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Controlling costs in patent litigation

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Whether you are a patent owner who needs to stop an infringing competitor in order to protect your market position or a start-up company that is being threatened with a patent infringement lawsuit, the costs of patent litigation can escalate quickly and overwhelm the business reasons underlying the suit. In order to keep the business needs at the forefront when embarking on this course of action, you should retain and work with a law firm that understands what drives the cost of patent litigation and which has developed an approach to mitigate these costs. Key aspects in approaching a patent dispute to mitigate costs include:

- staffing the litigation properly;
- pursuing focused discovery;
- limiting discovery of electronically stored information and documents;
- eliminating unnecessary motion practice; and
- focusing trial preparation and strategy.

Litigation teams and staffing

Attorneys' fees are the largest cost component of any patent litigation and the law firm's approach to staffing the litigation is critical to the costs that you will face. A firm that can handle a matter with fewer attorneys and paralegals than others to achieve the same results will lower your costs. Be wary of firms that rely too heavily on expert witnesses to analyse facts and develop case strategies – work which should be done by attorneys. These experts will be less efficient and effective than an appropriate attorney.

The composition of the team handling the matter is critical. The fees for patent litigation are generally billed by the hour. Legal fees can be lowered by retaining efficient attorneys with lower billing rates, where appropriate. There is no need to hire attorneys who bill at \$1,000 an hour when the matter can be just as effectively handled by experienced counsel who bill at a much lower rate.

How certain law firms choose to staff a patent litigation matter may have nothing to do with the nature or complexity of your case. Instead, staffing decisions may be driven by the internal economics of the law firm, including the need to cover associate salaries and to keep staff busy. Generally, minimising the number of attorneys (and billing support staff) working on a case provides the greatest cost savings. Furthermore, having a core team of attorneys which performs most of the work on the case allows for greater efficiencies, lowers costs and provides better work product.

Aside from the number of attorneys, who the attorneys are and what role they play in the case is also critical. Ensure that the team includes an active lead attorney for the matter so that he or she will be fully aware of all the issues and can direct and focus the handling of the matter as it proceeds. While the lead attorney will have a higher billing rate than other, more junior attorneys, the active participation of the lead attorney allows the team to be smaller and more efficient and thus saves overall costs. If the lead attorney prevents the team from going down just one unnecessary path, his or her presence on the team can pay for itself.

If the matter goes to trial, valuable time must be spent educating the lead attorney if he or she was not involved throughout the case. It

is not uncommon for a lead attorney who was not active in the development of the case to lack a full appreciation of the facts and issues in the case, and to stumble as they try to get up to speed shortly before trial. All the other people involved in the case, including the attorneys for the opposing party, the clients and witnesses and even the judge, can recognise when a newly engaged lead attorney does not have a full understanding of the case. In a critical high-technology patent case, one stumble is too many.

Patent litigation, particularly those cases involving complex technology, requires an understanding of the science and engineering involved in the patented technology. Whether talking to the inventors, deposing the other side's engineers or cross-examining expert witnesses, the litigation team must have people with the appropriate technical background to speak the language of the technology involved. If the case involves recombinant DNA or transistor-level logic, you cannot have an effective and efficient team that is composed solely of humanities graduates, who took no science, maths or engineering courses in college. A team that includes – or indeed features – counsel with advanced technical backgrounds matching the technology in your case provides significant cost savings and makes your team much more effective.

In addition, patent litigation almost always involves complex issues relating to the prosecution of the patent application, including the exchange of communications with the patent examiners in the form of amendments, responses and office actions. The rules for US Patent and Trademark Office practice are complicated and, in many ways, arcane. If your litigation team lacks attorneys with in-depth knowledge of this practice, your team is likely to miss issues that may be important to the outcome of the case or, worse yet, focus on and dedicate resources to issues that are not important to winning your case.

Discovery practices

One aspect of US patent litigation that escalates the costs is 'discovery'. The Rules of Civil Procedure allow a litigant to require opposing parties to answer questions in

writing on relevant issues in the case, to produce relevant documents (including electronic documents, such as emails) and to admit the truth of certain relevant facts. The rules also allow a party to take sworn testimony (a 'deposition') of witnesses on relevant issues. These witnesses can be almost anyone having relevant knowledge, including employees, former employees and third parties. Companies, which must designate someone to speak on their behalf, can be called to testify.

Each of these available discovery methods can lead to significant costs for the parties. If your opponent is engaged in aggressive 'scorched earth' discovery for your case, there is little you can do but to defend yourself with an equally strong response. However, when you are deciding what discovery to request from your opponent, you can save costs by targeting requests to the issues of the case, rather than making the boilerplate discovery requests that touch on every possible issue that could arise in any patent litigation. Just because the rules allow you to ask 25 interrogatories, it does not mean that it is necessary to submit all of them if fewer will adequately cover the important issues in the case. While the number of document requests is not limited by the rules, if you tailor and focus your requests to the key issues in the case, you should be able to obtain what you need with a reasonable number of requests. Importantly, by serving focused requests, you can better avoid receiving a mixed pile of relevant and non-relevant documents, which is costly to review.

The depositions allowed under US litigation practice can also lead to significant costs for the matter. The rules allow each party to take up to 10 depositions, unless the court allows a greater number. In many cases, fewer than 10 depositions could be sufficient. While each deposition is supposed to be completed in a day, each usually requires days of preparation. Thus, as the number of depositions rises, the costs rise.

Electronic discovery

A growing contributor to the cost of US patent litigation is the discovery of electronic documents. US law has evolved to the point that electronically stored information (eg, Word documents, PDFs, Excel spreadsheets,

PowerPoint presentations and emails) are all fair game for discovery, just as if they existed in paper form. However, the steps necessary to search for, locate and produce such electronic documents is much more complicated. Because production cannot be avoided, you need to work with a firm that has experience in such production, including in the identification of the important custodians whose records will be searched, in the selection of key words that will be used to search the records and in working with one or more electronic document production companies to ensure that the appropriate electronic documents are produced to the other side and the irrelevant and privileged documents are not produced. The level of experience of the firm you select is critical to saving litigation costs.

In light of the high cost of electronic document production, a company should have a clear and effective document retention policy that is followed well in advance of litigation. The fewer electronic documents a company has, the less expensive it will be to produce them in a subsequent litigation. There is no need for a company to save all its documents and emails for an unending or indefinite period. Documents should be deleted or discarded when they have no further value, assuming that the company is under no legal obligation to retain them. However, if your company is currently under a threat of litigation or actively working towards filing litigation, such documents should be retained until any litigation is completed.

Once the various time limits are established as part of a company's retention policy, they should be followed. If the appropriate time for saving a particular document is six years and it was discarded after six years, there should be no repercussions against the company that follows its policy in an action that starts a year after destruction. Again, this assumes that no litigation is contemplated at the time of destruction. Destruction of documents at a time when litigation is contemplated can lead to cost increases resulting from the battle over whether such destruction should be considered spoliation such that it would be deemed an admission by the destroying party that the documents were adverse to its claim.

Motion practices

Discovery disputes and unnecessary motion practice can also lead to increased costs. The US rules of practice require the parties to 'meet and confer' in an effort to resolve discovery disputes without the need to have the judge resolve the matter. Frequently, besides annoying the judge on matters that should not take up his or her time, the results from such a motion filing are not much better than what you would obtain from the meet and confer. Thus, unless the issue is critical, it may well not be worth the cost.

Another area of motion practice in US patent litigation that leads to significant costs is in the filing of motions for summary judgment. Such motions are allowed when there are no issues of material fact and the matter can be decided as a matter of law by the judge. In an appropriate case, a summary judgment motion can be a significant cost saver and could result in the early termination of the case. However, such motions are filed in virtually every case, even when they should not be, such as where issues of fact are present. The knee-jerk filing of these motions increases costs substantially. The costs of preparing and opposing the motions, generally with expert declarations and many times one or more hearings before the court, can be significant. In view of this, when considering whether to file summary judgment motions, care should be taken to identify the issues that should be the subject of the motion in order that the chances of success on the motion will be high.

Trial preparation practices

Once discovery is over, if the matter has not been resolved the case will be prepared for trial. The trial itself will be costly, so the question is how to make the presentation effective without breaking the bank. One important strategy is not to go to trial with every possible issue. Often, the critical issues in a case are small in number. To the extent possible, the non-critical issues should be resolved via stipulations with the other side, or potentially dropped.

Another factor in the cost of a trial is whether it will be tried to the judge or to a jury. Jury trials can be more expensive, and thus if you have a choice you may wish to waive the

jury's consideration of the issues in the case. However, if your opponent wishes to proceed with a jury, you may have no choice. Once the trial begins, costs can be saved with the careful selection of witnesses to testify on your behalf and the focused preparation on the scope of their testimony. Trial time saved by a clear and focused presentation results in costs saved for your company.

Conclusion

The costs of patent litigation in the United States are high and continue to grow each year. Therefore, companies must carefully select their law firm with a goal to achieving a successful result at a cost that makes sense for the business. *iam*

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John DuPré's practice focuses on IP litigation and trademark prosecution. Since joining the firm, he has been involved in patent litigation, patent interferences, US International Trade Commission (ITC) proceedings, trademark and trade dress litigation, trademark oppositions and cancellation proceedings and copyright litigation. Mr DuPré's expertise also includes IP portfolio strategy and counselling, due diligence studies and opinions, audits, trade secret advice, alternative dispute resolution, non-disclosure agreements, technology transfer, consulting, employment and community interest agreements.



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John Hamann's practice focuses on patent litigation in the federal district courts and the US ITC, primarily in the electrical and computer arts. He has extensive experience litigating patents spanning a wide range of technologies, including semiconductor design and manufacture, memory devices, image sensors, networking hardware, power over ethernet devices, Voice over Internet Protocol phones, circuit design, telecommunication hardware, wireless devices, software and internet-related technologies. With over a 10-year focus on complex patent litigation, Mr Hamann has extensive experience in all stages of patent dispute, from pre-litigation counselling through trial. Before practising law, he was the manager of engineering systems at a leading radio frequency consulting firm and a communications engineer for a certified frequency coordinator of the Federal Communications Commission. Before joining Hamilton Brook Smith Reynolds, Mr Hamann was a partner at Howrey LLP and Hogan Lovells US LLP in San Francisco, California.