder]'s market. Products are in the same market if they are sufficiently similar to compete against each other. Two products are sufficiently similar if one does not have a significantly higher price than or possess characteristics significantly different than the other.

#### Authorities

*Micro Chem., Inc. v. Lextron, Inc.*, 318 F.3d 1119, 1124 (Fed. Cir. 2003); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1354-55 (Fed. Cir. 2001); *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989).

### *B.5. Patent Damages*

#### **5.4 LOST PROFITS – COLLATERAL SALES**

In this case, [patent holder] is seeking profits from sales of [ x ], which it contends it would have sold along with [ y ]. These products are called collateral products.

To recover lost profits on sales of such collateral products [patent holder] must prove two things. First, that it is more likely than not that [patent holder] would have sold the collateral products but for the infringement. Second, a collateral product and the patented product together must be analogous to components of a single assembly or parts of a complete machine, or they must constitute a functional unit.

#### Authorities

*Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995) (en banc); *State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989); *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1157-58 (6th Cir. 1978).

## B.5. Patent Damages

### 5.5 LOST PROFITS – PRICE EROSION

[Patent holder] can recover additional damages if it can show to a reasonable probability that, if there had been no infringement, [patent holder] would have been able to charge higher prices for some of its products. In that case, you may also award as additional damages the amount represented by the difference between the amount of profits that [patent holder] would have made by selling its product at the higher price and the amount of profits [patent holder] actually made by selling its product at the lower price that [patent holder] charged for its product. This type of damage is referred to as price erosion damage.

If you find that [patent holder] suffered price erosion, you may also use the higher price in determining [patent holder]'s lost profits from sales lost because of the infringement. In calculating a patentee's total losses from price erosion, you must take into account any drop in sales that would have resulted from a higher price.

You may also award as damages the amount of any increase in costs of [patent holder], such as additional marketing costs, caused by competition from the infringing product.

#### Authorities

*Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377-79 (Fed. Cir. 2003); *Vulcan Eng'g Co. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1377 (Fed. Cir. 2002); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1357-58 (Fed. Cir. 2001); *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1120 (Fed. Cir. 1996); *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993); *Kalman v. Berlyn Corp.*, 914 F.2d 1473, 1485 (Fed. Cir. 1990); *Wechsler v. Macke Int. Trade, Inc.*, 486 F. 3d 1286, 1293-94 (Fed. Cir. 2007).

### *B.5. Patent Damages*

#### **5.6 REASONABLE ROYALTY – ENTITLEMENT**

If [patent holder] has not proved its claim for lost profits, or has proved its claim for lost profits for only a portion of the infringing sales, then [patent holder] should be awarded a reasonable royalty for all infringing sales for which it has not been awarded lost profits damages.

#### Authorities

35 U.S.C. § 284; *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001); *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1998) (overruled on other grounds); *Minco, Inc. v. Combustion Eng’g, Inc.*, 95 F.3d 1109, 1119-20 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc).

### **5.7 REASONABLE ROYALTY – DEFINITION**

A royalty is a payment made to a patent holder in exchange for the right to make, use or sell the claimed invention. This right is called a “license.” A reasonable royalty is the payment for the license that would have resulted from a hypothetical negotiation between the patent holder and the infringer taking place at the time when the infringing activity first began. In considering the nature of this negotiation, you must assume that the patent holder and the infringer would have acted reasonably and would have entered into a license agreement. You must also assume that both parties believed the patent was valid and infringed. Your role is to determine what the result of that negotiation would have been. The test for damages is what royalty would have resulted from the hypothetical negotiation and not simply what either party would have preferred.

A royalty can be calculated in several different ways and it is for you to determine which way is the most appropriate based on the evidence you have heard. One way to calculate a royalty is to determine what is called an “ongoing royalty.” To calculate an ongoing royalty, you must first determine the “base,” that is, the product on which the infringer is to pay. You then need to multiply the revenue the defendant obtained from that base by the “rate” or percentage that you find would have resulted from the hypothetical negotiation. For example, if the patent covers a nail, and the nail sells for \$1, and the licensee sold 200 nails, the base revenue would be \$200. If the rate you find would have resulted from the hypothetical negotiation is 1%, then the royalty would be \$2, or the rate of .01 times the base revenue of \$200.

If the patent covers only part of the product that the infringer sells, then the base would normally be only that feature or component. For example, if you find that for a \$100 car, the patented feature is the tires which sell for \$5, the base revenue would be \$5. However, in a circumstance in which the patented feature is the reason customers buy the whole product, the base revenue could be the value of the whole product. Even if the patented feature is not the reason for customer demand, the value of the whole product could be used if, for example, the value of the patented feature could not be separated out from the value of the whole product. In such a case, however, the rate resulting from the hypothetical negotiation would be a lower rate because it is being applied to the value of the whole product and the patented feature is not the reason for the customer’s purchase of the whole product.

A second way to calculate a royalty is to determine a one-time lump sum payment that the infringer would have paid at the time of the hypothetical negotiation for a license covering all sales of the licensed product both past and future. This differs from payment of an ongoing royalty because, with an ongoing royalty, the licensee pays based on the revenue of actual licensed products it sells. When a one-time lump sum is paid, the infringer pays a single price for a license covering both past and future infringing sales.

It is up to you, based on the evidence, to decide what type of royalty is appropriate in this case.

#### Authorities

*Golight, Inc., v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338 (Fed. Cir. 2004); *Maxwell v. Baker, Inc.*, 86 F.3d 1098, 1108-10 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579-81 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc); *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970).

## B.5. Patent Damages

### 5.8 DATE OF COMMENCEMENT – PRODUCTS<sup>15</sup>

Damages that [patent holder] may be awarded by you commence on the date that [alleged infringer] has both infringed and been notified of the [ ] patent: [use those that apply to this case]

[[Patent holder] and [alleged infringer] agree that date was [insert date];]

[Since [patent holder] sells a product that includes the claimed invention but has not marked that product with the patent number, you must determine the date that [alleged infringer] received actual written notice of the [ ] patent and the specific product alleged to infringe;]

[Since [patent holder] [marks the product] or [does not sell a product covered by the patent], then damages begin without the requirement for actual notice under the following circumstances:

If the [ ] patent was granted before the infringing activity began, damages should be calculated as of the date you determine that the infringement began; or

If the [ ] patent was granted after the infringing activity began as determined by you, damages should be calculated as of [date patent issued].]

#### Authorities

35 U.S.C. § 287; *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001); *Nike Inc. v. Wal-Mart Stores*, 138 F.3d 1437, 1443-44 (Fed. Cir. 1998); *Maxwell v. Baker, Inc.*, 86 F.3d 1098, 1111-12 (Fed. Cir. 1996); *American Med. Sys. v. Medical Eng'g Corp.*, 6 F.3d 1523, 1534 (Fed. Cir. 1993); *Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

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<sup>15</sup> This instruction may be used when the claim is an apparatus or product claim and [alleged infringer] is a direct infringer. Different rules may apply if the claim is a method claim or [alleged infringer] is an inducer or contributory infringer.

## *B.5. Patent Damages*

### **5.9 CALCULATING DAMAGES IN CASES OF INDUCEMENT OR CONTRIBUTORY INFRINGEMENT**

In order to recover damages for induced infringement, [patent holder] must either prove that the [accused product] necessarily infringes the [patent in suit] or prove acts of direct infringement by others that were induced by [accused infringer]. Because the amount of damages for induced infringement is limited by the number of instances of direct infringement, [patent holder] must further prove the number of direct acts of infringement of the [patent in suit], for example, by showing individual acts of direct infringement or by showing that a particular class of [products] [uses] directly infringes.

In order to recover damages for contributory infringement, [patent holder] must either prove that the [accused product] necessarily infringes the [patent in suit] or prove acts of direct infringement by others to which [accused infringer] made a substantial contribution. Because the amount of damages for contributory infringement is limited by the number of instances of direct infringement, [patent holder] must further prove the number of direct acts of infringement of the [patent in suit], for example, either by showing individual acts of direct infringement or by showing that a particular class of [products] [uses] directly infringes.

#### *Authorities*

*Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263 (Fed. Cir. 2004); *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 576 F.3d 1348 (Fed. Cir. 2009).

## **GLOSSARY**

**Some of the terms in this glossary will be defined in more detail in the instructions you are given. The definitions in the instructions must be followed and must control your deliberations.**

[Add any technical terms from the art involved that may be used during trial and have agreed-upon definitions and delete any of the following terms which may not be applicable in a particular case.]

**Abstract:** A brief summary of the technical disclosure in a patent to enable the U.S. Patent and Trademark Office and the public to determine quickly the nature and gist of the technical disclosure in the patent.

**Amendment:** A patent applicant's change to one or more claims or to the specification either in response to an office action taken by a Patent Examiner or independently by the patent applicant during the patent application examination process.

**Anticipation:** A situation in which a claimed invention describes an earlier invention and, therefore, is not considered new and is not entitled to be patented.

**Assignment:** A transfer of patent rights to another called an "assignee" who upon transfer becomes the owner of the rights assigned.

**Best Mode:** The best way the inventor actually knew to make or use the invention at the time of the patent application. If the applicant had a best mode as of the time the application was first filed, it must be set forth in the patent specification.

**Claim:** Each claim of a patent is a concise, formal definition of an invention and appears at the end of the specification in a separately numbered paragraph. In concept, a patent claim marks the boundaries of the patent in the same way that a legal description in a deed specifies the boundaries of land, i.e. similar to a land owner who can prevent others from trespassing on the bounded property, the inventor can prevent others from using what is claimed. Claims may be independent or dependent. An independent claim stands alone. A dependent claim does not stand alone and refers to one or more other claims. A dependent claim incorporates whatever the other referenced claim or claims say.

**Conception:** The complete mental part of the inventive act which must be capable of proof, as by drawings, disclosure to another, etc.

**Continuation Application:** A patent application filed during the examination process of an earlier application which has the same disclosure as the original application and does not include anything which would constitute new matter if inserted in the original application.

**Continuation-In-Part (C-I-P) Application:** A patent application filed during the application process of an earlier application which repeats some or all of the earlier application and adds matter not disclosed in the earlier application to support the addition of new patent claims.

**Drawings:** The drawings are visual representations of the claimed invention contained in a patent application and issued patent, and usually include several figures illustrating various aspects of the claimed invention.

**Elements:** The required parts of a device or the required steps of a method. A device or method infringes a patent if it contains each and every requirement of a patent claim.

**Embodiment:** A product or method that contains the claimed invention.

**Enablement:** A description of the invention that is sufficient to enable persons skilled in the field of the invention to make and use the invention. The specification of the patent must contain such an enabling description.

**Examination:** Procedure before the U.S. Patent and Trademark Office whereby a Patent Examiner reviews the filed patent application to determine if the claimed invention is patentable.

**Filing Date:** Date a patent application, with all the required sections, has been submitted to the U.S. Patent and Trademark Office.

**Infringement:** Violation of a patent occurring when someone makes, uses or sells a patented invention, without permission of the patent holder, within the United States during the term of the patent. Infringement may be direct, by inducement, or contributory. Direct infringement is making, using or selling the patented invention without permission. Inducing infringement is intentionally causing another to directly infringe a patent. Contributory infringement is offering to sell or selling an item that is an important component of the invention, so that the buyer directly infringes the patent. To be a contributory infringer one must know that the part being offered or sold is designed specifically for infringing the patented invention and is not a common component suitable for non-infringing uses.

**Limitation:** A required part of an invention set forth in a patent claim. A limitation is a requirement of the invention. The word “limitation” is often used interchangeably with the word “requirement.”

**Nonobviousness:** One of the requirements for securing a patent. To be valid, the subject matter of the invention must not have been obvious to a person of ordinary skill in the field of the invention at the time of the earlier of the filing date of the patent application or the date of invention.

**Office Action:** A written communication from the Patent Examiner to the patent applicant in the course of the application examination process.

**Patent:** A patent is an exclusive right granted by the U.S. Patent and Trademark Office to an inventor to prevent others from making, using, offering to sell, or selling an invention within the United States, or from importing it into the United States, during the term of the patent. When the patent expires, the right to make, use or sell the invention is dedicated to the public. The patent has three parts, which are a specification, drawings and claims. The patent is granted after examination by the U.S. Patent and Trademark Office of a patent application filed by the inventor which has these parts, and this examination is called the prosecution history.

**Patent and Trademark Office (PTO):** An administrative branch of the U.S. Department of Commerce that is charged with overseeing and implementing the federal laws of patents and trademarks. It is responsible for examining all patent applications and issuing all patents in the United States.

**Prior Art:** Previously known subject matter in the field of a claimed invention for which a patent is being sought. It includes issued patents, publications, and knowledge deemed to be publicly available such as trade skills, trade practices and the like.

**Prosecution History:** The prosecution history is the complete written record of the proceedings in the PTO from the initial application to the issued patent. The prosecution history includes the office actions taken by the PTO and the amendments to the patent application filed by the applicant during the examination process.

**Reads On:** A patent claim “reads on” a device or method when each required part (requirement) of the claim is found in the device or method.

**Reduction to Practice:** The invention is “reduced to practice” when it is sufficiently developed to show that it would work for its intended purpose.

**Reexamination:** A process in which a patent is reexamined by the PTO to determine whether one or more of the claims are patentable with respect to submitted prior art which may consist only of prior patents or printed publications. An “ex parte” reexamination is initiated by the patent holder or a third party, but does not include the further participation of any third party. An “inter partes” reexamination is initiated by a third party who continues to participate in the proceedings.

**Requirement:** A required part or step of an invention set forth in a patent claim. The word “requirement” is often used interchangeably with the word “limitation.”

**Royalty:** A royalty is a payment made to the owner of a patent by a non-owner in exchange for rights to make, use or sell the claimed invention.

**Specification:** The specification is a required part of a patent application and an issued patent. It is a written description of the invention and of the manner and process of making and using the claimed invention.

### COMMENTS REGARDING USE OF SAMPLE VERDICT FORM

The following sample verdict form is provided for guidance in preparing an appropriate special verdict form tailored for your specific case. The sample is for a hypothetical case in which the patent holder alleges direct and indirect infringement of a single claim of one patent and seeks a combination of lost profits and a reasonable royalty for the allegedly infringing sales. The alleged infringer raises a number of invalidity defenses. No issue is raised, however, as to the conception date of the claimed invention. The issue of willfulness has not been bifurcated.

The form requires the jury to make specific findings on the bases for the affirmative defenses of “anticipation” and “statutory bars.”

The form also requires the jury to make factual determinations underlying a conclusion of “obviousness” or “nonobviousness.” It is expected that these issues will be presented to the jury as specifically as possible. For example, if the only dispute between the parties is whether a particular reference is within the “scope and content” of the prior art, that is the only question on that *Graham* factor that should be presented to the jury. As another example, if the only factual dispute between the parties on the “differences between the prior art and the claimed invention” is whether a prior art reference discloses a particular claim limitation, that is the only issue that should be presented to the jury on that *Graham* factor.

This form also provides two alternative section 11’s on obviousness. One asks the jury to only answer the underlying factual questions. The other permits the jury to give an advisory verdict on the ultimate question of obviousness. It must be remembered, however, that the ultimate question of obviousness is a question of law for the court. *KSR Intern, Co. v. Teleflex, Inc.*, 127 S.Ct. 1727, 1745 (2007)(“The ultimate judgment of obviousness is a legal determination.”); see *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). Both alternatives are designed to focus the parties and the court on the factual disputes on the obviousness question. For example, the form requires that each party specify exactly what it contends constitutes the scope and content of the prior art. Although trial courts have often permitted the jury to reach the final conclusion of obviousness without specifying its underlying factual determinations, such an approach is not recommended. The verdict form should require the jury’s finding on each factual issue so that the trial judge may make the final determination on the obviousness question. As Judge Michel pointed out in his dissent in *McGinley v. Franklin Sports, Inc.*, 262 F.3d 1339 (Fed. Cir. 2001):

The issue presented in this appeal derives from the common, if unfortunate, practice of allowing the jury to render a general verdict on the ultimate legal conclusion of obviousness without requiring express findings on the underlying factual issues through a special verdict or special interrogatories under Fed. R. Civ. P. 49. Nevertheless, since the inception of our court, we have recognized that a court may submit this legal question to a jury and that doing so by general verdict rather than by Rule 49 is not ordinarily an abuse of discretion. We have emphasized, however, that there is no question that the judge must remain the

ultimate arbiter on the question of obviousness.

*Id.* at 1358 (internal citations and quotation marks omitted). The fact that the verdict form allows the jury to give an advisory conclusion on obviousness should not be construed as suggesting that the court defer to the jury's ultimate determination on obviousness. The law is clear that the ultimate question is a legal one for the court.

## **SAMPLE VERDICT FORM**

When answering the following questions and filling out this Verdict Form, please follow the directions provided throughout the form. Your answer to each question must be unanimous. Some of the questions contain legal terms that are defined and explained in detail in the Jury Instructions. Please refer to the Jury Instructions if you are unsure about the meaning or usage of any legal term that appears in the questions below.

We, the jury, unanimously agree to the answers to the following questions and return them under the instructions of this court as our verdict in this case.

### **FINDINGS ON INFRINGEMENT CLAIMS**

(The questions regarding infringement should be answered regardless of your findings with respect to the validity or invalidity of the patent.)

#### **A. Direct Infringement**

1. Has Patent Holder proven that it is more likely than not that every requirement of claim 1 of its patent is included in Alleged Infringer's accused product?

Yes \_\_\_\_\_ No \_\_\_\_\_

If your answer to question 1 is "yes," go to question 3. If your answer to question 1 is "no," go to question 2.

#### **B. Infringement Under the Doctrine of Equivalents**

2. Has Patent Holder proven that it is more likely than not that the accused product includes parts that are identical or equivalent to every requirement of claim 1 of Patent Holder's patent? In other words, for any requirement that is not literally found in the Alleged Infringer's accused product, does the accused product have an equivalent part to that requirement?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **C. Contributory Infringement**

3. Has Patent Holder proven that it is more likely than not: (i) that Direct Infringer infringed claim 1 of Patent Holder's patent; (ii) that Alleged Infringer supplied an important component of the infringing part of the product; (iii) that the component was not a common component suitable for non-infringing use; and (iv) that Alleged Infringer supplied the component with knowledge of the patent and knowledge that the component was especially made or adapted for use in an infringing manner?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **D. Inducing Infringement**

4. Has Patent Holder proven that it is more likely than not: (i) that Direct Infringer infringed claim 1 of Patent Holder's patent; (ii) that Alleged Infringer took action that actually induced that infringement by Direct Infringer; and (iii) that Alleged Infringer was aware of the patent and believed that its actions would encourage infringement of a valid patent, or alternatively that it was willfully blind as to whether its actions would encourage infringement of the patent?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **E. Willful Infringement**

5a. Has the Patent Holder proven that it is highly probable that from an objective point of view the defenses put forth by Alleged Infringer failed to raise any substantial question with regard to infringement, validity or enforceability of the patent claim?

Yes \_\_\_\_\_ No \_\_\_\_\_

[If the answer to question 5a is "yes," answer question 5b. If your answer to question 5a is "no," go to question 6.]

5b. Has the Patent Holder proven that it is highly probable that the Alleged Infringer actually knew, or it was so obvious that Alleged Infringer should have known, that its actions constituted infringement of a valid and enforceable patent?

### **FINDINGS ON INVALIDITY DEFENSES**

(The questions regarding invalidity should be answered regardless of your findings with respect to infringement.)

#### **A. Written Description Requirement**

6. Has Alleged Infringer proven that it is highly probable that the specification of the Patent Holder's patent does not contain an adequate written description of the claimed invention?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **B. Enablement**

7. Has Alleged Infringer proven that it is highly probable that the specification of the Patent Holder's patent does not contain a description of the claimed invention that is sufficiently full and clear to enable persons of ordinary skill in the field to make and use the invention?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **C. Best Mode**

8. Has Alleged Infringer proven that it is highly probable that the patent does not disclose what the inventor believed was the best way to carry out the claimed invention at the time the patent application was filed?

Yes \_\_\_\_\_ No \_\_\_\_\_

#### **D. Anticipation**

9. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent was "anticipated," or, in other words, not new?

Yes \_\_\_\_\_ No \_\_\_\_\_

[If the answer is "yes," check any reason below that is applicable:

\_\_\_\_\_ The claimed invention was already publicly known or publicly used by others in the United States before the date of conception of the claimed invention.

\_\_\_\_\_ The claimed invention was already patented or described in a printed publication anywhere in the world before the date of conception.

\_\_\_\_\_ The claimed invention was already made by someone else in the United States before the date of conception and that other person had not abandoned the invention or kept it secret.

\_\_\_\_\_ The claimed invention was already described in another issued U.S. patent or published U.S. patent application that was based on a patent application filed before the date of conception.

\_\_\_\_\_ The named inventor did not invent the claimed invention but instead learned of the claimed invention from someone else.

\_\_\_\_\_ The named inventor was not the first inventor of the claimed invention.]

#### **E. Statutory Bar**

10. Has Alleged Infringer proven that it is highly probable that claim 1 of Patent Holder's patent was not filed within the time required by law?

Yes \_\_\_\_\_ No \_\_\_\_\_

If the answer is "yes," check any reason below that is applicable:

\_\_\_\_\_ The claimed invention was already patented or described in a printed publication anywhere in the world at least one year before the filing date of the patent application.

\_\_\_\_\_ The claimed invention was already being openly used in the United States at least one year before the filing date of the patent application and that use was not primarily an experimental use to test whether the invention worked for its intended purpose which was controlled by the inventor.

\_\_\_\_\_ A device or method using the claimed invention was sold or offered for sale in the United States and the claimed invention was ready for patenting at least one year before the filing date of the patent application and that offer or sale was not primarily for experimental purposes to test whether the invention worked for its intended purpose and which was controlled by the inventor.

\_\_\_\_\_ Patent Holder had already obtained a patent on the claimed invention in a foreign country before the original U.S. application, and the foreign application was filed at least one year before the U.S. application.

## **F. Obviousness**

[Alternative 1 – Jury decides underlying factual issues only]

11. The ultimate legal conclusion on the obviousness question will be made by the court. However, in order for the court to do so, you must answer the following preliminary factual questions:

a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

\_\_\_\_\_ set forth Alleged Infringer's contention, e.g., an individual with at least 3 years of experience in both furniture design and manufacture]

\_\_\_\_\_ [set forth Patent Holder's contention, e.g., anyone who has worked in the field of furniture design or manufacture for at least two years]

\_\_\_\_\_ [other, specify \_\_\_\_\_]

b. What was the scope and content of the prior art at the time of the claimed invention? (check the applicable answer)

\_\_\_\_\_ [set forth what the Alleged Infringer has offered as the invalidating prior art, e.g., '123 patent on fixed sitting device with four legs, general knowledge in field of industrial design that a horizontal surface may be held parallel to the ground using three legs and common knowledge that a person can easily move an object weighing under 25 pounds]

\_\_\_\_\_ [set forth what the Patent Holder asserts was within the scope and content of the prior art, e.g., '123 patent on fixed sitting device with four legs]

\_\_\_\_\_ [other, specify \_\_\_\_\_]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

\_\_\_\_\_ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

\_\_\_\_\_ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

\_\_\_\_\_ [other, specify \_\_\_\_\_]

d. Which of the following factors has been established by the evidence with respect to the claimed invention: (check those that apply)[verdict form should list only those factors for which a *prima facie* showing has been made]:

\_\_\_\_\_ commercial success of a product due to the merits of the claimed invention

\_\_\_\_\_ a long felt need for the solution that is provided by the claimed invention

\_\_\_\_\_ unsuccessful attempts by others to find the solution that is provided by the claimed invention

\_\_\_\_\_ copying of the claimed invention by others

\_\_\_\_\_ unexpected and superior results from the claimed invention

\_\_\_\_\_ acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention

\_\_\_\_\_ independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it

[\_\_\_\_\_ other factor(s) indicating obviousness or nonobviousness—describe the factor(s)\_\_\_\_\_]

[Alternative 2 - Jury decides underlying factual issues and renders advisory verdict on obviousness]

11. The ultimate conclusion that must be reached on the obviousness question is whether Alleged Infringer has proven that it is highly probable that the claimed invention would have been obvious to a person of ordinary skill in the field at the time the patent application was filed. In order to properly reach a conclusion the following preliminary questions must be answered:

a. What was the level of ordinary skill in the field that someone would have had at the time the claimed invention was made? (check the applicable answer)

\_\_\_\_\_ [set forth Alleged Infringer's contention, e.g., an individual with at least 3 years of experience in both furniture design and manufacture]

\_\_\_\_\_ [set forth Patent Holder's contention, e.g., anyone who has worked in the field of furniture design or manufacture for at least two years]

\_\_\_\_\_ [other, specify \_\_\_\_\_]

b. Was [disputed reference] within the scope and content of the prior art at the time of the claimed invention? (check only if reference was within the scope and content of the prior art)

\_\_\_\_\_ [set forth the prior art reference [alleged infringer] has offered as prior art that the [patent holder] disputes as being in the scope and content of the prior art. If there is more than one reference in dispute, each disputed reference should be listed separately.]

c. What difference, if any, existed between the claimed invention and the prior art at the time of the claimed invention?

\_\_\_\_\_ [set forth the Alleged Infringer's contention as to the difference, e.g., no difference between scope of invention and what is known in prior art]

\_\_\_\_\_ [set forth the Patent Holder's contention as to the difference, e.g., only 3 legs on a sitting device and portability]

\_\_\_\_\_ [other, specify \_\_\_\_\_]

d. Which of the following factors has been established by the evidence with respect to the claimed invention: (check those that apply)[verdict form should list only those factors for which a *prima facie* showing has been made]

\_\_\_\_\_ commercial success of a product due to the merits of the claimed invention

\_\_\_\_\_ a long felt need for the solution that is provided by the claimed invention

\_\_\_\_\_ unsuccessful attempts by others to find the solution that is provided by the claimed invention

\_\_\_\_\_ copying of the claimed invention by others

\_\_\_\_\_ unexpected and superior results from the claimed invention

\_\_\_\_\_ acceptance by others of the claimed invention as shown by praise from others in the field or from the licensing of the claimed invention

\_\_\_\_\_ independent invention of the claimed invention by others before or at about the same time as the named inventor thought of it

[\_\_\_\_\_ other factor(s) indicating obviousness or nonobviousness—describe the factor(s) \_\_\_\_\_]

After consideration of the answers to the preliminary questions above, do you find that the Alleged Infringer has proven that it is highly probable that the claim of Patent Holder's patent would have been obvious to a person of ordinary skill in the field at the time the patent application was filed?

Yes \_\_\_\_\_

No \_\_\_\_\_

## G. Inventorship

12. Has Alleged Infringer proven that it is highly probable that Patent Holder's patent fails to meet the requirement to name all actual inventors and only the actual inventors?

Yes \_\_\_\_\_ No \_\_\_\_\_

## FINDINGS ON DAMAGES (IF APPLICABLE)

If you answered question 1, 2, 3 or 4 "yes" and questions 6, 7, 8, 9, 10, 11 and 12 "no," proceed to answer the remaining questions. If you did not so answer, do not answer the remaining questions and proceed to check and sign the verdict form.

13. What lost profits, if any, did Patent Holder show it more likely than not suffered as a result of sales that it would with reasonable probability have made but for Alleged Infringer's infringement?

\$ \_\_\_\_\_

14. For those infringing sales for which Patent Holder has not proved its entitlement to lost profits, what has it proved it is entitled to as a reasonable royalty:

- a) on-going royalty payment of (1) \$ [per unit sold] or \_\_\_\_\_% of \$ \_\_\_\_\_ in total sales; or
- b) one-time payment of \$ \_\_\_\_\_ for the life of the patent.

---

You have now reached the end of the verdict form and should review it to ensure it accurately reflects your unanimous determinations. The Presiding Juror should then sign and date the verdict form in the spaces below and notify the Security Guard that you have reached a verdict. The Presiding Juror should retain possession of the verdict form and bring it when the jury is brought back into the courtroom.

---

DATED: _____, 20____	By: _____ Presiding Juror

**THE FEDERAL CIRCUIT BAR ASSOCIATION**

**MODEL PATENT JURY INSTRUCTIONS**

Last Edited: February 2012

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## **Acknowledgement**

The Association thanks the Patent Litigation Committee and in particular the Jury Instruction Subcommittee for their efforts in creating these Model Patent Jury Instructions.

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## **Preliminary Instructions**

## **A.1 Preliminary Instructions**

### **WHAT A PATENT IS AND HOW ONE IS OBTAINED**

This case involves a dispute relating to a United States patent. Before summarizing the positions of the parties and the issues involved in the dispute, let me take a moment to explain what a patent is and how one is obtained.

Patents are granted by the United States Patent and Trademark Office (sometimes called “the PTO”). A valid United States patent gives the patent holder the right [for up to 20 years from the date the patent application was filed] [for 17 years from the date the patent issued] to prevent others from making, using, offering to sell, or selling the patented invention within the United States, or from importing it into the United States, without the patent holder’s permission. A violation of the patent holder’s rights is called infringement. The patent holder may try to enforce a patent against persons believed to be infringers by a lawsuit filed in federal court.

The process of obtaining a patent is called patent prosecution. To obtain a patent, one must first file an application with the PTO. The PTO is an agency of the Federal Government and employs trained Examiners who review applications for patents. The application includes what is called a “specification,” which contains a written description of the claimed invention telling what the invention is, how it works, how to make it, and how to use it. The specification concludes with one or more numbered sentences. These are the patent “claims.” When the patent is eventually granted by the PTO, the claims define the boundaries of its protection and give notice to the public of those boundaries.

After the applicant files the application, an Examiner reviews the application to determine whether or not the claims are patentable (appropriate for patent protection) and whether or not the specification adequately describes the invention claimed. In examining a patent application, the Examiner reviews certain information about the state of the technology at the time the application was filed. The PTO searches for and reviews information that is publicly available or that is submitted by the applicant. This information is called “prior art.” The Examiner reviews this prior art to determine whether or not the invention is truly an advance over the state of the art at the time. Prior art is defined by law, and I will give you, at a later time during these instructions, specific instructions as to what constitutes prior art. However, in general, prior art includes information that demonstrates the state of technology that existed before the claimed invention was made or before the application was filed. A patent lists the prior art that the Examiner considered; this list is called the “cited references.”

After the prior art search and examination of the application, the Examiner informs the applicant in writing of what the Examiner has found and whether the Examiner considers any claim to be patentable and, thus, would be “allowed.” This writing from the Examiner is called an “Office Action.” If the Examiner rejects the claims, the applicant has an opportunity to respond to the Examiner to try to persuade the Examiner to allow the claims, and to change the claims or to submit new claims. This process may go back and forth for some time until the Examiner is satisfied that the application meets the requirements for a patent and the application issues as a patent, or that the application should be rejected and no patent should issue. Sometimes, patents

are issued after appeals within the PTO or to a court. The papers generated during these communications between the Examiner and the applicant are called the “prosecution history.”

The fact that the PTO grants a patent does not necessarily mean that any invention claimed in the patent, in fact, deserves the protection of a patent. For example, the PTO may not have had available to it all other prior art that will be presented to you. A person accused of infringement has the right to argue here in federal court that a claimed invention in the patent is invalid because it does not meet the requirements for a patent. It is your job to consider the evidence presented by the parties and determine independently whether or not [alleged infringer] has proven that the patent is invalid.

## A.2 Preliminary Instructions

### SUMMARY OF CONTENTIONS

To help you follow the evidence, I will now give you a summary of the positions of the parties.

The parties in this case are [patent holder] and [alleged infringer]. The case involves United States Patent No(s). [ ], obtained by [inventor], and transferred by [inventor] to [patent holder]. For your convenience, the parties and I will often refer to this patent number [full patent number] by the last three numbers of the patent number, namely, as the “[last three numbers of the patent] patent.”

[Patent holder] filed suit in this court seeking money damages from [alleged infringer] for allegedly infringing the [ ] patent by [making], [importing], [using], [selling], [offering for sale], [supplying or causing to be supplied in or from the United States all or a substantial portion of the components of a patented invention] [in/into/within] the United States [products] [methods] [products which are made by a process patented in the United States] that [patent holder] argues are covered by claims [ ] of the [ ] patent. [[Patent holder] also argues that [alleged infringer] has [actively induced infringement of these claims of the [ ] patent by others] [and/or] [contributed to the infringement of claims [ ] of the [ ] patent by others].]

The [products] [methods] that are alleged to infringe are [list of accused products or methods].

[Alleged infringer] denies that it has infringed claims [ ] of the [ ] patent. [Alleged infringer] also argues that claims [ ] are invalid. I will instruct you later as to the ways in which a patent may be invalid. In general, however, a patent is invalid if it is not new or is obvious in view of the state of the art at the relevant time, or if the description in the patent does not meet certain requirements. [Add other defenses, if applicable.]

Your job will be to decide whether or not claims [ ] of the [ ] patent have been infringed and whether or not those claims are invalid. If you decide that any claim of the [ ] patent has been infringed and is not invalid, you will then need to decide any money damages to be awarded to [patent holder] to compensate it for the infringement. [You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damages award you give. I will take willfulness into account later.]

### **A.3 Preliminary Instructions**

#### **PATENT AT ISSUE**

[The Court should show the jury the patent at issue and point out the parts, which include the specification, drawings, and claims, including the claims at issue. The Court may wish to include a joint, nonargumentative statement of the patented subject matter at this point in the instructions.

The Court may wish to hand out its claim constructions (if the claims have been construed at this point) and the glossary at this time. If the claim constructions are handed out, the following instruction should be read:]

I have already determined the meaning of the claims of the [ ] patent. You have been given a document reflecting those meanings. For a claim term for which I have not provided you with a definition, you should apply the ordinary meaning. You are to apply my definitions of these terms throughout this case. However, my interpretation of the language of the claims should not be taken as an indication that I have a view regarding issues such as infringement and invalidity. Those issues are yours to decide. I will provide you with more detailed instructions on the meaning of the claims before you retire to deliberate your verdict.

## **A.4 Preliminary Instructions**

### **OVERVIEW OF APPLICABLE LAW**

[The Court may wish to give preliminary instructions that are applicable to the specific issues in the case. This may help focus the jury on the facts that are relevant to the issues it will have to decide. Even if preliminary instructions are given, the Court would, nonetheless, give complete instructions at the close of evidence.]

In deciding the issues I just discussed, you will be asked to consider specific legal standards. I will give you an overview of those standards now and will review them in more detail before the case is submitted to you for your verdict.

The first issue you will be asked to decide is whether [alleged infringer] has infringed the claims of the [ ] patent. Infringement is assessed on a claim-by-claim basis. Therefore, there may be infringement as to one claim but not infringement as to another. There are a few different ways that a patent may be infringed. I will explain the requirements for each of these types of infringement to you in detail at the conclusion of the case. In general, however, [alleged infringer] may infringe the [ ] patent by making, using, selling, or offering for sale in the United States, or by importing into the United States, a product or by using a method meeting all the requirements of a claim of the [ ] patent. [Alleged infringer] may also indirectly infringe the [ ] patent by contributing to infringement by another entity, or by inducing another person or entity to infringe. I will provide you with more detailed instructions on the requirements for each of these types of infringement at the conclusion of the case.

Another issue you will be asked to decide is whether the [ ] patent is invalid. A patent may be invalid for a number of reasons, including because it claims subject matter that is not new or is obvious. For a claim to be invalid because it is not new, [alleged infringer] must show, by clear and convincing evidence, that all of the elements of a claim are present in a single previous device or method, or sufficiently described in a single previous printed publication or patent. We call these “prior art.” If a claim is not new, it is said to be anticipated.

Another way that a claim may be invalid is that it may have been obvious. Even though every element of a claim is not shown or sufficiently described in a single piece of “prior art,” the claim may still be invalid if it would have been obvious to a person of ordinary skill in the field of technology of the patent at the relevant time. You will need to consider a number of questions in deciding whether the invention(s) claimed in the [ ] patent are obvious. I will provide you detailed instructions on these questions at the conclusion of the case.

[Where a written description or enablement defense is presented: A patent may also be invalid if its description in the specification does not meet certain requirements. To be valid, a patent must meet the “written description” requirement. In order to meet this written description requirement, the description of the invention in the specification portion of the patent must be detailed enough to demonstrate that the applicant actually possessed the invention as broadly as

claimed in the claims of the issued patent.<sup>1</sup> The disclosure of a patent must also meet the “enablement” requirement. To meet this requirement, the description in the patent has to be sufficiently full and clear to have allowed persons of ordinary skill in the field of technology of the patent to make and use the invention without undue experimentation, at the time the patent application was originally filed.]

If you decide that any claim of the [ ] patent has been infringed and is not invalid, you will then need to decide any money damages to be awarded to [patent holder] to compensate it for the infringement. A damages award should put [patent holder] in approximately the same financial position that it would have been in had the infringement not occurred, but in no event may the damages award be less than what [patent holder] would have received had it been paid a reasonable royalty. I will instruct you later on the meaning of a reasonable royalty. The damages you award are meant to compensate [patent holder] and not to punish [alleged infringer]. You may not include in your award any additional amount as a fine or penalty, above what is necessary to compensate [patent holder] for the infringement, in order to punish [alleged infringer]. I will give you more detailed instructions on the calculation of damages at the conclusion of the case.

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<sup>1</sup> Under review in *Ariad v. Lilly*, Appeal No. 2008-1248 (Fed. Cir. appeal reinstated Aug. 21, 2009) (en banc).

## **A.5 Preliminary Instructions**

### **OUTLINE OF TRIAL**

The trial will now begin. First, each side may make an opening statement. An opening statement is not evidence. It is simply an opportunity for the lawyers to explain what they expect the evidence will show.

There are two standards of proof that you will apply to the evidence, depending on the issue you are deciding. On some issues, you must decide whether certain facts have been proven by a preponderance of the evidence. A preponderance of the evidence means that the fact that is to be proven is more likely true than not, i.e., that the evidence in favor of that fact being true is sufficient to tip the scale, even if slightly, in its favor. On other issues that I will identify for you, you must use a higher standard and decide whether the fact has been proven by clear and convincing evidence, i.e., that you have been left with a clear conviction that the fact has been proven.

These standards are different from what you may have heard about in criminal proceedings where a fact must be proven beyond a reasonable doubt. On a scale of these various standards of proof, as you move from preponderance of the evidence, where the proof need only be sufficient to tip the scale in favor of the party proving the fact, to beyond a reasonable doubt, where the fact must be proven to a very high degree of certainty, you may think of clear and convincing evidence as being between the two standards.

After the opening statements, [patent holder] will present its evidence in support of its contention that [some of the] [the] claims of the [ ] patent have been [and continue to be] infringed by [alleged infringer] [and that the infringement has been [and continues to be] willful]. To prove infringement of any claim, [patent holder] must persuade you that it is more likely than not that [alleged infringer] has infringed that claim. [To persuade you that any infringement was willful, [patent holder] must prove that the infringement was willful by clear and convincing evidence.]

[Alleged infringer] will then present its evidence that the claims of the [ ] patent are invalid [and/or unenforceable]. To prove invalidity [and/or unenforceability] of any claim, [alleged infringer] must persuade you by clear and convincing evidence that the claim is invalid [and/or unenforceable]. In addition to presenting its evidence of invalidity [and/or unenforceability], [alleged infringer] will put on evidence responding to [patent holder]'s proof of infringement [and willfulness].

[Patent holder] may then put on additional evidence responding to [alleged infringer]'s evidence that the claims of the [ ] patent are invalid [and/or unenforceable], and to offer any additional evidence of infringement [and willfulness]. This is referred to as "rebuttal" evidence. [Patent holder]'s "rebuttal" evidence may respond to any evidence offered by [alleged infringer].

Finally, [alleged infringer] may have the option to put on its "rebuttal" evidence to support its contentions as to the validity [and/or enforceability] of [some of the] [the] claims of the [ ] patent by responding to any evidence offered by [patent holder] on that issue.

[During the presentation of the evidence, the attorneys will be allowed brief opportunities to explain what they believe the evidence has shown or what they believe upcoming evidence will show. The attorneys' comments are not evidence and the attorneys are being allowed to comment solely for the purpose of helping you to understand the evidence.]

After the evidence has been presented, [the attorneys will make closing arguments and I will give you final instructions on the law that applies to the case] [I will give you final instructions on the law that applies to the case and the attorneys will make closing arguments]. These closing arguments by the attorneys are not evidence. After the closing arguments and instructions, you will then decide the case.

### **Instructions at the Close of Evidence**

## B.1 Summary of Contentions

### SUMMARY OF CONTENTIONS

As I did at the start of the case, I will first give you a summary of each side's contentions in this case. I will then provide you with detailed instructions on what each side must prove to win on each of its contentions.

As I previously told you, [patent holder] seeks money damages from [alleged infringer] for allegedly infringing the [ ] patent by [making], [importing], [using], [selling], and [offering for sale] [products] [methods] that [patent holder] argues are covered by claims [ ] of the [ ] patent. These are the asserted claims of the [ ] patent. [Patent holder] also argues that [alleged infringer] has [actively induced infringement of these claims of the [ ] patent by others] [contributed to the infringement of these claims of the [ ] patent by others]. The [products] [methods] that are alleged to infringe are [list of accused products or methods].

[Alleged infringer] denies that it has infringed the asserted claims of the [ ] patent [and argues that, in addition, claims [ ] are invalid.] [Add other defenses if applicable.]

Your job is to decide whether [alleged infringer] has infringed the asserted claims of the [ ] patent and whether any of the asserted claims of the [ ] patent are invalid. If you decide that any claim of the [ ] patent has been infringed and is not invalid, you will then need to decide any money damages to be awarded to [patent holder] to compensate it for the infringement. [You will also need to make a finding as to whether the infringement was willful. If you decide that any infringement was willful, that decision should not affect any damages award you make. I will take willfulness into account later.]

## **B.2 Claim Construction**

### **2.1 THE ROLE OF THE CLAIMS OF A PATENT**

Before you can decide many of the issues in this case, you will need to understand the role of patent “claims.” The patent claims are the numbered sentences at the end of each patent. The claims are important because it is the words of the claims that define what a patent covers. The figures and text in the rest of the patent provide a description and/or examples of the invention and provide a context for the claims, but it is the claims that define the breadth of the patent’s coverage. Each claim is effectively treated as if it were a separate patent, and each claim may cover more or less than another claim. Therefore, what a patent covers depends, in turn, on what each of its claims covers.

You will first need to understand what each claim covers in order to decide whether or not there is infringement of the claim and to decide whether or not the claim is invalid. The law says that it is my role to define the terms of the claims and it is your role to apply my definitions to the issues that you are asked to decide in this case. Therefore, as I explained to you at the start of the case, I have determined the meaning of the claims and I will provide to you my definitions of certain claim terms. You must accept my definitions of these words in the claims as being correct. It is your job to take these definitions and apply them to the issues that you are deciding, including the issues of infringement and validity.

## B.2 Claim Construction

### 2.2 HOW A CLAIM DEFINES WHAT IT COVERS

I will now explain how a claim defines what it covers.

A claim sets forth, in words, a set of requirements. Each claim sets forth its requirements in a single sentence. If a device or a method satisfies each of these requirements, then it is covered by the claim.

There can be several claims in a patent. Each claim may be narrower or broader than another claim by setting forth more or fewer requirements. The coverage of a patent is assessed claim-by-claim. In patent law, the requirements of a claim are often referred to as “claim elements” or “claim limitations.” When a thing (such as a product or a process) meets all of the requirements of a claim, the claim is said to “cover” that thing, and that thing is said to “fall” within the scope of that claim. In other words, a claim covers a product or process where each of the claim elements or limitations is present in that product or process.

Sometimes the words in a patent claim are difficult to understand, and therefore it is difficult to understand what requirements these words impose. It is my job to explain to you the meaning of the words in the claims and the requirements these words impose.

As I just instructed you, there are certain specific terms that I have defined and you are to apply the definitions that I provide to you.

By understanding the meaning of the words in a claim and by understanding that the words in a claim set forth the requirements that a product or process must meet in order to be covered by that claim, you will be able to understand the scope of coverage for each claim. Once you understand what each claim covers, then you are prepared to decide the issues that you will be asked to decide, such as infringement and invalidity.

#### Authorities

For “comprising,” *see, e.g., Cook Biotech Inc. v. ACell, Inc.*, 460 F.3d 1365, 1373-78 (Fed. Cir. 2006); *Invitrogen Corp. v. Biocrest Mfg., L.P.*, 327 F.3d 1364, 1368 (Fed. Cir. 2003) (“The transition ‘comprising’ in a method claim . . . is open-ended and allows for additional steps.”); for “consisting of,” *see, e.g., Conoco, Inc. v. Energy & Envtl. Int’l, L.C.*, 460 F.3d 1349, 1358-61 (Fed. Cir. 2006); *Vehicular Techs. Corp. v. Titan Wheel Int’l, Inc.*, 212 F.3d 1377, 1383 (Fed. Cir. 2000) (“In simple terms, a drafter uses the phrase ‘consisting of’ to mean ‘I claim what follows and nothing else.’”); for “consisting essentially of,” *see, e.g., CIAS, Inc. v. Alliance Gaming Corp.*, 504 F.3d 1356, 1361 (Fed. Cir. 2007); *AK Steel Corp. v. Sollac & Ugine*, 344 F.3d 1234, 1239 (Fed. Cir. 2003) (“consisting essentially of” is a middle ground between open-ended term “comprising” and closed-ended phrase “consisting of”).

## **B.2 Claim Construction**

### **2.2a INDEPENDENT AND DEPENDENT CLAIMS**

[This instruction should only be given where both dependent and independent claims are at issue.]

This case involves two types of patent claims: independent claims and dependent claims.

An “independent claim” sets forth all of the requirements that must be met in order to be covered by that claim. Thus, it is not necessary to look at any other claim to determine what an independent claim covers. In this case, claim(s) [ ] of the [ ] patent are each independent claims.

The remainder of the claims in the [ ] patent are “dependent claims.” A dependent claim does not itself recite all of the requirements of the claim but refers to another claim for some of its requirements. In this way, the claim “depends” on another claim. A dependent claim incorporates all of the requirements of the claim(s) to which it refers. The dependent claim then adds its own additional requirements. To determine what a dependent claim covers, it is necessary to look at both the dependent claim and any other claim(s) to which it refers. A product [or process] that meets all of the requirements of both the dependent claim and the claim(s) to which it refers is covered by that dependent claim.

[Note: It may be helpful to submit to the jury a chart setting forth all dependencies for each dependent claim.]

## B.2 Claim Construction

### 2.3 CLAIM INTERPRETATION

I will now explain to you the meaning of some of the words of the claims in this case. In doing so, I will explain some of the requirements of the claims. As I have previously instructed you, you must accept my definition of these words in the claims as correct. For any words in the claim for which I have not provided you with a definition, you should apply their common meaning. You should not take my definition of the language of the claims as an indication that I have a view regarding how you should decide the issues that you are being asked to decide, such as infringement and invalidity. These issues are yours to decide.

[Court gives its claim interpretation. This instruction may be divided up into claim-by-claim sub-instructions if the Court believes it would be helpful.]

#### Authorities

*Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996) (claim construction of a patent, including claim terms, is exclusively within the province of the court); *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360-63 (Fed. Cir. 2008) (remanding to the district court to determine the construction of “only if” when the “ordinary” meaning did not resolve the parties’ dispute); *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-13 (Fed. Cir. 2005) (en banc) (“ordinary and customary meaning” is based on the understanding of a person of ordinary skill in the art in question at the time of the invention); *Pitney Bowes, Inc. v. Hewlett-Packard Co.*, 182 F.3d 1298, 1304 (Fed. Cir. 1999) (claim construction is a question of law reviewed de novo); *Cybor Corp. v. FAS Techs.*, 138 F.3d 1448, 1456 (Fed. Cir. 1998) (same); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 977 (Fed. Cir. 1995) (in jury cases, court has obligation to construe claim terms).

## B.2 Claim Construction

### 2.3a SECTION 112, PARAGRAPH 6

[This instruction should only be given where the asserted claims include means-plus-function or step-plus-function requirements.]

Where claims include means-plus-function requirements:

Claim [ ] uses the phrase “means for [function].” This “means for” phrase has a special meaning in patent law. It is called a “means-plus-function” requirement. It does not cover all of the structures that could perform the function set forth in the claim, namely, “[function].” Instead, it covers a structure or a set of structures that performs that function and that is either identical or “equivalent” to [at least one of] the [set(s) of] structure(s) described in the [ ] patent for performing that function. The issue of whether two structures are identical or equivalent is for you to decide. I will explain to you later how to determine whether two structures or two sets of structures are “equivalent” to one another. For purposes of this case, I have identified the [set(s) of] structure(s) described in the [ ] patent that perform(s) the function of “[function].” [Claims [ ] also include similar means-plus-function requirements.] When I read you my definitions for certain claim terms a few moments ago, I identified the structures described in the [ ] patent for performing the relevant functions. You should apply my definition of the function and the structures described in the [ ] patent for performing it as you would apply my definition of any other claim term.

Where claims include step-plus-function requirements:

Claim [ ] uses the phrase “step for [function].” It does not cover all of the acts that could perform the function set forth in the claim. Instead, it covers acts that perform that function and are either identical or “equivalent” to [at least one of] the [set(s) of] act(s) described in the [ ] patent for performing that function. The issue of whether two structures are identical or equivalent is for you to decide. I will explain to you later how to determine whether two acts or two sets of acts are “equivalent” to one another. For purposes of this case, I have identified the [set(s) of] act(s) described in the [ ] patent that perform(s) the function of “[function].” [Claims [ ] also include similar step-plus-function requirements.] When I read you my definitions for certain claim terms a few moments ago, I identified the acts described in the [ ] patent for performing the relevant functions. You should apply my definition of the function and the acts described in the [ ] patent for performing it as you would apply my definition of any other claim term.

#### Authorities

35 U.S.C. § 112, ¶ 6; *Allvoice Computing PLC v. Nuance Commc'ns, Inc.*, 504 F.3d 1236, 1240-41 (Fed. Cir. 2007); *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 448 F.3d 1324, 1332-34 (Fed. Cir. 2006) (explaining that an object meeting a means-plus-function limitation with two functions must perform both claimed functions and be an equivalent structure. Equivalence of structure can be shown here if the objects perform both identical functions in substantially the same way to achieve substantially the same result.); *Al-Site Corp. v. VSI Int'l Inc.*, 174 F.3d 1308, 1318-21 (Fed. Cir. 1999) (distinguishing between means- or step-plus-function to

equivalents available at time of issuance and application of doctrine of equivalents to after-arising inventions); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1351 (Fed. Cir. 1999) (“The proper test for determining whether the structure in an accused device is equivalent to the structure recited in a section 112, ¶ 6, claim is whether the differences between the structure in the accused device and any disclosed in the specification are insubstantial.”); *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1266-67 (Fed. Cir. 1999); *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1307-08 (Fed. Cir. 1998).

## B.3 Infringement

### 3.1 INFRINGEMENT GENERALLY

I will now instruct you how to decide whether or not [alleged infringer] has infringed the [ ] patent. Infringement is assessed on a claim-by-claim basis. Therefore, there may be infringement as to one claim but no infringement as to another.

In this case, there are five possible ways that a claim may be infringed. The five types of infringement are called: (1) direct infringement; (2) active inducement; (3) contributory infringement; (4) infringement through the supply of components from the United States to another country; and (5) infringement through importation of a product made abroad by a patented process. Active inducement and contributory infringement are referred to as indirect infringement. There cannot be indirect infringement without someone else engaging in direct infringement. To prove indirect infringement, [patent holder] must also prove that [alleged infringer]'s indirect infringement caused direct infringement.

In this case, [patent holder] has alleged that [alleged infringer] directly infringes the [ ] patent. [[In addition,] [patent holder] has alleged that [alleged direct infringer] directly infringes the [ ] patent, and [alleged infringer] is liable for [actively inducing or contributing to] that direct infringement by [alleged direct infringer]. [Patent holder] has also alleged that [alleged infringer] is liable for [infringement through the supply of components from the United States for combination outside of the United States] [and/or] [infringement through importation into the United States of a product made by the patented process].]

In order to prove infringement, [patent holder] must prove that the requirements for one or more of these types of infringement are met by a preponderance of the evidence, i.e., that it is more likely than not that all of the requirements of one or more of each of these types of infringement have been proved.

I will now explain each of these types of infringement in more detail.

#### Authorities

*Warner-Lambert Co. v. Teva Pharms. USA, Inc.*, 418 F.3d 1326, 1341 n.15 (Fed. Cir. 2005) (infringement must be proven by a preponderance of the evidence); *Seal-Flex, Inc. v. Athletic Track & Court Constr.*, 172 F.3d 836, 842 (Fed. Cir. 1999) (a patentee must “prove that the accused product or process contains, either literally or under the doctrine of equivalents, every limitation of the properly construed claim”); *Morton Int’l, Inc. v. Cardinal Chem. Co.*, 5 F.3d 1464, 1468-69 (Fed. Cir. 1993) (upholding lower court’s finding of noninfringement based on plaintiff’s failure to prove that the accused product met all of the claimed requirements).

## B.3 Infringement

### 3.1a DIRECT INFRINGEMENT BY “LITERAL INFRINGEMENT”

There are two types of “direct infringement”: (1) “literal infringement” and (2) “infringement under the doctrine of equivalents.” In order to prove direct infringement by literal infringement, [patent holder] must prove by a preponderance of the evidence, i.e., that it is more likely than not, that [alleged infringer] made, used, sold, offered for sale within, or imported into the United States a [product or process] that meets all of the requirements of a claim and did so without the permission of [patent holder] during the time the [ ] patent was in force. You must compare the [product or process] with each and every one of the requirements of a claim to determine whether all of the requirements of that claim are met.

You must determine, separately for each asserted claim, whether or not there is infringement. There is one exception to this rule. If you find that a claim on which other claims depend is not infringed, there cannot be infringement of any dependent claim that refers directly or indirectly to that independent claim. On the other hand, if you find that an independent claim has been infringed, you must still decide, separately, whether the [product or process] meets additional requirements of any claims that depend from the independent claim, thus, whether those claims have also been infringed. A dependent claim includes all the requirements of any of the claims to which it refers plus additional requirements of its own.

#### Authorities

*Kim v. ConAgra Foods, Inc.*, 465 F.3d 1312, 1316, n.1 (Fed. Cir. 2006) (dependent claims not infringed when independent claim not infringed); *MicroStrategy Inc. v. Bus. Objects, S.A.*, 429 F.3d 1344, 1352-53 (Fed. Cir. 2005) (no literal infringement where accused product did not contain every element of the claim); *Cross Med. Prods. v. Medtronic Sofamor Danek*, 424 F.3d 1293, 1309-11 (Fed. Cir. 2005) (no direct infringement where accused product did not include each claim limitation); *Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1353-54 (Fed. Cir. 2001) (no literal infringement where all of the elements of the claim not present in the accused system); *Moleculon Research Corp. v. CBS, Inc.*, 793 F.2d 1261 (Fed. Cir. 1986) (affirming finding of direct infringement based on circumstantial evidence).

### B.3 Infringement

#### 3.1b DIRECT INFRINGEMENT BY “LITERAL INFRINGEMENT” OF SECTION 112, PARAGRAPH 6 CLAIM REQUIREMENTS

[This instruction should only be given where the asserted claims include means-plus-function or step-plus-function requirements.]

Where claims include means/step-plus-function requirements:

As I have previously explained, claims [ ] include requirements that are in [means/step-plus-function] form.

A product or a process meets a means/step-plus-function requirement of a claim if: (1) it has [a structure or a set of structures/an action or a set of actions] that perform(s) the identical function recited in the claim, and (2) that [structure or set of structures/action or set of actions] is either identical or “equivalent” to [one or more of] the described [set(s) of] [structure(s)/ action(s)] that I defined earlier as performing the function of [functional limitation]. If the [product] does not perform the specific function recited in the claim, the “means-plus-function” requirement is not met, and the [product] does not literally infringe the claim. Alternatively, even if the [product] has [a structure or a set of structures] that performs the function recited in the claim but the [structure or set of structures] is not either identical or “equivalent” to [one or more of] the [set(s) of] [structure(s)/action(s)] that I defined to you as being described in the [ ] patent and performing this function, the [product] does not literally infringe the asserted claim.

[A structure or a set of structures/An action or a set of actions] may be found to be “equivalent” to [one of] [the/a] [set(s) of] [structure(s)/action(s)] I have defined as being described in the [ ] patent if a person having ordinary skill in the field of technology of the [ ] patent either would have considered the differences between them to be insubstantial at the time the [ ] patent issued or if that person would have found the [structure(s)/actions(s)] performed the function in substantially the same way to accomplish substantially the same result. In deciding whether the differences would be “insubstantial,” you may consider whether a person having an ordinary level of skill in the field of technology of the patent would have known of the interchangeability of the two structures or sets of structures. Interchangeability itself is not sufficient; in order for the structures to be considered to be interchangeable, the interchangeability of the two structures must have been known to persons of ordinary skill in that art at the time the patent issued. The fact that [a structure or a set of structures/an act or a set of acts] is known now and is “equivalent” is not enough. The [structure or set of structures/act or set of acts] must also have been available at the time the [ ] patent issued.

[In this case, the parties have agreed that the relevant field of technology is [field of technology] and that a person having an ordinary level of skill would [qualifications].] [In this case, you will have to decide [issues regarding field of technology and level of ordinary skill in the art]. I will instruct you later how to decide this.]

In order to prove direct infringement by literal infringement of a means-plus/step-plus-function limitation, [patent holder] must prove the above requirements are met by a preponderance of the evidence.

## Authorities

35 U.S.C. § 112, ¶ 6; *Allvoice Computing PLC v. Nuance Commc'ns, Inc.*, 504 F.3d 1236, 1240-41 (Fed. Cir. 2007); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1315-17 (Fed. Cir. 2005); *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 448 F.3d 1324, 1333-34 (Fed. Cir. 2006); *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1328 (Fed. Cir. 2003) (holding that the structure in an accused device meets a § 112, ¶ 6, limitation if the structure performs the identical function recited in the claim and is identical or equivalent to the structure in the specification corresponding to that limitation); *Al-Site Corp. v. VSI Int'l Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999) (holding that an equivalent structure or act under § 112 cannot embrace technology developed after the patent issued because the literal meaning of a claim is fixed upon issuance); *WMS Gaming, Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1350 (Fed. Cir. 1999); *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1266-68 (Fed. Cir. 1999); *Chiuminatta Concrete Concepts, Inc. v. Cardinal Indus., Inc.*, 145 F.3d 1303, 1307-11 (Fed. Cir. 1998); *Micro Chem., Inc. v. Great Plains Chem. Co.*, 103 F.3d 1538, 1547 (Fed. Cir. 1997); *Valmont Indus., Inc. v. Reinke Mfg. Co.*, 983 F.2d 1039, 1042 (Fed. Cir. 1993).

## **B.3     Infringement**

### **3.1c     DIRECT INFRINGEMENT “UNDER THE DOCTRINE OF EQUIVALENTS”**

[This instruction should only be given where the patentee asserts infringement under the doctrine of equivalents.]

If a [person] [company] makes, uses, sells, offers to sell within, or imports into the United States a [product] [process] that does not meet all of the requirements of a claim and thus does not literally infringe that claim, there can still be direct infringement if that [product or process] satisfies that claim “under the doctrine of equivalents.”

Under the doctrine of equivalents, a [product or process] infringes a claim if the accused [product or process] [contains elements or performs steps] corresponding to each and every requirement of the claim that is equivalent to, even though not literally met by, the accused [product or process]. You may find that an element or step is equivalent to a requirement of a claim that is not met literally if a person having ordinary skill in the field of technology of the patent would have considered the differences between them to be “insubstantial” or would have found that the [structure or action]: (1) performs substantially the same function and (2) works in substantially the same way (3) to achieve substantially the same result as the requirement of the claim. In order for the [structure or action] to be considered interchangeable, the [structure or action] must have been known at the time of the alleged infringement to a person having ordinary skill in the field of technology of the patent. Interchangeability at the present time is not sufficient. In order to prove infringement by “equivalents,” [patent holder] must prove the equivalency of the [structure or actions] to a claim element by a preponderance of the evidence.

If claims with means-plus-function clauses are at issue:

When the claim requirement that is not met by the [product or process] is a [“means-plus-function” or “step-plus-function”] requirement, and if you determined that there is no “literal infringement” because there is no [structure or set of structures/action or set of actions] in the [product or process] that performs the specific function of the means-plus-function requirement,, you may decide that the [structure or action] nonetheless corresponds to the requirements of the claim under the doctrine of equivalents if it performs an “equivalent” function and has an “equivalent” [structure or action].

On the other hand, if you find that the accused [product or process] has no corresponding [structure or set of structures/action or set of actions] to [any of] the [set(s) of] [structure(s) or action(s)] that I defined as performing that function, then you must find that there is no infringement under the doctrine of equivalents. This is the case even if you find that the accused [product or process] has some other [structure or set of structures/action or set of actions] that performs the specific function of the means-plus-function requirement. In other words, for a means-plus-function requirement, a determination that there is no “equivalent” structure for purposes of “literal infringement” precludes you from finding infringement under the “doctrine of equivalents.”

## Authorities

*Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997); *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 609 (1950) (explaining what constitutes an “equivalent”); *Interactive Pictures Corp. v. Infinite Pictures Inc.*, 274 F.3d 1371, 1381-82 (Fed. Cir. 2001); *Johnson & Johnston Assocs. v. R.E. Serv. Co.*, 285 F.3d 1046 (Fed. Cir. 2002) (no infringement under the doctrine of equivalents); *Al-Site Corp. v. VSI Int’l, Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999) (distinguishing between the doctrine of equivalents and the statutory term “equivalents”); *Hughes Aircraft Co. v. United States*, 140 F.3d 1470, 1475 (Fed. Cir. 1998); *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1480 (Fed. Cir. 1998); *Dolly, Inc. v. Spalding & Evenflo Cos.*, 16 F.3d 394, 397 (Fed. Cir. 1994).

## **B.3    Infringement**

### **3.1d    LIMITATIONS ON DIRECT INFRINGEMENT “UNDER THE DOCTRINE OF EQUIVALENTS”**

[Although the applicability of these limitations is ultimately decided by the Court, this instruction is provided for the case in which the Court decides to submit these issues to the jury for advisory findings.]

[If there is a question as to whether the prior art limits the doctrine of equivalents:

The prior art may preclude a finding of infringement under the doctrine of equivalents. I will explain what “prior art” is, but, generally speaking, “prior art” is things that were already known or done before the invention. In reaching your decisions in this case, you must use the definition of “prior art” that I provide to you.]

[Statement of the law not using “hypothetical claim”:

To determine whether the prior art precludes a finding of infringement under the doctrine of equivalents for a particular [product or process] that is accused of infringing a particular claim, you must determine what [products or processes] are in the “prior art” as well as what [products or processes] would have been obvious from the “prior art” to a person having an ordinary level of skill in the field of technology of the patent at the time of the invention.

If [alleged infringer] establishes that a [product or process] that (1) meets the same claim requirements as the [product or process] that is accused of infringing and (2) has the same allegedly “equivalent” alternative feature(s) as the [product or process] that is accused of infringing is in the prior art or would have been obvious from the prior art to a person having ordinary skill in the field of technology of the invention at the time of the invention, you must find that the claim has not been infringed.

[Alleged infringer] has the burden of proving that this hypothetical, equivalent claim was within the prior art at the time of the alleged infringement, by a preponderance of the evidence.]

[Alternative statement of the law using “hypothetical claim”:

To determine whether the prior art precludes a finding of infringement under the doctrine of equivalents, you must first have in mind a “hypothetical claim” that would cover the accused, allegedly equivalent [product or process] literally. The hypothetical claim is exactly the same as the claim at issue, except that the unmet claim requirements are broadened so that they would be met by the allegedly “equivalent” hypothetical claim.

Once you have this equivalent “hypothetical claim” in mind, you must decide whether this hypothetical claim would have been invalid for either anticipation or obviousness. I will instruct you later on how to determine if a claim is invalid for anticipation or obviousness. You should use these same rules to determine whether or not the “hypothetical claim” would be invalid for anticipation or obviousness. If you determine that the “hypothetical claim” would have been

invalid for anticipation or obviousness, then you must find that there is no infringement of this particular claim under the doctrine of equivalents.]

[If there is a question as to whether a disclosure in the patent precludes equivalence:

You may not find that a [product or process] infringes a claim under the doctrine of equivalents if you find that: (1) the allegedly “equivalent” alternative feature(s) of that [product or process] was/were described somewhere in the patent and (2) that [product or process] is not covered literally by any of the claims of the patent.]

[If there is a question as to argument-based prosecution history estoppel:

You may not find that a [product or process] infringes a claim under the doctrine of equivalents if you find that, during the patent application process, the applicant for the patent distinguished an unmet requirement from the allegedly “equivalent” alternative aspect of that [product or process].]

[If there is a question as to amendment-based prosecution history estoppel:

[Alleged infringer] has argued that [patent holder] cannot assert infringement under the doctrine of equivalents due to statements [patent holder] made to the PTO in order to get the claim allowed in the first place. In order to find [accused product] to be equivalent, you must also make certain findings regarding the statements [patent holder] made to the PTO in order to get the [ ] patent. Specifically, in order to find equivalents, you must first also find one or more of the following: (1) the amendment that is asserted by [alleged infringer] to limit the scope of equivalents substituted a broader requirement for a narrower requirement or replaced a requirement of equal scope; (2) the reason for making this amendment was not related to patentability; (3) a person having ordinary skill in the field of technology of the patent at the time of the amendment would not have foreseen the potential substitution of the allegedly “equivalent” alternative for the unmet claim requirement; (4) the reason for the amendment is tangential or relates to some issue other than the assertion of equivalence at issue; or (5) some other reason, such as the shortcomings of language, prevented the applicant from using claim language that included the allegedly “equivalent” alternative. You may not find that the alternative feature of the [accused product or process] is an equivalent to an unmet requirement of a claim if that requirement was added to the claim (or to any claim of the [ ] patent) by amendment during the prosecution of the applications that led to issuance of the [ ] patent, unless you also find that at least one of these factors that I have identified to you.]

[If there is a question as to vitiation:

You may not determine that an alternative aspect of a [product or process] is equivalent to an unmet requirement of a claim if a finding of infringement under the doctrine of equivalents would effectively eliminate that requirement. Specifically, the alleged equivalent cannot eliminate or ignore an element or requirement of the claim.]

## Authorities

*Honeywell Int'l v. Hamilton Sundstrand Corp.*, 370 F.3d 1131 (Fed. Cir. 2004); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359 (Fed. Cir. 2003) (en banc); *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371, 1380 (Fed. Cir. 2001); *Al-Site Corp. v. VSI Int'l, Inc.*, 174 F.3d 1308, 1320 (Fed. Cir. 1999); *Wilson Sporting Goods Co. v. David Geoffrey & Assocs.*, 904 F.2d 676, 684 (Fed. Cir. 1990).

## B.3 Infringement

### 3.2 INDIRECT INFRINGEMENT—ACTIVE INDUCEMENT

[Patent holder] alleges that [alleged infringer] is liable for infringement by actively inducing [someone else] [some other company] to directly infringe the [ ] patent literally or under the doctrine of equivalents. As with direct infringement, you must determine whether there has been active inducement on a claim-by-claim basis.

[Alleged infringer] is liable for active inducement of a claim only if [patent holder] proves by a preponderance of the evidence that:

- (1) the acts are actually carried out by [insert name or other description of alleged direct infringer] and directly infringe that claim;
- (2) [alleged infringer] took action during the time the [ ] patent was in force intending to cause the infringing acts by [insert name or other description of alleged direct infringer]; and
- (3) [alleged infringer] was aware of the [ ] patent and knew that the acts, if taken, would constitute infringement of that patent or [alleged infringer] believed there was a high probability that the acts, if taken, would constitute infringement of the [ ] patent but deliberately avoided confirming that belief.

In order to establish active inducement of infringement, it is not sufficient that [insert name or other description of alleged direct infringer] itself directly infringes the claim. Nor is it sufficient that [alleged infringer] was aware of the act(s) by [insert name or other description of alleged direct infringer] that allegedly constitute the direct infringement. Rather, you must find that [accused infringer] specifically intended [insert name or other description of alleged direct infringer] to infringe the [ ] patent or that [accused infringer] believed there was a high probability that [insert name or other description of alleged direct infringer] would infringe the [ ] patent, but remained willfully blind to the infringing nature of [insert name or other description of alleged direct infringer]’s acts, in order to find inducement of infringement.

#### Authorities

35 U.S.C. § 271(b); *Global-Tech Appliances, Inc. v. SEB S. A.*, \_\_ U.S. \_\_, \_\_; 131 S.Ct. 2060, 2068-2071; 179 L.Ed. 1167, 1177-1180 (2012); On November 18, 2011, in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, Fed. Cir. No. 2009-1372 and *McKesson Technologies, Inc. v. Epic Systems Corp.*, Fed. Cir. No. 2010-1291, the Federal Circuit heard argument on the nature of proof of induced infringement of method claims where separate entities perform separate steps; *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329-30 (Fed. Cir. 2008); *Lucent Technologies, Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1340 (Fed. Cir. 2009); *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1306 (Fed. Cir. 2006) (“[I]nducement requires that the alleged infringer knowingly induced infringement and possessed specific intent to encourage another’s infringement.”) (citation and internal quotation marks omitted); *MGM Studios Inc. v. Grokster*, 419 F.3d 1005 (Fed. Cir. 2005); *Insituform Techs., Inc. v. CAT*

*Contracting, Inc.*, 385 F.3d 1360, 1377-78 (Fed. Cir. 2004) (inducer must have actual or constructive knowledge of the patent); *Ferguson Beauregard/Logic Controls, Div. of Dover Res., Inc. v. Mega Sys., LLC*, 350 F.3d 1327, 1342 (Fed. Cir. 2003) (no inducement where evidence did not show defendant knew or should have known that his actions were encouraging infringement); *Warner-Lambert Co. v. Apotex Corp.*, 316 F.3d 1348, 1363-66 (Fed. Cir. 2003) (no infringement where lack of intent to induce).

Committee Comments: The underlined language in the instruction incorporates the “willful blindness” standard addressed by the Supreme Court in *Global-Tech Appliances, Inc. v. SEB S. A.*, \_\_\_ U.S. \_\_\_, \_\_\_ ; 131 S.Ct. 2060, 2068-2071; 179 L.Ed. 1167, 1177-1180 (2012). The Committee is of the opinion that in cases where willful blindness is not an issue, the underlined language should be omitted to reduce the possibility of juror confusion.

## B.3 Infringement

### 3.3 INDIRECT INFRINGEMENT—CONTRIBUTORY INFRINGEMENT

[Patent holder] argues that [alleged infringer] is liable for contributory infringement by contributing to the direct infringement of the [ ] patent by [insert name or other description of direct infringer]. As with direct infringement, you must determine contributory infringement on a claim-by-claim basis.

[Alleged infringer] is liable for contributory infringement of a claim if [patent holder] proves by a preponderance of the evidence:

- (1) [alleged infringer] sells, offers to sell, or imports within the United States a component of a product, or apparatus for use in a process, during the time the [ ] patent is in force;
- (2) the component or apparatus has no substantial, noninfringing use;
- (3) the component or apparatus constitutes a material part of the invention;
- (4) [alleged infringer] is aware of the [ ] patent and knows that the [products or processes] for which the [component or apparatus] has no other substantial use may be covered by a claim of the [ ] patent or may satisfy a claim of the [ ] patent under the doctrine of equivalents; and
- (5) that use directly infringes the claim.

In order to prove contributory infringement, [patent holder] must prove that each of the above requirements is met. This proof of each requirement must be by a preponderance of the evidence, i.e., that it is more likely than not that each of the above requirements is met.

#### Authorities

35 U.S.C. § 271(c) (“not a staple article”); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964) (knowledge of plaintiff’s patent and that the part supplied is significant); *Ricoh Co. v. Quanta Computer Inc.*, 550 F.3d 1325, 1327 (Fed. Cir. 2008), *cert denied*, 129 S. Ct. 2864 (2009); *Alloc, Inc. v. ITC*, 342 F.3d 1361, 1374 (Fed. Cir. 2003) (affirming determination of no contributory infringement); *Mentor H/S, Inc. v. Med. Device Alliance, Inc.*, 244 F.3d 1365 (Fed. Cir. 2001) (reversing district court’s finding of no contributory infringement and inducement); *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1469 (Fed. Cir. 1990) (differentiating contributory infringement from inducement); *Preemption Devices, Inc. v. Minn. Mining & Mfg. Co.*, 803 F.2d 1170, 1174 (Fed. Cir. 1986) (direct infringement findings supported contributory infringement findings).

### **B.3 Infringement**

#### **3.4 INFRINGEMENT THROUGH THE SUPPLY OF COMPONENTS FROM UNITED STATES FOR COMBINATION ABROAD**

[This instruction should be given if patentee asserts infringement under 35 U.S.C. § 271(f)(1) or § 271(f)(2).]

[If § 271(f)(2)—active inducement—is at issue:

[Alleged infringer] is liable for § 271(f)(1) infringement of a claim (active inducement of foreign combination of components supplied from the United States) if patentee proves by a preponderance of the evidence that:

- (1) [alleged infringer] supplies [or causes to be supplied] components from the United States to a place outside the United States, which make up all or a substantial portion of the invention of any one of the claims of the [ ] patent;
- (2) [alleged infringer] takes action intentionally to cause another to act by [insert name or other description of alleged direct infringer] outside of the United States to [assemble the components];
- (3) [alleged infringer] knows of the [ ] patent, and knows (or should have known) that the encouraged acts constitute infringement of that patent; and
- (4) the encouraged acts would constitute direct infringement of the claim if they had been carried out in the United States.

In order to establish active inducement of infringement, it is not sufficient that [insert name or other description of alleged direct infringer] itself allegedly directly infringes the claim. Nor is it sufficient that [alleged infringer] was aware of the act(s) that allegedly constitute the direct infringement. Rather, you must find that [alleged infringer] specifically intended for [insert name or other description of alleged direct infringer] to infringe the [ ] patent, in order to find inducement of infringement. If you do not find that [alleged infringer] specifically intended to infringe, then you must find that [alleged infringer] has not actively induced the alleged infringement under § 271(f)(1).]

[If § 271(f)(2)—contributory foreign infringement—is at issue:

[Alleged infringer] is [also] liable for § 271(f)(2) infringement of a claim if [patent holder] proves by a preponderance of the evidence that:

- (1) [alleged infringer] supplies a component, or causes a component to be supplied, from the United States to a place outside of the United States;
- (2) the only substantial use for the component is in a product that [product or process] would infringe if the combination had occurred in the United States;

(3) [alleged infringer] is aware of the [ ] patent and knows that the [component or apparatus] has no other substantial use and may be covered by a claim of the patent [literally or under the doctrine of equivalents]; and

(4) intends for the component to be used by [insert name of other description of alleged direct infringer] and it was used in a product that would directly infringe the claim if it had been used in the United States.]

#### Authorities

35 U.S.C. § 271(f); *Cardiac Pacemakers, Inc. v. St. Jude Med.*, Appeal Nos. 07-1296, -1347 (Fed. Cir. 2009) (§ 271(f) does not cover method claims); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007); *Liquid Dynamics Corp. v. Vaughan Co.*, 449 F.3d 1209, 1222-23 (Fed. Cir. 2006); *Pellegrini v. Analog Devices, Inc.*, 375 F.3d 1113, 1117-18 (Fed. Cir. 2004); *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1366 (Fed. Cir. 2005); *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005).

### **B.3    Infringement**

#### **3.5    INFRINGEMENT BY SALE, OFFER FOR SALE, USE, OR IMPORTATION OF A PRODUCT MADE OUTSIDE THE UNITED STATES BY PATENTED PROCESS**

[Alleged infringer] is liable for direct infringement of a claim if [patent holder] proves by a preponderance of the evidence that [alleged infringer], without [patent holder]'s authorization, imports, offers to sell, sells, or uses within the United States a product which was made outside of the United States during the time the [ ] patent is in force by a process that, if performed in the United States, would infringe the claim literally or under the doctrine of equivalents. However, if the product has been materially changed by an additional process or the product has become a trivial and nonessential component of another product, you must find [alleged infringer] did not infringe the [ ] patent.

#### Authorities

35 U.S.C. § 271(g); *Bayer AG v. Housey Pharms., Inc.*, 340 F.3d 1367 (Fed. Cir. 2003) (finding infringement under this section); *Ajinomoto Co. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1347 (Fed. Cir. 2000) (same).

### B.3 Infringement

#### 3.7 DIRECT INFRINGEMENT: MULTIPLE ALLEGED INFRINGERS OR SOME ACTIONS CONDUCTED OUTSIDE THE UNITED STATES

[This instruction should only be given where there are multiple alleged infringers or some of the allegedly infringing conduct occurred outside of the United States.]

Direct infringement requires that a party perform or use every step of a claimed method. Where no single party performs all of the steps of a claimed method but more than one party performs every step of the method, the claim is directly infringed if one party has control over the entire method so that the steps are attributable to the controlling party. Mere arms-length cooperation between parties is insufficient to prove direct infringement.

[Patent holder] alleges that [alleged infringer A] and [alleged infringer B, etc.] have each separately infringed [or that each has acted with the other to collectively infringe] a claim of the [ ] patent.

For infringement to be proved, [patent holder] must prove that the elements of a claimed product were combined, made, used, sold, offered for sale, or imported [or all of the steps of a claimed process performed] in the United States by a preponderance of the evidence.

Where geographically disparate infringement of a system claim is alleged, add:

[Patent holder] claims infringement even though some of the elements of the claim were located outside of the United States. For infringement, [patent holder] must prove by a preponderance of the evidence that either all of the elements of a claimed product were combined, made, used, sold, offered for sale, or imported in the United States, or that the benefit or control of the system was enjoyed by a person using the system in the United States.

#### Authorities

35 U.S.C. § 271(a); On November 18, 2011, in *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, Fed. Cir. No. 2009-1372 and *McKesson Technologies, Inc. v. Epic Systems Corp.*, Fed. Cir. No. 2010-1291, the Federal Circuit will hear argument on the nature of proof of induced infringement of method claims where separate entities perform separate steps; *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329-30 (Fed. Cir. 2008); *Muniauction Inc. v. Thomson Corp.*, 532 F.3d 1318, 1329-30 (Fed. Cir. 2008); *BMC Resources Inc. v. Paymentech LP*, 498 F.3d 1373, 1378-81 (Fed. Cir. 2007); *On Demand Mach. Corp. v. Ingram Indus., Inc.*, 442 F.3d 1331, 1344-45 (Fed. Cir. 2006) (infringement by multiple alleged infringers); *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek*, 424 F.3d 1293, 1311 (Fed. Cir. 2005); *NTP, Inc. v. Research in Motion Ltd.*, 418 F.3d 1282, 1313-21 (Fed. Cir. 2005).

## **B.3 Infringement**

### **3.8 WILLFUL INFRINGEMENT**

[This instruction should be given only if willfulness is in issue.]

In this case, [patent holder] argues both that [alleged infringer] infringed and, further, that [alleged infringer] infringed willfully. If you have decided that [alleged infringer] has infringed, you must go on and address the additional issue of whether or not this infringement was willful. Willfulness requires you to determine by clear and convincing evidence that [alleged infringer] acted recklessly. To prove that [alleged infringer] acted recklessly, [patent holder] must prove two things by clear and convincing evidence: The first part of the test is objective: the patent holder must persuade you that [alleged infringer] acted despite a high likelihood that [alleged infringer]'s actions infringed a valid and enforceable patent. In making this determination, you may not consider [alleged infringer]'s state of mind. Legitimate or credible defenses to infringement, even if not ultimately successful, demonstrate a lack of recklessness. Only if you conclude that the [alleged infringer]'s conduct was reckless do you need to consider the second part of the test. The second part of the test does depend on the state of mind of the [alleged infringer]. The patent holder must persuade you that [alleged infringer] actually knew or should have known that its actions constituted an unjustifiably high risk of infringement of a valid and enforceable patent. To determine whether [alleged infringer] had this state of mind, consider all facts which may include, but are not limited, to:

- (1) Whether or not [alleged infringer] acted in accordance with the standards of commerce for its industry;
- (2) Whether or not [alleged infringer] intentionally copied a product of [patent holder] that is covered by the [ ] patent;
- (3) Whether or not there is a reasonable basis to believe that [alleged infringer] did not infringe or had a reasonable defense to infringement;
- (4) Whether or not [alleged infringer] made a good-faith effort to avoid infringing the [ ] patent, for example, whether [alleged infringer] attempted to design around the [ ] patent; [and]
- (5) Whether or not [alleged infringer] tried to cover up its infringement[./; and]
- (6) [Give this instruction only if [alleged infringer] relies upon an opinion of counsel as a defense to an allegation of willful infringement:

[Alleged infringer] argues it did not act recklessly because it relied on a legal opinion that advised [alleged infringer] either (1) that the [product] [method] did not infringe the [ ] patent or (2) that the [ ] patent was invalid [or unenforceable]. You must evaluate whether the opinion was of a quality that reliance on its conclusions was reasonable.]

## Authorities

35 U.S.C. § 284; *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (standard for finding willfulness); *Knorr-Bremse v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004) (en banc) (opinion of counsel defense); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1346 (Fed. Cir. 2001) (burden of proof for willfulness); *WMS Gaming Inc. v. Int'l Game Tech.*, 184 F.3d 1339, 1354 (Fed. Cir. 1999) (knowledge of the patent necessary to show willfulness); *Read Corp. v. Portec, Inc.*, 970 F.2d 816 (Fed. Cir. 1992) (identifying factors that may show willfulness); *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 510 (Fed. Cir. 1990) (history of Federal Circuit decisions on willfulness).

Committee Comments: The National Patent Jury Instructions include whether the alleged infringer acted in a manner consistent with the standards of commerce for its industry in the subjective part of the test. ([www.nationaljuryinstructions.org](http://www.nationaljuryinstructions.org).) Some other pattern jury instructions decline to provide a list of nonexhaustive considerations, *see, e.g.*, Seventh Circuit, 2008 Patent Jury Instructions, at 11.2.14, on the theory that the factors are better left to attorney argument or may mislead a jury to believe other factors should not be considered. ([www.ca7.uscourts.gov/Pattern-Jury-Instr.](http://www.ca7.uscourts.gov/Pattern-Jury-Instr)) Appropriate factors for the jury's consideration may be tailored to each case, or may be omitted.

## B.4 Validity

### 4.1 INVALIDITY—BURDEN OF PROOF

I will now instruct you on the rules you must follow in deciding whether or not [alleged infringer] has proven that claims [ ] of the [ ] patent are invalid. To prove that any claim of a patent is invalid, [alleged infringer] must persuade you by clear and convincing evidence, i.e., you must be left with a clear conviction that the claim is invalid.

#### Authorities

35 U.S.C. § 282 (patents presumed valid); *Microsoft Corp. v. i4i Limited Partnership*, 131 S.Ct. 2238 (2011). Invalidity may be asserted for failure to comply with any requirement of 35 U.S.C. § 101, 102, 103, 112, or 251, as a defense to alleged infringement. *Schumer v. Lab. Computer Sys., Inc.*, 308 F.3d 1304, 1315 (Fed. Cir. 2002) (to overcome presumption of validity, challenging party must present clear and convincing evidence of invalidity); *Buildex, Inc. v. Kason Indus., Inc.*, 849 F.2d 1461, 1463 (Fed. Cir. 1988) (clear and convincing evidence is that “which produces in the mind of the trier of fact an abiding conviction that the truth of [the] factual contentions are highly probable”) (alteration in original) (citation and internal quotation marks omitted); *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1375 (Fed. Cir. 1986) (“Notwithstanding that the introduction of prior art not before the examiner may facilitate the challenger’s meeting the burden of proof on invalidity, the presumption remains intact and on the challenger throughout the litigation, and the clear and convincing standard does not change.”).

## B.4.2 Validity—Adequacy of Patent Specification

### 4.2a WRITTEN DESCRIPTION REQUIREMENT

The patent law contains certain requirements for the part of the patent called the specification. [Alleged infringer] contends that claim(s) [ ] of [patent holder]’s [ ] patent [is/are] invalid because the specification of the [ ] patent does not contain an adequate written description of the invention. To succeed, [alleged infringer] must show by clear and convincing evidence that the specification fails to meet the law’s requirements for written description of the invention. In the patent application process, the applicant may keep the originally filed claims, or change the claims between the time the patent application is first filed and the time a patent is issued. An applicant may amend the claims or add new claims. These changes may narrow or broaden the scope of the claims. The written description requirement ensures that the issued claims correspond to the scope of the written description that was provided in the original application.

In deciding whether the patent satisfies this written description requirement, you must consider the description from the viewpoint of a person having ordinary skill in the field of technology of the patent when the application was filed. The written description requirement is satisfied if a person having ordinary skill reading the original patent application would have recognized that it describes the full scope of the claimed invention as it is finally claimed in the issued patent and that the inventor actually possessed that full scope by the filing date of the original application.

The written description requirement may be satisfied by any combination of the words, structures, figures, diagrams, formulas, etc., contained in the patent application. The full scope of a claim or any particular requirement in a claim need not be expressly disclosed in the original patent application if a person having ordinary skill in the field of technology of the patent at the time of filing would have understood that the full scope or missing requirement is in the written description in the patent application.

#### Authorities

35 U.S.C. § 112, ¶¶ 1, 2; *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010) (en banc); *Lizard Tech., Inc. v. Earth Res. Mapping Inc.*, 424 F.3d 1336, 1344-45 (Fed. Cir. 2005); *Univ. of Rochester v. G.D. Searle & Co.*, 358 F.3d 916, 929 (Fed. Cir. 2004); *Chiron Corp. v. Genentech, Inc.*, 363 F.3d 1247, 1253-55 (Fed. Cir. 2004); *Purdue Pharma L.P. v. Faulding, Inc.*, 230 F.3d 1320, 1323 (Fed. Cir. 2000) (patent’s specification must include an adequate written description; however, it need not include the exact words of the claim); *Lampi Corp. v. Am. Power Prods., Inc.*, 228 F.3d 1365, 1377-78 (Fed. Cir. 2000); *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473, 1478-80 (Fed. Cir. 1998); *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1568 (Fed. Cir. 1997); *In re Alton*, 76 F.3d 1168, 1172 (Fed. Cir. 1996).

## B.4.2 Validity—Adequacy of Patent Specification

### 4.2b ENABLEMENT

The patent law contains certain requirements for the part of the patent called the specification. [Alleged infringer] contends that claim(s) [ ] of [patent holder]’s [ ] patent [is/are] invalid because the specification does not contain a sufficiently full and clear description of how to make and use the full scope of the claimed invention. To succeed, [alleged infringer] must show by clear and convincing evidence that the [ ] patent does not contain a sufficiently full and clear description of the claimed invention. To be sufficiently full and clear, the description must contain enough information to have allowed a person having ordinary skill in the field of technology of the patent to make and use the full scope of the claimed invention at the time the [original] patent application was filed. This is known as the “enablement” requirement. If a patent claim is not enabled, it is invalid.

In order to be enabling, the patent must permit persons having ordinary skill in the field of technology of the patent to make and use the full scope of the claimed invention at the time of [original] filing without having to conduct undue experimentation. However, some amount of experimentation to make and use the invention is allowable. In deciding whether a person having ordinary skill would have to experiment unduly in order to make and use the invention, you may consider several factors:

- (1) the time and cost of any necessary experimentation;
- (2) how routine any necessary experimentation is in the field of [identify field];
- (3) whether the patent discloses specific working examples of the claimed invention;
- (4) the amount of guidance presented in the patent;
- (5) the nature and predictability of the field of [identify field];
- (6) the level of ordinary skill in the field of [identify field]; and
- (7) the scope of the claimed invention.

No one or more of these factors is alone dispositive. Rather, you must make your decision whether or not the degree of experimentation required is undue based upon all of the evidence presented to you. You should weigh these factors and determine whether or not, in the context of this invention and the state of the art at the time of the [original] application, a person having ordinary skill would need to experiment unduly to make and use the full scope of the claimed invention.

#### Authorities

35 U.S.C. § 112, ¶ 1; *Sitrick v. Dreamworks, LLC*, 516 F.3d 993, 999 (Fed. Cir. 2008) (“‘The scope of the claims must be less than or equal to the scope of the enablement’ to ‘ensure[ ] that

the public knowledge is enriched by the patent specification to a degree at least commensurate with the scope of the claims.”) (quoting *Nat’l Recovery Techs., Inc. v. Magnetic Separation Sys., Inc.*, 166 F.3d 1190, 1195-96 (Fed. Cir. 1999)); *Auto. Techs. Int’l, Inc. v. BMW of N. Am., Inc.*, 501 F.3d 1274, 1285 (Fed. Cir. 2007) (full scope of claimed invention must be enabled); *AK Steel Corp. v. Sollac*, 344 F.3d 1234, 1244 (Fed. Cir. 2003) (enabling the full scope of each claim is “part of the *quid pro quo* of the patent bargain”); *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 690-92 (Fed. Cir. 2001); *Ajinomoto Co. v. Archer-Daniels-Midland Co.*, 228 F.3d 1338, 1345-46 (Fed. Cir. 2000); *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988) (factors for determining undue experimentation).

## B.4.2 Validity—Adequacy of Patent Specification

### 4.2c BEST MODE<sup>2</sup>

The patent law contains certain requirements for the part of the patent called the specification. [Alleged infringer] contends that claim(s) [ ] of [patent holder]’s [ ] patent [is/are] invalid because the specification does not describe the best way to [make/use/carry out] the claimed invention. To succeed, [alleged infringer] must show by clear and convincing evidence that the [ ] patent does not disclose what [the inventor/any of the inventors] believed to be the best way to [make/use/carry out] the claimed invention at the time the patent application was filed. This is known as the “best mode” requirement. It ensures that the public obtains a full disclosure of the best way to [make/use/carry out] the claimed invention that was known to [the inventor/inventors] at the time the [original] patent application was first filed. The best mode requirement is designed to prohibit [the inventor/any of the inventors] from concealing a better mode of practicing the invention than the mode [he/she/they] disclosed in the patent application. The best mode requirement must be determined on a claim-by-claim basis.

The best mode requirement focuses on what [the inventor/the inventors] believed at the time the [original] patent application was filed. It does not matter whether the best mode contemplated by [the inventor/any of the inventors] was considered by others to have been the best way to carry out the claimed invention. Nor does it matter that the [inventor/inventors] failed to disclose a better way to carry out the claimed invention if the [inventor/inventors] did not believe it to be better at the time they filed the original application.

If [the inventor/any of the inventors] believed there was a best way to carry out any claim of the invention and the [ ] patent does not adequately disclose it, the claim is invalid. In deciding whether or not the best mode has been included in the [ ] patent, you must consider two questions.

First, you must decide whether or not [the inventor/any of the inventors] believed there to be a best way to practice the claimed invention at the time that application was filed. If [the inventor did not believe/none of the inventors believed] there to be a best way to carry out the claimed invention, there is no requirement that the [ ] patent describe a best mode.

Second, you must decide whether or not the [ ] patent describes what [the inventor/any of the inventors] believed to be the best mode at the time the [original] patent application was filed for [each claim at issue]. The disclosure of the best mode must be detailed enough to enable a person having ordinary skill in the field of technology of the patent to [make/use/carry out] that best mode without undue experimentation. The patent specification need not disclose routine details concerning the quality and nature of the best mode if such details would be readily apparent to a person of ordinary skill in the field. Although a patent specification must disclose at least the best mode for each claim, it may also disclose other modes as well, and it need not state which of the modes disclosed is considered by the [inventor/inventors] to be the best.

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<sup>2</sup> Under section 15 of the America Invents Act, enacted on September 16, 2011, failure to disclose the best mode is no longer a basis for invalidity or unenforceability.

## Authorities

35 U.S.C. § 112, ¶ 1; *Pfizer, Inc. v. Teva Pharms. USA, Inc.*, 518 F.3d 1353, 1364-65 (Fed. Cir. 2008); *Bayer AG v. Schein Pharms., Inc.*, 301 F.3d 1306, 1320 (Fed. Cir. 2002); *Bruning v. Hirose*, 161 F.3d 681, 686-87 (Fed. Cir. 1998) (if inventor does not have a subjective awareness of a best mode for practicing the claimed invention at the time of filing of the patent application, no best mode violation can occur); *Glaxo Inc. v. Novopharm Ltd.*, 52 F.3d 1043, 1049-52 (Fed. Cir. 1995); *Transco Prods. Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 557-62 (Fed. Cir. 1994); *Wahl Instruments, Inc. v. Acvious, Inc.*, 950 F.2d 1575, 1579-84 (Fed. Cir. 1991); *Chemcast Corp. v. Arco Indus. Corp.*, 913 F.2d 923, 926-28 (Fed. Cir. 1990); *Spectra-Physics, Inc. v. Coherent, Inc.*, 827 F.2d 1524, 1535-37 (Fed. Cir. 1987).

### **B.4.3 Validity—The Claims**

#### **4.3a PRIOR ART**

Prior art may include items that were publicly known or that have been used or offered for sale, publications, or patents that disclose the claimed invention or elements of the claimed invention. To be prior art, the item or reference must have been made, known, used, published, or patented either before the invention was made or [insert date if undisputed] or more than one year before the filing date of the patent application. However, prior art does not include a publication that describes the inventor's own work and was published less than one year before the date of invention. [Where appropriate, add limitation that subject matter developed by another which qualifies as prior art only under one or more of subsections (e), (f), and (g) of 35 U.S.C. § 102 where the subject matter and the claimed invention were, at the time the claimed invention was made, owned by the same person, or subject to an obligation of assignment to the same person.]

[For anticipation:

For the claim to be invalid because it is not new, [alleged infringer] must show that all of the requirements of that claim were present in a single previous device or method that was known of, used, or described in a single previous printed publication or patent. We call these things “anticipating prior art.” To anticipate the invention, the prior art does not have to use the same words as the claim, but all of the requirements of the claim must have been disclosed, either stated expressly or implied to a person having ordinary skill in the art in the technology of the invention, so that looking at that one reference, that person could make and use the claimed invention.]

[If invention date is disputed: In this case, you must determine the date of invention [or conception] [and/or] [reduction to practice] for the [claimed invention or alleged prior art].

The date of invention is either when the invention was reduced to practice or when conceived, provided the inventor(s) were diligent in reducing the invention to practice. Diligence means working continuously, though not necessarily every day. Conception is the mental part of an inventive act, i.e., the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention as it is thereafter to be applied in practice, even if the inventor did not know at the time that the invention would work. Conception of an invention is complete when the idea is so clearly defined in the inventor's mind that, if the idea were communicated to a person having ordinary skill in the field of the technology, he or she would be able to reduce the invention to practice without undue research or experimentation. This requirement does not mean that the inventor has to have a prototype built, or actually explained her or his invention to another person. But, there must be some evidence beyond the inventor's own testimony that confirms the date on which the inventor had the complete idea. Conception may be proven when the invention is shown in its complete form by drawings, disclosure to another person, or other forms of evidence presented at trial.

A claimed invention is “reduced to practice” when it has been constructed/used/tested sufficiently to show that it will work for its intended purpose or when the inventor files a patent

application. An invention may also be reduced to practice even if the inventor has not made or tested a prototype of the invention if it has been fully described in a filed patent application.]

### B.4.3 Validity—The Claims

#### 4.3b ANTICIPATION

In order for someone to be entitled to a patent, the invention must actually be “new” and the inventor must not have lost her or his rights by delaying the filing of an application claiming the invention. In general, inventions are new when the identical [product or process] has not been made, used, or disclosed before. Anticipation must be determined on a claim-by-claim basis.

[Alleged infringer] contends that claim(s) [ ] of the [ ] patent is/are invalid because the claimed invention(s) is/are anticipated or because [patent holder] lost the right to obtain a patent.

[Alleged infringer] must convince you of this by clear and convincing evidence, i.e., that the evidence highly probably demonstrates that the claim(s) is/are invalid.

Here is a list of ways that [alleged infringer] can show that a patent claim was not new or that the patentee lost the right to patent the claim(s) [choose those that apply based on alleged infringer’s contentions]:

- (1) An invention is not new if it was known to or used by others in the United States before the [insert date of invention]. An invention is known when the information about it was reasonably accessible to the public on that date.
- (2) An invention is not new if it was already patented or described in a printed publication, anywhere in the world before the [insert date of invention]. [A description is a “printed publication” only if it was publicly accessible.]
- (3) [Patent holder] has lost her or his rights if the claimed invention was already patented or described in a printed publication, anywhere in the world by [patent holder] or anyone else, more than a year before [insert date], which is the effective filing date of the application for the [ ] patent. An invention was patented by another if the other patent describes the same invention claimed by [patent holder] to a person having ordinary skill in the technology.
- (4) [Patent holder] has lost her or his rights if the claimed invention was publicly used, sold, or offered for sale in the United States more than one year before [insert date], which is the effective filing date of the application for the [ ] patent. An invention was publicly used when it was either accessible to the public or commercially exploited. An invention was sold or offered for sale when it was offered commercially and what was offered was ready to be patented, i.e., a description to one having ordinary skill in the field of the technology could have made and used the claimed invention, even if it was not yet reduced to practice.
- (5) [Patent holder] has lost his or her rights if he or she abandoned the invention.
- (6) [Patent holder] has lost her or his rights if she or he had already obtained a patent for the invention in a foreign country before the filing date of the application in the United States or the patent application was filed in a foreign country more than a year before the filing date of the application for the patent in the United States.

(7) An invention is not new if it was described in a published patent application filed by another in the United States [or under the PCT system and designated the United States, and was published in English] before [insert date of invention].

(8) An invention is not new if the claimed invention was described in a patent granted on an application for patent by another filed in the United States [or under the PCT system and designated the United States, and was published in English] and the application was filed before [insert date of reduction to practice or the filing date of the application for the [ ] patent].

(9) [Patent holder] is not entitled to the [ ] patent if [named inventor] did not himself invent the invention.

(10) An invention is not new if the invention was made by someone else in the United States before the invention was made by [patent holder] and the other person did not abandon, suppress, or conceal the invention.

If an interference proceeding has been declared, additional instructions should be given on this issue.

#### Authorities

35 U.S.C. § 102(a)-(g); *Flex-Rest, LLC v. Steelcase, Inc.*, 455 F.3d 1351, 1358-60 (Fed. Cir. 2006); *Invitrogen Corp. v. Biocrest Mfg., L.P.*, 424 F.3d 1374, 1379-82 (Fed. Cir. 2005); *In re Klopfenstein*, 380 F.3d 1345, 1348-51 (Fed. Cir. 2004); *Toro Co. v. Deere & Co.*, 355 F.3d 1313, 1320-21 (Fed. Cir. 2004); *Schering Corp. v. Geneva Pharms., Inc.*, 339 F.3d 1373, 1377-80 (Fed. Cir. 2003); *Apotex U.S.A., Inc. v. Merck & Co.*, 254 F.3d 1031, 1035 (Fed. Cir. 2001); *Mycogen Plant Sci., Inc. v. Monsanto Co.*, 243 F.3d 1316, 1330-31 (Fed. Cir. 2001); *Ecolochem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1367-70 (Fed. Cir. 2000); *Singh v. Brake*, 222 F.3d 1362, 1366-70 (Fed. Cir. 2000); *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349 (Fed. Cir. 1998); *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1576-78 (Fed. Cir. 1997); *Lamb-Weston, Inc. v. McCain Foods, Ltd.*, 78 F.3d 540, 545 (Fed. Cir. 1996); *In re Bartfeld*, 925 F.2d 1450, 1452-53 (Fed. Cir. 1991); *Ralston Purina Co. v. Far-Mar-Co, Inc.*, 772 F.2d 1570, 1574 (Fed. Cir. 1985); *Am. Stock Exch., LLC v. Mopex, Inc.*, 250 F. Supp. 2d 323, 328-32 (S.D.N.Y. 2003); *In re Wyer*, 655 F.2d 221, 226 (C.C.P.A. 1981); *Pfaff v. Wells Elecs. Inc.*, 525 U.S. 55 (1998); *Helifix Ltd. v. Blok-Lok, Ltd.*, 208 F.3d 1339, 1346 (Fed. Cir. 2000); *Abbott Labs. v. Geneva Pharms., Inc.*, 182 F.3d 1315, 1318 (Fed. Cir. 1999); *Finnigan Corp. v. ITC*, 180 F.3d 1354, 1365 (Fed. Cir. 1999); *J.A. LaPorte, Inc. v. Norfolk Dredging Co.*, 787 F.2d 1577, 1581 (Fed. Cir. 1986); *In re Hall*, 781 F.2d 897, 898-99 (Fed. Cir. 1986); *D.L. Auld Co. v. Chroma Graphics Corp.*, 714 F.2d 1144, 1147-50 (Fed. Cir. 1983).

### **B.4.3 Validity—The Claims**

#### **4.3c OBVIOUSNESS**

Even though an invention may not have been identically disclosed or described before it was made by an inventor, in order to be patentable, the invention must also not have been obvious to a person of ordinary skill in the field of technology of the patent at the time the invention was made.

[Alleged infringer] may establish that a patent claim is invalid by showing, by clear and convincing evidence, that the claimed invention would have been obvious to persons having ordinary skill in the art at the time the invention was made in the field of [insert the field of the invention].

In determining whether a claimed invention is obvious, you must consider the level of ordinary skill in the field [of the invention] that someone would have had at the time the claimed invention was made [or at the critical date for art triggering a statutory bar], the scope and content of the prior art, and any differences between the prior art and the claimed invention.

Keep in mind that the existence of each and every element of the claimed invention in the prior art does not necessarily prove obviousness. Most, if not all, inventions rely on building blocks of prior art. In considering whether a claimed invention is obvious, you may but are not required to find obviousness if you find that at the time of the claimed invention [or the critical date] there was a reason that would have prompted a person having ordinary skill in the field of [the invention] to combine the known elements in a way the claimed invention does, taking into account such factors as (1) whether the claimed invention was merely the predictable result of using prior art elements according to their known function(s); (2) whether the claimed invention provides an obvious solution to a known problem in the relevant field; (3) whether the prior art teaches or suggests the desirability of combining elements claimed in the invention; (4) whether the prior art teaches away from combining elements in the claimed invention; (5) whether it would have been obvious to try the combinations of elements, such as when there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions; and (6) whether the change resulted more from design incentives or other market forces. To find it rendered the invention obvious, you must find that the prior art provided a reasonable expectation of success. Obvious to try is not sufficient in unpredictable technologies.

In determining whether the claimed invention was obvious, consider each claim separately. Do not use hindsight, i.e., consider only what was known at the time of the invention [or the critical date].

In making these assessments, you should take into account any objective evidence (sometimes called “secondary considerations”) that may have existed at the time of the invention [or the critical date] and afterwards that may shed light on the obviousness or not of the claimed invention, such as:

- a. Whether the invention was commercially successful as a result of the merits of the claimed invention (rather than the result of design needs or market-pressure advertising or similar activities);
- b. Whether the invention satisfied a long-felt need;
- c. Whether others had tried and failed to make the invention;
- d. Whether others invented the invention at roughly the same time;
- e. Whether others copied the invention;
- f. Whether there were changes or related technologies or market needs contemporaneous with the invention;
- g. Whether the invention achieved unexpected results;
- h. Whether others in the field praised the invention;
- i. Whether persons having ordinary skill in the art of the invention expressed surprise or disbelief regarding the invention;
- j. Whether others sought or obtained rights to the patent from the patent holder; and
- k. Whether the inventor proceeded contrary to accepted wisdom in the field.

### **B.4.3 Validity—The Claims**

#### **4.3c(i) LEVEL OF ORDINARY SKILL**

In deciding what the level of ordinary skill in the field of [invention] is, you should consider all the evidence introduced at trial, including but not limited to: (1) the levels of education and experience of the inventor and other persons actively working in the field; (2) the types of problems encountered in the field; (3) prior art solutions to those problems; (4) rapidity with which innovations are made; and (5) the sophistication of the technology.

#### **4.3c(ii) SCOPE AND CONTENT OF THE PRIOR ART**

[Option 1: parties stipulate to prior art.]

In considering whether the claimed invention was obvious at the time it was made, you should consider the scope and content of the following prior art: [Insert art as stipulated].

[Option 2: parties dispute the prior art.]

In considering whether the claimed invention was obvious, you must first determine the scope and content of the prior art.

The scope and content of prior art for deciding whether the invention was obvious includes prior art in the same field as the claimed invention, regardless of the problem addressed by the item or reference, and prior art from different fields that a person of ordinary skill in the art using common sense might combine if familiar so as to solve the problem, like fitting together the pieces of a puzzle. When a party attacking the validity of a patent relies on prior art which was specifically considered by the Examiner during the prosecution of the application leading to the issuance of the patent, that party bears the burden of overcoming the deference due a qualified government agency official presumed to have performed his or her job.

#### Authorities

35 U.S.C. § 103(a). The four-factor test, including articulation of the objective factors, is found in *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966); *see also Ruiz v. A.B. Chance Co.*, 234 F.3d 654, 662-63 (Fed. Cir. 2000). The test was reaffirmed in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 407 (2007) (“While the sequence of these questions might be reordered in any particular case, the factors continue to define the inquiry that controls.”). *See also Cordis Corp. v. Medtronic Ave., Inc.*, 511 F.3d 1157, 1172 (Fed. Cir. 2008).

In cases where the invalidity defense is based on a combination of prior art, the proper inquiry is a flexible analysis considering whether, among other factors, the prior art teaches, suggests, or motivates the claimed invention. *KSR*, 550 U.S. at 419-20; *Esai Co. v. Dr. Reddy’s Labs. Ltd.*, 533 F.3d 1353, 1356-57 (Fed. Cir. 2008); *Takeda Chem. Indus., Ltd. v. Alphapharm Pty., Ltd.*, 492 F.3d 1350, 1356-57 (Fed. Cir. 2007); *Hybritech Inc. v. Monoclonal Antibodies, Inc.*, 802 F.2d 1367, 1380-81 (Fed. Cir. 1986).

Obviousness should be assessed at the time of the invention. Fact-finders should be made aware “of the distortion caused by hindsight bias and must be cautious of arguments reliant upon *ex post* reasoning.” *KSR*, 550 U.S. at 421.

For recent authority that invalidity must be shown by clear and convincing evidence, *see z4 Techs., Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1354 (Fed. Cir. 2007). Obviousness should be evaluated on a claim-by-claim basis. *Aventis Pharma Deutschland GmbH v. Lupin, Ltd.*, 499 F.3d 1293, 1303 (Fed. Cir. 2007).

For factors to consider in determining the level of ordinary skill, *see, e.g., Daiichi Sankyo Co. v. Apotex, Inc.*, 501 F.3d 1254, 1256 (Fed. Cir. 2007); *Ruiz*, 234 F.3d at 666-67. For authority on the standards for determining the scope and content of prior art, *see, e.g., KSR*, 550 U.S. at 420; *In re Icon Health & Fitness, Inc.*, 496 F.3d 1374, 1379-80 (Fed. Cir. 2007); *Princeton Biochems., Inc. v. Beckman Coulter, Inc.*, 411 F.3d 1332, 1339 (Fed. Cir. 2005).

Committee Comments: The Model Patent Jury Instructions for the Northern District of California, section 4.3, n.9, advise that jury instructions on obviousness are advisory only as obviousness is a question of law to be decided by the court, citing *KSR*, 550 U.S. at 427, and *Dippin’ Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007). Oct. 7, 2007, <http://www.cand.uscourts.gov>. However, the Federal Circuit continues to emphasize the factual nature of the issues underlying a determination of obviousness. *See, e.g., Commonwealth Scientific & Indus. Research Org. v. Buffalo Tech. (USA), Inc.*, 542 F.3d 1363, 1375 (Fed. Cir. 2008).

### **B.4.3 Validity—The Claims**

#### **4.3d INVENTORSHIP**

[This instruction should only be given in the event the alleged infringer has contended that the patent suffers from improper inventorship.]

In this case, [alleged infringer] contends that the [ ] patent is invalid because of improper inventorship. A patent is invalid if it fails to meet the requirement that all of the actual inventors, and only the actual inventors, be named as inventors in the patent. This is known as the “inventorship” requirement.

To be an inventor, one must make a significant contribution to the conception of at least one or more of the claims of the patent [even if that claim has not been alleged to be infringed]. Whether the contribution is significant is measured against the scope of the full invention.

If someone only explains to the actual inventors well-known concepts or the current state of the art, he or she is not an inventor. Merely helping with experimentation, by carrying out the inventor’s instructions, also does not make someone an inventor. What is required is some significant contribution to the idea claimed.

Persons may be inventors even if they do not make the same type or amount of contribution, and even if they do not contribute to the subject matter of each claim of the patent. Persons may be joint or co-inventors even though they do not physically work together, but they must have some open line of communication during or at approximately the time of their inventive effort.

### Authorities

35 U.S.C. §§ 102, 256; *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1349-50 (Fed. Cir. 1998) (“If a patentee demonstrates that inventorship can be corrected as provided for in section 256, a district court must order correction of the patent, thus saving it from being rendered invalid.”); *Eli Lilly & Co. v. Aradigm Corp.*, 376 F.3d 1352, 1358-59 (Fed. Cir. 2004); *Hess v. Advanced Cardiovascular Sys. Inc.*, 106 F.3d 976, 980-81 (Fed. Cir. 1997) (applying “clear and convincing evidence” standard to inventorship claims and finding plaintiff who offered suggestions to named inventors was not an inventor); *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1227-28 (Fed. Cir. 1994); *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 624 (Fed. Cir. 1985).

## **B.5 Equitable Defenses**

[Although these equitable defenses are ultimately decided by the Court, these instructions are provided for the case in which the Court decides to submit these issues to the jury for advisory findings.]

### **5.1 INEQUITABLE CONDUCT**

Every applicant for a patent has a duty of candor and good faith in its dealing with the United States Patent and Trademark Office. This is important because the PTO has limited resources.

When a person involved in the prosecution of an application fails to supply material information or supplies false information or statements and does so with an intent to deceive the PTO, he or she may commit what is called “inequitable conduct.” When inequitable conduct occurs during the examination of an application, any patent that issues from that application is unenforceable as a matter of fairness. This means that despite the existence and validity of the patent, the patent holder may not prevent others from using the invention covered by the patent and may not collect damages from those who use the invention that is covered by the patent.

Because a finding of inequitable conduct completely extinguishes a patent holder’s right to prevent others from using an invention, the burden of proving inequitable conduct is high. [Alleged infringer] must prove by clear and convincing evidence both that a person meaningfully involved in the prosecution of the [ ] patent withheld material information or submitted materially false information or statements to the PTO during the examination of the [ ] patent(s), and that the person did so with an intent to deceive the Examiner into issuing the [ ] patent(s).

I will now explain to you what “material” and “intent to deceive” mean.

#### **Material**

Information or statements are material if they establish, either alone or in combination with other information or statements, that the invention sought to be patented more likely than not failed to satisfy a requirement for a valid patent. Examples of such requirements would include that the disclosure must be enabling and contain an adequate written description, and that the invention must be new and nonobvious, among others. Information or statements also are material if they refute or are inconsistent with a position that the applicant for a patent took when opposing an argument made by the Examiner that the invention was not patentable or when making an argument to the Examiner that the invention was patentable. Information or statements are also material if there is a substantial likelihood that a reasonable Examiner would consider them important in deciding whether to allow the application to issue as a patent. False information or statements may be considered material if they would (alone or in combination) falsely suggest that the applicant satisfied a patentability requirement. Withheld information that is cumulative of, or less relevant to any patentability requirement compared to information the examiner already had from any source, is not material (because the Examiner already had similar information on which to make a judgment on patentability). Material information may be deemed withheld if it was included along with large quantities of other information that is not material so that it would have been hard for the Examiner to recognize its materiality.

Because the degree of materiality of the information is factored into the ultimate determination I make concerning the enforceability of the patent, the jury form will ask you to identify the issue for which the information or statements was material and to rate its materiality on a scale from low to high [or one to ten]. You may only find information or statements to be material if there is clear and convincing evidence that they are material.

### **Intent to Deceive**

In order for inequitable conduct to have occurred, [alleged infringer] must establish that any [failure to disclose material information/false or misleading statements] [was/were] done with an intent to deceive the Examiner. If the [failure to disclose material information/false or misleading statements] occurred through negligence, oversight, carelessness, or an error in judgment, even if it was grossly negligent, then there was no intent to deceive and there is no inequitable conduct.

Intent may be shown through direct evidence, such as documents or testimony about one's intent to deceive. Intent also may be shown through indirect evidence or, in other words, it may be inferred from conduct. However, intent requires that the person allegedly making false statements know they are false or allegedly withholding information know that it is material.

### **Balancing of Materiality and Intent**

If you find that [alleged infringer] has proved by clear and convincing evidence that [material information was withheld/materially misleading statements were made or false information provided] and, further, that these acts or omissions were done with an intent to deceive the Examiner, you must then weigh the degree of materiality and the degree of intent to determine whether, on balance, the evidence clearly and convincingly establishes that [patent holder or other relevant person(s)] committed inequitable conduct and the patent(s) should in fairness be declared unenforceable. When performing this balancing, the higher the level of materiality of [the withheld information/the false and misleading statements], the lower the level of intent that is required to establish inequitable conduct, and vice versa. Materiality and intent to deceive are separate issues: proof of materiality does not give rise to an inference of intent to deceive, and proof of an intent to deceive does not give rise to an inference of materiality. There must be clear and convincing evidence that establishes materiality and there must be clear and convincing evidence that establishes an intent to deceive. If clear and convincing evidence of either, or both, is missing, there can be no inequitable conduct.

### **Authorities**

35 U.S.C. § 282; *Larson Mfg. Co. of S.D. v. Aluminart Prods., Ltd.*, 559 F.3d 1317 (Fed. Cir. 2009) (vacating district court's determination of inequitable conduct because of lack of materiality); *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008) (“[A]t least a threshold level of each element—i.e., both materiality and intent to deceive—must be proven by clear and convincing evidence.” (citations omitted)); *Digital Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1315 (Fed. Cir. 2006) (explaining PTO Rule 56 standards of materiality); *Ferring B.V. v. Barr Labs., Inc.*, 437 F.3d 1181 (Fed. Cir. 2006); *Dayco Prods., Inc. v. Total Containment, Inc.*, 329 F.3d 1358, 1363 (Fed. Cir. 2003); *Upjohn Co. v. Mova*

*Pharm. Corp.*, 225 F.3d 1306 (Fed. Cir. 2000); *Scripps Clinic & Research Found. v. Genentech, Inc.*, 927 F.2d 1565 (Fed. Cir. 1991); *Kingsdown Med. Consultants, Ltd. v. Hollister, Inc.*, 863 F.2d 867 (Fed. Cir. 1988).

## **B.5 Equitable Defenses**

### **5.2 LACHES**

[Alleged infringer] contends that [patent holder] is not entitled to recover damages for acts that occurred before it filed a lawsuit because: (1) [patent holder] delayed filing the lawsuit for an unreasonably long and inexcusable period of time, and (2) [alleged infringer] has been or will be prejudiced in a significant way due to [patent holder]'s delay in filing the lawsuit. This is referred to as laches. [Alleged infringer] must prove delay and prejudice by a preponderance of the evidence.

Whether [patent holder]'s delay was unreasonably long and unjustified is a question that must be answered by considering the facts and circumstances as they existed during the period of delay. There is no minimum amount of delay required to establish laches. If suit was delayed for six years, a rebuttable presumption arises that the delay was unreasonable and unjustified, and that material prejudice resulted. This presumption shifts the burden of proof to [patent holder] to come forward with evidence to prove that the delay was justified or that material prejudice did not result, and if [patent holder] presents such evidence, the burden of proving laches remains with [alleged infringer]. Laches may be found for delays of less than six years if there is proof of unreasonably long and unjustifiable delay causing material prejudice to [alleged infringer]. Facts and circumstances that can justify a long delay can include:

- (1) being involved in other litigation during the period of delay;
- (2) being involved in negotiations with [alleged infringer] during the period of delay;
- (3) poverty or illness during the period of delay;
- (4) wartime conditions during the period of delay;
- (5) being involved in a dispute about ownership of the patent during the period of delay; or
- (6) minimal amounts of allegedly infringing activity by [alleged infringer] during the period of delay.

If you find unreasonable and unjustified delay occurred, to find laches, you must also determine if [alleged infringer] suffered material prejudice as a result of the delay. Prejudice to [alleged infringer] can be evidentiary or economic. Whether [alleged infringer] suffered evidentiary prejudice is a question that must be answered by evaluating whether delay in filing this case resulted in [alleged infringer] not being able to present a full and fair defense on the merits to [patent holder]'s infringement claim. Not being able to present a full and fair defense on the merits to an infringement claim can occur due to the loss of important records, the death or impairment of an important witness(es), the unreliability of memories about important events because they occurred in the distant past, or other similar types of things. Economic prejudice is determined by whether or not [alleged infringer] changed its economic position in a significant way during the period of delay resulting in losses beyond merely paying for infringement (such

as if [alleged infringer] could have switched to a noninfringing product if sued earlier), and also whether [alleged infringer]'s losses as a result of that change in economic position likely would have been avoided if [patent holder] had filed this lawsuit sooner. In all scenarios though, the ultimate determination of whether laches should apply in this case is a question of fairness, given all the facts and circumstances. Thus, you may find that laches does not apply if there is no evidence establishing each of the three elements noted above (unreasonable delay, lack of excuse or justification, and significant prejudice). You may also find that even though all of the elements of laches have been proved, it should not, in fairness, apply, given all the facts and circumstances in this case.

#### Authorities

35 U.S.C. § 282; *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773-74 (Fed. Cir. 1995); *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1039 (Fed. Cir. 1992) (en banc).

## B.5 Equitable Defenses

### 5.3 EQUITABLE ESTOPPEL

The owner of a patent may forfeit its right to any relief from an infringer where: (1) the patent holder communicates something in a misleading way to the infringing party about the lack of infringement or about not being sued, (2) the infringer relies upon the misleading communication from the patent holder, and (3) the infringer will be materially harmed if the patent holder is allowed to assert a claim relating to the issue that is inconsistent with the patent holder's prior misleading communication. This is referred to as an "equitable estoppel" and it is a defense that [alleged infringer] contends precludes any recovery by [patent holder] in this lawsuit. [Alleged infringer] must prove each of these elements by a preponderance of the evidence, but even if all these elements are proven, equitable estoppel need not be found if such a finding would be unfair in light of the conduct of the parties.

[Alleged infringer] contends that [patent holder] made a misleading communication about [ ] before [patent holder] filed this lawsuit. A communication may be made through written or spoken words, conduct, silence, or a combination of words, conduct, and silence. Conduct may include action or inaction. Whether in fact [patent holder] communicated with [alleged infringer] about [ ] prior to the filing of this lawsuit, and whether in fact that communication, if you find there to have been any, was misleading, are questions that must be answered by considering the facts and circumstances as they existed at the time.

Material harm to [alleged infringer] can be evidentiary or economic in form. Whether [alleged infringer] suffered evidentiary harm is a question that must be answered by evaluating whether [alleged infringer] will be unable to present a full and fair defense on the merits of [patent holder]'s claim(s). Not being able to present a full and fair defense on the merits of [patent holder]'s claim(s) can occur due to the loss of important records, the death or impairment of an important witness(es), the unreliability of memories about important events because they occurred in the distant past, or other similar types of things. Whether [alleged infringer] suffered economic prejudice is a question that must be answered by evaluating whether [alleged infringer] changed its economic position as a result of its reliance on any misleading communication from [patent holder] about [ ], resulting in losses beyond merely paying for infringement (such as if [alleged infringer] could have switched to a noninfringing product if sued earlier) and whether losses as a result of any change in economic position could have been avoided.

#### Authorities

35 U.S.C. § 282; *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770 (Fed. Cir. 1995) (to establish equitable estoppel, one must show reliance on patentee's misleading conduct); *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

## B.5 Equitable Defenses

### 5.4 PROSECUTION LACHES

The owner of a patent may be barred from enforcing claims of a patent against an infringer where: (1) there was an unreasonably long delay in filing the claims of the patent, and (2) the infringer, another private party, or the public will be prejudiced if the patent holder is entitled to enforce the patent despite the unreasonable delay in securing the claims of the patent. This is referred to as prosecution laches, and it is a defense that [alleged infringer] contends precludes any recovery by [patent holder] in this lawsuit.

The delay that must be considered is the period of time beginning when [patent holder or its predecessor(s) in interest] filed the original application for a patent and ending when [patent holder or its predecessor(s) in interest] filed the application for the patent asserted in this lawsuit. [Patent holder] filed the original application for a patent on [ ], and filed the application for the patent asserted in this lawsuit on [ ].

Whether [patent holder]'s delay in securing the patent asserted in this lawsuit was unreasonably long is a question that must be answered, and you should consider the facts and circumstances as they existed during the period of delay. In determining whether [alleged infringer], another private party, or the public will be prejudiced as a result of any unreasonably long delay in filing the claims of the patent(s) asserted in this case, consider whether [alleged infringer] or others invested time, money, and effort in developing, manufacturing, or selling products now covered by the patent(s) asserted in this case during the period of unreasonably long delay, whether other private parties have done so and may be potentially subject to infringement, and whether the time when the public will be able to freely practice the invention(s) now covered by the patent(s) asserted in this case was unduly and unfairly postponed as a result of delay.

You may also consider whether [patent holder] intentionally or deliberately delayed the time when it filed the claim(s) of the patent(s) and whether [alleged infringer] or the public was aware that patent applications were pending that did or potentially could have covered the invention.

#### Authorities

35 U.S.C. § 282; *Crown Cork & Seal Co. v. Ferdinand Gutmann Co.*, 304 U.S. 159 (1938); *Gen. Talking Pictures Corp. v. W. Elec. Co.*, 304 U.S. 175 (1938); *Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463 (1924); *Woodbridge v. United States*, 263 U.S. 50 (1923); *Kendall v. Winsor*, 62 U.S. 322 (1859); *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found., L.P.*, 277 F.3d 1361, 1363 (Fed. Cir. 2002) (“[T]he equitable doctrine of laches may be applied to bar enforcement of patent claims that issued after an unreasonable and unexplained delay in prosecution even though the applicant complied with pertinent statutes and rules.”); *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found., L.P.*, 301 F. Supp. 2d 1147 (D. Nev. 2004) (patent claims unenforceable because eighteen- to thirty-nine-year delay in prosecuting patents was unreasonable and unjustified), *aff’d*, 422 F.3d 1378 (Fed. Cir. 2005); *see also In re Bogese II*, 303 F.3d 1362 (Fed. Cir. 2002) (affirming patent board’s order of forfeiture of patent rights after twelve continuation applications over eight-year period and failure to advance prosecution of application).

## **B.5. Equitable Defenses**

### **5.5 UNCLEAN HANDS**

The owner of a patent may be barred from enforcing the patent against an infringer where the owner of the patent acts or acted inequitably, unfairly, or deceitfully towards the infringer or the Court in a way that has immediate and necessary relation to the relief that the patent holder seeks in a lawsuit. This is referred to as “unclean hands,” and it is a defense that [alleged infringer] contends precludes any recovery by [patent holder] in this lawsuit.

You must consider and weigh all the facts and circumstances to determine whether you believe that, on balance, [patent holder] acted in such an unfair way towards [alleged infringer] or the Court in the matters relating to the controversy between [patent holder] and [alleged infringer] that, in fairness, [patent holder] should be denied the relief it seeks in this lawsuit. [Alleged infringer] must prove unclean hands by a preponderance of the evidence.

#### Authorities

35 U.S.C. § 282; *Keystone Driller Co. v. Gen. Excavator Co.*, 290 U.S. 240 (1933) (affirming dismissal of patent holder’s complaints for unclean hands from suppressing evidence of prior use in another litigation); *Aptix Corp. v. Quickturn Design Sys., Inc.*, 269 F.3d 1369 (Fed. Cir. 2001) (affirming district court’s finding of unclean hands when inventor added new material to signed and dated pages, but vacating judgment of unenforceability because unclean hands do not nullify grant of personal property).

## B.6 Patent Damages

### 6.1 DAMAGES—INTRODUCTION

If you find that [alleged infringer] infringed any valid claim of the [ ] patent, you must then consider what amount of damages to award to [patent holder]. I will now instruct you about the measure of damages. By instructing you on damages, I am not suggesting which party should win this case, on any issue.

The damages you award must be adequate to compensate [patent holder] for the infringement. They are not meant to punish an infringer. Your damages award, if you reach this issue, should put [patent holder] in approximately the same financial position that it would have been in had the infringement not occurred.

[Patent holder] has the burden to establish the amount of its damages by a preponderance of the evidence. In other words, you should award only those damages that [patent holder] establishes that it more likely than not suffered.

There are different types of damages that [patent holder] may be entitled to recover. In this case, [patent holder] seeks [insert as appropriate, e.g., lost profits, price erosion, lost conveyed sales, or a reasonable royalty]. Lost profits consist of any actual reduction in business profits [patent holder] suffered as a result of [alleged infringer]'s infringement. A reasonable royalty is defined as the money amount [patent holder] and [alleged infringer] would have agreed upon as a fee for use of the invention at the time prior to when infringement began.

I will give more detailed instructions regarding damages shortly. Note, however, that [patent holder] is entitled to recover no less than a reasonable royalty for each infringing [sale; fill in other infringing act].

#### Committee Comments and Authorities

*See* 35 U.S.C. § 284; *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381-82 (Fed. Cir. 2003); *Integra Lifesciences I, Ltd. v. Merck KGaA*, 331 F.3d 860, 870 (Fed. Cir. 2003); *Grain Processing Corp. v. Am. Maize-Prods. Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-09 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc); *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983).

A patent holder is not entitled to damages that are remote or speculative. *See, e.g., Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1340 (Fed. Cir. 2009) (vacating and remanding jury award as excessive); *Lam*, 718 F.2d at 1067 (holding that lost profits, as well as the harm to the goodwill of the entire market stemming from the infringer's inferior product, were not remote or speculative, and thus recoverable). The Federal Circuit has opined, in *dicta*, that "remote consequences, such as a heart attack of the inventor or loss in value of shares of common stock of a patentee corporation caused indirectly by infringement are not compensable." *Rite-Hite*, 56 F.3d at 1546. While a patent holder is not required to prove its damages with mathematical precision, it must prove them with reasonable certainty. *Standard Havens Prods., Inc. v. Gencor Indus., Inc.*, 953 F.2d 1360 (Fed. Cir. 1991).

When the amount of damages cannot be ascertained with precision, any doubts regarding the amount must be resolved against the alleged infringer. *Lam*, 718 F.2d at 1064. Any such adverse consequences must rest on the alleged infringer when the inability to ascertain lost profits is due to the infringer's own failure to keep accurate records. *Id.*

## **B.6 Patent Damages**

### **6.2 LOST PROFITS—“BUT FOR” TEST**

[This instruction should only be given in the event the patent holder is seeking lost profits damages, in whole or in part.]

In this case, [patent holder] seeks to recover lost profits for some of [alleged infringer]’s sales of [infringing product], and a reasonable royalty on the rest of [alleged infringer]’s sales.

To recover lost profits (as opposed to reasonable royalties), [patent holder] must show a causal relationship between the infringement and [patent holder]’s loss of profit. In other words, [patent holder] must show that, but for the infringement, there is a reasonable probability that [patent holder] would have earned higher profits. To show this, [patent holder] must prove that, if there had been no infringement, [it would have made some portion of the sales that [alleged infringer] made of the infringing product,] [it would have sold more products that are functionally related to those products,] [it would have sold its products at higher prices,] [or it would have had lower costs].

[Patent holder] is entitled to lost profits if it establishes each of the following:

- (1) That there was a demand for the patented [product] [method] [product produced by the method].
- (2) That there were no available, acceptable, noninfringing substitute products, or, if there were, its market share of the number of the sales made by [alleged infringer] that [patent holder] would have made, despite the availability of other acceptable noninfringing substitutes.
- (3) That [patent holder] had the manufacturing and marketing capacity to make any infringing sales actually made by [alleged infringer] and for which [patent holder] seeks an award of lost profits—in other words, that [patent holder] was capable of satisfying the demand.
- (4) The amount of profit that [patent holder] would have made if [alleged infringer] had not infringed.

#### Committee Comments and Authorities

35 U.S.C. § 284; *Aro Mfg. Co. v. Convertible Top Co.*, 377 U.S. 476, 502-07 (1964); *Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377-79 (Fed. Cir. 2003); *Micro Chem., Inc. v. Lextron, Inc.*, 318 F.3d 1119, 1123 (Fed. Cir. 2003); *Gargoyles, Inc. v. United States*, 113 F.3d 1572, 1577-78 (Fed. Cir. 1997); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1545 (Fed. Cir. 1995) (en banc); *BIC Leisure Prods., Inc. v. Windsurfing Int’l, Inc.*, 1 F.3d 1214, 1218-19 (Fed. Cir. 1993); *Carella v. Starlight Archery*, 804 F.2d 135, 141 (Fed. Cir. 1986); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 552 (Fed. Cir. 1984); *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978).

The four-factor “but for” test was first articulated in *Panduit*, 575 F.2d at 1156, and has since been adopted by the Federal Circuit. *See, e.g., Rite-Hite*, 56 F.3d at 1545. It is not, however, the only available method for proving lost profits. *Id.*; *see also BIC*, 1 F.3d at 1218-19. Once a patent holder has shown the four elements of the *Panduit* test, the burden then shifts to alleged infringer to show that patent holder’s “but for” causation analysis is unreasonable under the specific circumstances. *Rite-Hite*, 56 F.3d at 1545.

### **LOST PROFITS—DEMAND**

Demand for the patented product can be proven by significant sales of a patent holder’s patented product or significant sales of an infringing product containing the patented features.

#### Authorities

*DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1330 (Fed. Cir. 2009).

### **LOST PROFITS—NONINFRINGING SUBSTITUTES—ACCEPTABILITY**

To be an “acceptable, [noninfringing] substitute,” a product must have the advantages of the patented invention that were important to people who purchased an alleged infringer’s product. If purchasers of an alleged infringer’s product were motivated to buy that product because of features available only from that product and a patent holder’s patented product, then some other, alternative product is not an acceptable substitute, even if it otherwise competed with a patent holder’s and an alleged infringer’s products. On the other hand, if the realities of the marketplace are that competitors other than the patentee would likely have captured the sales made by the infringer, despite a difference in the products, then the patentee is not entitled to lost profits on those sales.

#### Authorities

*Am. Seating Co. v. USSC Group*, 514 F.3d 1262, 1270 (Fed. Cir. 2008) (“[B]uyers must view the substitute as equivalent to the patented device.”); *Standard Havens Prods., Inc. v. Gencor Indus.*, 953 F.2d 1360, 1373 (Fed. Cir. 1991); *SmithKline Diagnostics, Inc. v. Helena Lab. Corp.*, 926 F.2d 1161, 1166 (Fed. Cir. 1991).

### **LOST PROFITS—NONINFRINGING SUBSTITUTES—AVAILABILITY**

An alternative product may be considered “available” as a potential substitute even if the product was not actually on sale during the infringement period. Factors suggesting the alternative was available include whether the material, experience, and know-how for the alleged substitute were readily available at the time of infringement. Factors suggesting the alternative was not available include whether the material was of such high cost as to render the alternative unavailable and whether an alleged infringer had to design or invent around the patented technology to develop an alleged substitute.

### Authorities

*Grain Processing Corp. v. Am. Maize-Prods. Co.*, 185 F.3d 1341, 1349 (Fed. Cir. 1999) (holding that an unused, but available, noninfringing process was an acceptable substitute); *Micro Chem., Inc. v. Lextron, Inc.*, 318 F.3d 1119, 1123 (Fed. Cir. 2003) (“The record shows that Lextron did not have the necessary equipment, know-how, and experience to make the [alternative] machine at the time of infringement.”).

## **LOST PROFITS—CAPACITY**

A patent holder is only entitled to lost profits for sales it could have actually made. In other words, [patent holder] must show that it had the manufacturing and marketing capability to make the sales it said it lost. This means [patent holder] must prove it is more probable than not that it could have made and sold, or could have had someone else make or sell for it, the additional products it says it could have sold but for the infringement.

### Authorities

*Fonar Corp. v. Gen. Elec. Co.*, 107 F.3d 1543, 1553 (Fed. Cir. 1997) (finding that the patent holder, a young company, would have expanded to meet the increased demand created by the success of the patented product); *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 554 (Fed. Cir. 1984).

## **LOST PROFITS—AMOUNT OF PROFIT**

A patent holder may calculate its lost profits on lost sales by computing the lost revenue for sales it claims it would have made but for the infringement and subtracting from that figure the amount of additional costs or expenses it would have incurred in making those lost sales, such as cost of goods, sales costs, packaging costs, and shipping costs. Certain fixed costs that do not vary with increases in production or scale, such as taxes, insurance, rent, and administrative overhead, should not be subtracted from a patent holder's lost revenue.

### Authorities

*Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11 (Fed. Cir. 1984).

## LOST PROFITS—MARKET SHARE

If a patent holder establishes it would have made some, but not all, of an alleged infringer's sales but for the infringement, the amount of sales that the patent holder lost may be shown by proving the patent holder's share of the relevant market, excluding infringing products. A patent holder may be awarded a share of profits equal to its market share even if there were noninfringing substitutes available. In determining a patent holder's market share, the market must be established first, which requires determining which products are in that market. Products are considered in the same market if they are considered "sufficiently similar" to compete against each other. Two products are sufficiently similar if one does not have a significantly higher price than, or possess characteristics significantly different from, the other.

### Authorities

*State Indus., Inc. v. Mor-Flo Indus., Inc.*, 883 F.2d 1573, 1557 (Fed. Cir. 1989); *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1218-19 (Fed. Cir. 1993); *Micro Chem., Inc. v. Lextron, Inc.*, 318 F.3d 1119, 1124 (Fed. Cir. 2003); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1354-55 (Fed. Cir. 2001).

## **B.6 Patent Damages**

### **6.3 LOST PROFITS—COLLATERAL SALES**

[This instruction should only be given in the event that patent holder is seeking lost profits from collateral sales.]

In this case, [patent holder] is seeking lost profits from sales of [ ], which [patent holder] contends it would have sold along with the product it sells that competes with the infringing products [ ]. These products sold along with the competitive product are called collateral products.

To recover lost profits on sales of such collateral products, [patent holder] must establish two things. First, [patent holder] must establish it is more likely than not that [patent holder] would have sold the collateral products but for the infringement. Second, a collateral product and the competitive product together must be analogous to components of a single assembly or parts of a complete machine, or, in other words, they must constitute a single functional unit.

Recovery for lost profits on sales of collateral products must not include items that essentially have no functional relationship to the competitive product and that have been sold with the competitive product only as a matter of convenience or business advantage.

#### Committee Comments and Authorities

The relationship required to recover lost profits on collateral sales is outlined in *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1550 (Fed. Cir. 1995) (en banc) (denying recovery for lost profits on collateral sales where nonpatented product lacked a functional relationship to the patented product); *see also State Indus., Inc. v. Mar-Flo Indus., Inc.*, 883 F.2d 1573, 1580 (Fed. Cir. 1989); *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1157-58 (6th Cir. 1978).

## B.6 Patent Damages

### 6.4 LOST PROFITS—PRICE EROSION

[This instruction should only be given in the event that patent holder contends it should be compensated for price erosion.]

[Patent holder] can recover additional damages if it can establish that it is more likely than not that, if there had been no infringement, [patent holder] would have been able to charge higher prices for some of its products. If this fact is established, you may award as additional damages the difference between:

(A) the amount of profits [patent holder] would have made by selling its product at the higher price, and

(B) the amount of profits [patent holder] actually made by selling its product at the lower price [patent holder] actually charged for its product.

This type of damage is referred to as price-erosion damage.

If you find that [patent holder] suffered price erosion, you may also use the higher price in determining [patent holder]'s lost profits from sales that were lost because of the infringement. In calculating [patent holder]'s total losses from price erosion, you must take into account any drop in sales that would have resulted from charging a higher price.

You may also award as damages the amount of any increase in [patent holder]'s costs, such as additional marketing costs, caused by competition from the infringing product.

#### Authorities

*Compare Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1357-58 (Fed. Cir. 2001) (upholding denial of price-erosion damages where patentee failed to show how higher prices would have affected demand for the patented product), *with Ericsson, Inc. v. Harris Corp.*, 352 F.3d 1369, 1377-79 (Fed. Cir. 2003) (upholding award of price-erosion damages where patentee offered sufficient proof of an inelastic market that would support price increases without a drop in sales of the patented product); *see also Vulcan Eng'g Co. v. FATA Aluminum, Inc.*, 278 F.3d 1366, 1377 (Fed. Cir. 2002); *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1120 (Fed. Cir. 1996); *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993); *Kalman v. Berlyn Corp.*, 914 F.2d 1473, 1485 (Fed. Cir. 1990).

## **B.6 Patent Damages**

### **6.5 REASONABLE ROYALTY—ENTITLEMENT**

If you find that [patent holder] has established infringement, [patent holder] is entitled to at least a reasonable royalty to compensate it for that infringement. If you find that [patent holder] has not proved its claim for lost profits, or has proved its claim for lost profits for only a portion of the infringing sales, then you must award [patent holder] a reasonable royalty for all infringing sales for which it has not been awarded lost profits damages.

#### Authorities

35 U.S.C. § 284; *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1340 (Fed. Cir. 2009) (vacating and remanding jury award as excessive); *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001); *Fromson v. W. Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1998); *Minco, Inc. v. Combustion Eng'g, Inc.*, 95 F.3d 1109, 1119-20 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc).

## B.6 Patent Damages

### 6.6 REASONABLE ROYALTY—DEFINITION

A royalty is a payment made to a patent holder in exchange for the right to make, use, or sell the claimed invention. A reasonable royalty is the amount of royalty payment that a patent holder and the infringer would have agreed to in a hypothetical negotiation taking place at a time prior to when the infringement first began. In considering this hypothetical negotiation, you should focus on what the expectations of the patent holder and the infringer would have been had they entered into an agreement at that time, and had they acted reasonably in their negotiations. In determining this, you must assume that both parties believed the patent was valid and infringed and the patent holder and infringer were willing to enter into an agreement. The reasonable royalty you determine must be a royalty that would have resulted from the hypothetical negotiation, and not simply a royalty either party would have preferred. Evidence of things that happened after the infringement first began can be considered in evaluating the reasonable royalty only to the extent that the evidence aids in assessing what royalty would have resulted from a hypothetical negotiation. Although evidence of the actual profits an alleged infringer made may be used to determine the anticipated profits at the time of the hypothetical negotiation, the royalty may not be limited or increased based on the actual profits the alleged infringer made.

#### Authorities

*Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011) (25% “rule of thumb” inadmissible); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010) (per curiam) (licenses must be related to patent at issue to be relevant to a reasonable royalty); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1340 (Fed. Cir. 2009) *cert. denied*, 130 S. Ct. 3324 (2010) (vacating and rewarding jury award as excessive); *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338 (Fed. Cir. 2004); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-10 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579-81 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc); *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970); United States Court of Appeals Fifth Judicial Circuit Pattern Jury Instructions, Instructions 9.8 (1999); *Interactive Pictures Corp. v. Infinite Pictures, Inc.*, 274 F.3d 1371 (Fed. Cir. 2001); *Trans-World Mfg. Corp. v. Al Nyman & Sons, Inc.*, 750 F.2d 1552 (Fed. Cir. 1984).

## **B.6 Patent Damages**

### **6.7 REASONABLE ROYALTY—RELEVANT FACTORS**

In determining the reasonable royalty, you should consider all the facts known and available to the parties at the time the infringement began. Some of the kinds of factors that you may consider in making your determination are:

- (1) The royalties received by the patentee for the licensing of the patent-in-suit, proving or tending to prove an established royalty.
- (2) The rates paid by the licensee for the use of other patents comparable to the patent-in-suit.
- (3) The nature and scope of the license, as exclusive or nonexclusive, or as restricted or nonrestricted 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 or her 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) The effect of selling the patented specialty in promoting sales of other products of the licensee, the existing value of the invention to the licensor as a generator of sales of his nonpatented items, and the extent of such derivative or convoyed sales.
- (7) The duration of the patent and the term of the license.
- (8) The established profitability of the product made under the patents, its commercial success, and its current popularity.
- (9) The utility and advantages of the patented property over the old modes or devices, if any, that had been used for working out similar results.
- (10) The 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) The extent to which the infringer has made use of the invention and any evidence probative of the value of that use.
- (12) The portion of the profit or of the selling price that may be customary in the particular business or in comparable business to allow for the use of the invention or analogous inventions.

(13) The portion of the realizable profits that should be credited to the invention as distinguished from nonpatented elements, the manufacturing process, business risks, or significant features or improvements added by the infringer.

(14) The opinion and testimony of qualified experts.

(15) The amount that a licensor (such as the patentee) 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 patentee who was willing to grant a license.

No one factor is dispositive and you can and should consider the evidence that has been presented to you in this case on each of these factors. You may also consider any other factors which in your mind would have increased or decreased the royalty the infringer would have been willing to pay and the patent holder would have been willing to accept, acting as normally prudent business people. The final factor establishes the framework which you should use in determining a reasonable royalty, that is, the payment that would have resulted from a negotiation between the patent holder and the infringer taking place at a time prior to when the infringement began.

#### Committee Comments and Authorities

These are the so-called “*Georgia-Pacific*” factors, which can be considered in evaluating the hypothetical negotiations. Although lengthy, the Committee believes it is necessary for all factors to be shared with the jury, so as to not unfairly emphasize any one factor. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292 (Fed. Cir. 2011) (25% “rule of thumb” inadmissible); *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010) (per curiam) (licenses must be related to patent at issue to be relevant to a reasonable royalty); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1340 (Fed. Cir. 2009), cert. denied, 130 S. Ct. 3324 (2010) (vacating and rewarding jury award as excessive); *Golight, Inc. v. Wal-Mart Stores, Inc.*, 355 F.3d 1327, 1338 (Fed. Cir. 2004); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-10 (Fed. Cir. 1996); *Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1579-81 (Fed. Cir. 1996); *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554 (Fed. Cir. 1995) (en banc); *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970); Fifth Circuit Pattern Jury Instructions, Instructions 9.8 (2006), [www.1b5.uscourts.gov/juryinstructions](http://www.1b5.uscourts.gov/juryinstructions).

## B.6 Patent Damages

### 6.8 DATE OF COMMENCEMENT OF DAMAGES—PRODUCTS

In determining the amount of damages, you must determine when the damages began. Damages commence on the date that [alleged infringer] has both infringed and been notified of the alleged infringement of the [ ] patent [choose those that apply]:

Alternative A:

[Patent holder] and [alleged infringer] agree that date was [insert date].

Alternative B:

If you find that [patent holder] sells a product that includes the claimed invention, you must determine whether [patent holder] has “marked” that product with the patent number. “Marking” is placing either the word “patent” or the abbreviation “pat.” with the patent’s number on substantially all of the products that include the patented invention. [Patent holder] has the burden of establishing that it substantially complied with the marking requirement. This means [patent holder] must show that it marked substantially all of the products it made, offered for sale, or sold under the [ ] patent, [and that [patent holder] made reasonable efforts to ensure that its licensees who made, offered for sale, or sold products under the [ ] patent marked the products].

[If [patent holder] has not marked that product with the patent number, you must determine the date that [alleged infringer] received actual notice of the [ ] patent and the specific product alleged to infringe.] [Actual notice means that [patent holder] communicated to [alleged infringer] a specific charge of infringement of the [ ] patent by a specific accused product or device. The filing of the complaint in this case qualified as actual notice, so the damages period begins no later than the date the complaint was filed.] [However, [patent holder] claims to have provided actual notice prior to filing of the complaint, on [date], when it [sent a letter to [alleged infringer]]. [Patent holder] has the burden of establishing that it is more probable than not [alleged infringer] received notice of infringement on [date].]

[If you find that [patent holder] [chose A] does not sell a product covered by the [ ] patent [or chose B] sells such a product but marks the product with the patent number, damages begin without the requirement for actual notice. If you find that the [ ] patent was granted before the infringing activity began, damages should be calculated as of the date you determine that the infringement began. If you find that the [ ] patent was granted after the infringing activity began, damages should be calculated as of [date patent issued].]

#### Committee Comments and Authorities

35 U.S.C. § 287; *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336 (Fed. Cir. 2001); *Nike Inc. v. Wal-Mart Stores*, 138 F.3d 1437, 1443-44 (Fed. Cir. 1998); *Maxwell v. J. Baker, Inc.*, 86 F.3d 1098, 1108-09 (Fed. Cir. 1996); *Am. Med. Sys. v. Med. Eng’g Corp.*, 6 F.3d 1523, 1534 (Fed. Cir. 1993); *Devices for Med., Inc. v. Boehl*, 822 F.2d 1062, 1066 (Fed. Cir. 1987).

Notice through marking is constructive notice. *See Maxwell*, 86 F.3d at 1111-12 (holding that when 95% of patented product offered for sale was marked by licensee retailer with “patent pending,” even after the patent had been granted and remaining 5% of product remained unmarked, constructive notice had been made under 35 U.S.C. § 287(a) where patentee demonstrated efforts to correct licensee’s mistakes).

In determining when damages begin with regard to method claims, there is no notice requirement. 35 U.S.C. § 287(c)(2)(F); *see Am. Med. Sys.*, 6 F.3d at 1538 (“The law is clear that the notice provisions of section 287 do not apply where the patent is directed to a process or method.”). Accordingly, the calculation of damages for infringement of method claims should begin as of the date the patent issued or the date the infringement began, whichever was first. *Crystal Semiconductor*, 246 F.3d at 1353.

## C. Appendix

### GLOSSARY

Some of the terms in this glossary will be defined in more detail in the legal instructions you are given. The definitions in the instructions must be followed and must control your deliberations.

[Add any technical terms from the art involved that may be used during trial and have agreed upon definitions. Delete any of the following terms which may not be applicable in a particular case.]

**Abstract:** A brief summary of the technical disclosure in a patent to enable the U.S. Patent and Trademark Office and the public to determine quickly the nature and gist of the technical disclosure in the patent.

**Amendment:** A patent applicant's change to one or more claims or to the specification either in response to an office action taken by an Examiner or independently by the patent applicant during the patent application examination process.

**Anticipation:** A situation in which a claimed invention describes an earlier invention and, therefore, is not considered new and is not entitled to be patented.

**Assignment:** A transfer of patent rights to another called an "assignee" who, upon transfer, becomes the owner of the rights assigned.

**Best Mode:** The best way the inventor actually knew to make or use the invention at the time of the patent application. If the applicant had a best mode as of the time the application was first filed, it must be set forth in the patent specification.

**Claim:** Each claim of a patent is a concise, formal definition of an invention and appears at the end of the specification in a separately numbered paragraph. In concept, a patent claim marks the boundaries of the patent in the same way that a legal description in a deed specifies the boundaries of land, i.e., similar to a landowner who can prevent others from trespassing on the bounded property, the inventor can prevent others from using what is claimed. Claims may be independent or dependent. An independent claim stands alone. A dependent claim does not stand alone and refers to one or more other claims. A dependent claim incorporates whatever the other referenced claim or claims say.

**Conception:** The complete mental part of the inventive act which must be capable of proof, as by drawings, disclosure to another, etc.

**Drawings:** The drawings are visual representations of the claimed invention contained in a patent application and issued patent, and usually include several figures illustrating various aspects of the claimed invention.

**Elements:** The required parts of a device or the required steps of a method. A device or method infringes a patent if it contains each and every requirement of a patent claim.

**Embodiment:** A product or method that contains the claimed invention.

**Enablement:** A description of the invention that is sufficient to enable persons skilled in the field of the invention to make and use the invention. The specification of the patent must contain such an enabling description.

**Examination:** Procedure before the U.S. Patent and Trademark Office whereby an Examiner reviews the filed patent application to determine if the claimed invention is patentable.

**Filing Date:** Date a patent application, with all the required sections, has been submitted to the U.S. Patent and Trademark Office.

**Infringement:** Violation of a patent occurring when someone makes, uses, or sells a patented invention, without permission of the patent holder, within the United States during the term of the patent. Infringement may be direct, by inducement, or contributory. Direct infringement is making, using, or selling the patented invention without permission. Inducing infringement is intentionally causing another to directly infringe a patent. Contributory infringement is offering to sell or selling an item that is a significant part of the invention, so that the buyer directly infringes the patent. To be a contributory infringer, one must know that the part being offered or sold is designed specifically for infringing the patented invention and is not a common object suitable for noninfringing uses.

**Limitation:** A required part of an invention set forth in a patent claim. A limitation is a requirement of the invention. The word “limitation” is often used interchangeably with the word “requirement.”

**Nonobviousness:** One of the requirements for securing a patent. To be valid, the subject matter of the invention must not have been obvious to a person of ordinary skill in the field at the time of the earlier of the filing date of the patent application or the date of invention.

**Office Action:** A written communication from the Examiner to the patent applicant in the course of the application examination process.

**Patent:** A patent is an exclusive right granted by the U.S. Patent and Trademark Office to an inventor to prevent others from making, using, or selling an invention for a term of 20 years from the date the patent application was filed (or 17 years from the date the patent issued). When the patent expires, the right to make, use, or sell the invention is dedicated to the public. The patent has three parts, which are a specification, drawings and claims. The patent is granted after examination by the U.S. Patent and Trademark Office of a patent application filed by the inventor which has these parts, and this examination is called the prosecution history.

**Patent and Trademark Office (PTO):** An administrative branch of the U.S. Department of Commerce that is charged with overseeing and implementing the federal laws of patents and trademarks. It is responsible for examining all patent applications and issuing all patents in the United States.

**Prior Art:** Previously known subject matter in the field of a claimed invention for which a patent is being sought. It includes issued patents, publications, and knowledge deemed to be publicly available, such as trade skills, trade practices, and the like.

**Prosecution History:** The prosecution history is the complete written record of the proceedings in the PTO from the initial application to the issued patent. The prosecution history includes the office actions taken by the PTO and the amendments to the patent application filed by the applicant during the examination process.

**Reads On:** A patent claim “reads on” a device or method when each required part (requirement) of the claim is found in the device or method.

**Reduction to Practice:** The invention is “reduced to practice” when it is sufficiently developed to show that it would work for its intended purpose.

**Requirement:** A required part or step of an invention set forth in a patent claim. The word “requirement” is often used interchangeably with the word “limitation.”

**Royalty:** A royalty is a payment made to the owner of a patent by a nonowner in exchange for rights to make, use, or sell the claimed invention.

**Specification:** The specification is a required part of a patent application and an issued patent. It is a written description of the invention and of the manner and process of making and using the claimed invention.

## Author Biographies

**Peter S. Menell** is the Robert. L. Bridges Professor of Law at University of California, Berkeley School of Law, where he specializes in intellectual property law. He co-founded the Berkeley Center for Law & Technology in 1995, which has been instrumental in Berkeley Law being named the top intellectual property program in the nation for more than a decade. Professor Menell earned his S.B. from M.I.T., M.A. and Ph.D. (economics) from Stanford University, and J.D. from Harvard Law School, where he served as an editor of the Harvard Law Review. After graduating from law school, he clerked for the Hon. Jon O. Newman of the Court of Appeals for the Second Circuit. Professor Menell has written more than 50 articles and numerous books, including *Intellectual Property in the New Technological Age* (with R. Merges and M. Lemley, 6<sup>th</sup> ed. 2012) and *Software and Internet Law* (with M. Lemley, R. Merges, P. Samuelson, and B. Carver 4<sup>th</sup> ed. 2011). Professor Menell has organized more than 40 intellectual property education programs for the Federal Judicial Center since 1998. Professor Menell founded and supervises the Annual Review of Law and Technology (now in its 16<sup>th</sup> year, published by the Berkeley Technology Law Journal). He has advised the U.S. Congress, federal agencies, state attorneys general, and technology and entertainment companies on a wide range of intellectual property and antitrust matters. He is currently serving as expert advisor to the U.S. Patent & Trademark Office as one of the inaugural scholars in the PTO's Thomas Alva Edison Visiting Professionals Program.

**Lynn H. Pasahow** is a partner in the Litigation Group at Fenwick & West. For over thirty years Mr. Pasahow has represented cutting-edge technology companies and universities and their Nobel laureate and other inventors in patent and other intellectual property litigation in the software, Internet and biotech industries. Mr. Pasahow is a co-author, with the Honorable William W. Schwarzer, of *Civil Discovery: A Guide to Efficient Practice*. He co-teaches an intellectual property course at the University of California, San Francisco, and regularly lectures about intellectual property law subjects to groups that have included the Federal Judicial Center, American Association for the Advancement of Science, American Law Institute, Practising Law Institute, and University of California, Berkeley School of Law. Mr. Pasahow graduated from University of California, Berkeley School of Law, and holds a Bachelor of Arts from Stanford University.

**James Pooley** is the Deputy Director General, Innovation and Technology Section, at the World Intellectual Property Organization (WIPO). Prior to that appointment, Mr. Pooley was a partner at Morrison and Foerster, where he specialized intellectual property and technology-related commercial litigation in state and federal courts, and before the International Trade Commission. Mr. Pooley began practicing in Silicon Valley in 1973, establishing a national reputation as trial counsel in some of the most difficult and high visibility cases involving intellectual property. Mr. Pooley is author of the treatise *Trade Secrets* (Law Journal Press) and numerous other professional publications in the field of intellectual property. He is a past president of the American Intellectual Property Law Association and the National Inventors Hall of Fame. Mr. Pooley has taught as adjunct professor of law at the University of California, Berkeley School of Law. He is a fellow of the

California Council on Science and Technology and a member of the National Academy of Sciences Committee on Intellectual Property Rights. Mr. Pooley conceived and scripted an instructional video for jurors in patent cases that was produced in 2002 by the Federal Judicial Center. Mr. Pooley graduated from Columbia University School of Law as a Harlan Fiske Stone Scholar in 1973 and holds a Bachelor of Arts from Lafayette College.

**Matthew D. Powers** is the lead partner at Tensegrity Law Group, LLP. He is one of the nation's most experienced patent trial lawyers. He has litigated and tried cases in jurisdictions nationwide involving a wide range of technologies, including semiconductor, biomedical, computer, computer peripherals, cellular, holographic, digital media and specialty chemical products. He has published articles on various aspects of intellectual property law and litigation. Mr. Powers received his J.D. from Harvard Law School and a B.S. from Northwestern University.

**Steven C. Carlson** is a principal in the Silicon Valley office of Fish & Richardson, where he specializes in patent litigation. He served as a judicial law clerk to the Honorable Roderick R. McKelvie of the District Court of Delaware and to the Honorable Paul R. Michel of the Federal Circuit. He graduated from Yale Law School, where he served as an editor of the Yale Law Journal, and holds a Bachelors of Arts from Reed College.

**Jeffrey G. Homrig** is a partner in the Silicon Valley office of Kasowitz, Benson, Torres & Friedman LLP. He has extensive experience as a litigator and trial lawyer in complex and high-stakes patent cases for leading technology companies. In 2012, Jeff was named by Law 360 as a Rising Star – one of the top five IP attorneys under the age of 40 in the nation. Jeff graduated from University of California, Berkeley School of Law, and holds a Bachelor of Arts from the University of California, Berkeley.

## Collaborator Profiles

**David S. Bloch** is a partner in the San Francisco office of Winston & Strawn LLP, where he specializes in intellectual property litigation. Mr. Bloch received his B.A. in Political Science from Reed College, Master of Public Health from the George Washington University School of Medicine and Health Sciences, and J.D. from the George Washington University Law School.

**Jeremy Bock** is a research fellow at the Berkeley Center for Law & Technology. Prior to joining BCLT, he worked as in-house counsel at a semiconductor company, litigated patent cases in various federal district courts and before the U.S. International Trade Commission, and clerked for the Hon. Alan D. Lourie of the Court of Appeals for the Federal Circuit. He received his S.B. and Masters in Engineering from M.I.T. and J.D. from Berkeley Law.

**Carolyn Chang** is a partner at Fenwick & West's Silicon Valley office, where she specializes in patent litigation. She received her B.A. from the University of California, Berkeley and J.D. from University of California, Hastings College of the Law.

**Anita Choi** is an associate at Morrison & Foerster's Silicon Valley office, where she focuses on cleantech, biofuels, agricultural biotechnology, life sciences, biotechnology, pharmaceuticals, molecular diagnostics, and material sciences. She earned her B.Sc. from the California Institute of Technology, M.B.A. from the Wharton School of Business, and J.D. from the University of Pennsylvania Law School.

**Samuel F. Ernst** is a partner at Covington & Burling's San Francisco office, where he focuses on intellectual property and appellate litigation. Mr. Ernst earned his B.A. from the University of California, Santa Cruz, M.A. from U.C.L.A., and J.D. from Georgetown University Law Center. Following law school, he clerked for the Hon. Timothy B. Dyk on the Court of Appeals for the Federal Circuit.

**Rebecca Charnas Grant** is an associate at Fish & Richardson's Silicon Valley office, where she specializes in intellectual property litigation. Ms. Grant earned her B.S. from Yale University, M.S. from M.I.T., and J.D. from Yale Law School. Following law school, she clerked for the Hon. Guido Calabresi on the Court of Appeals for the Second Circuit and the Hon. Arthur Gajarsa on the Court of Appeals for the Federal Circuit.

**Leeron G. Kalay** is a principal at Fish & Richardson's Silicon Valley office, where he specializes in patent litigation. Mr. Kalay earned his B.A. from the University of California, Berkeley and J.D. from New York University School of Law.

**Marc David Peters** is a partner at Morrison & Foerster's Silicon Valley office, where he specializes in patent and trade secret litigation. Dr. Peters earned his A.B. from Harvard University, M.A. and Ph.D. in Physics from the University of California, Berkeley, and J.D. from Stanford Law School.

**Clem Roberts** is a partner at Durie Tangri, where he specializes in intellectual property litigation. Mr. Roberts earned his A.B. from Harvard College and J.D. from Harvard Law School.

**Kimberly N. Van Voorhis** is a partner at Morrison & Foerster's Silicon Valley office, where she specializes in patent, trade secret, and trademark litigation. She earned her B.S. from the University of California, Irvine and J.D. from Loyola Law School.

**Colette R. Verkuil** is an associate at Morrison & Foerster's Silicon Valley office, where she specializes in patent litigation. She earned her S.B. from M.I.T. and J.D. from Cardozo School of Law.

**Michael R. Ward** is a partner at Morrison & Foerster's San Francisco office, where he specializes in intellectual property relating to plants and biotechnology. He earned his B.S. from the University of California, Berkeley, M.S. (Agronomy) and Ph.D. (Plant Physiology/Biochemistry) from the University of California, Davis, and J.D. from Golden Gate University School of Law.

**Patricia Young** is an associate at Kasowitz, Benson, Torres & Friedman LLP, where she specializes in patent litigation. Ms. Young received her S.B. from M.I.T. and J.D. from Harvard Law School.