

Pre-filing Investigations in Patent Infringement Lawsuits: Ethical (and Practical) Considerations

Peter Ayers

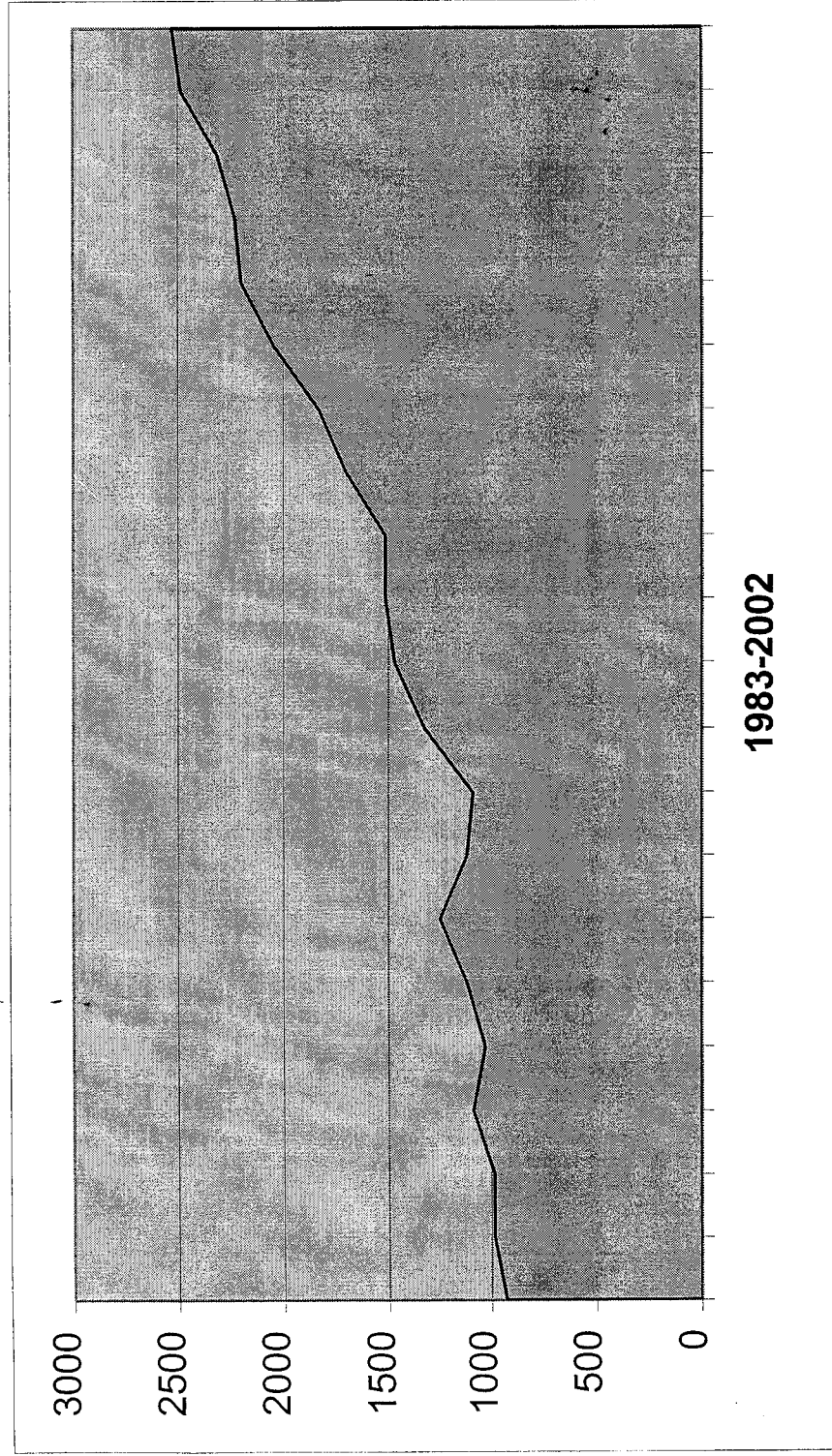
McKool Smith, P.C.

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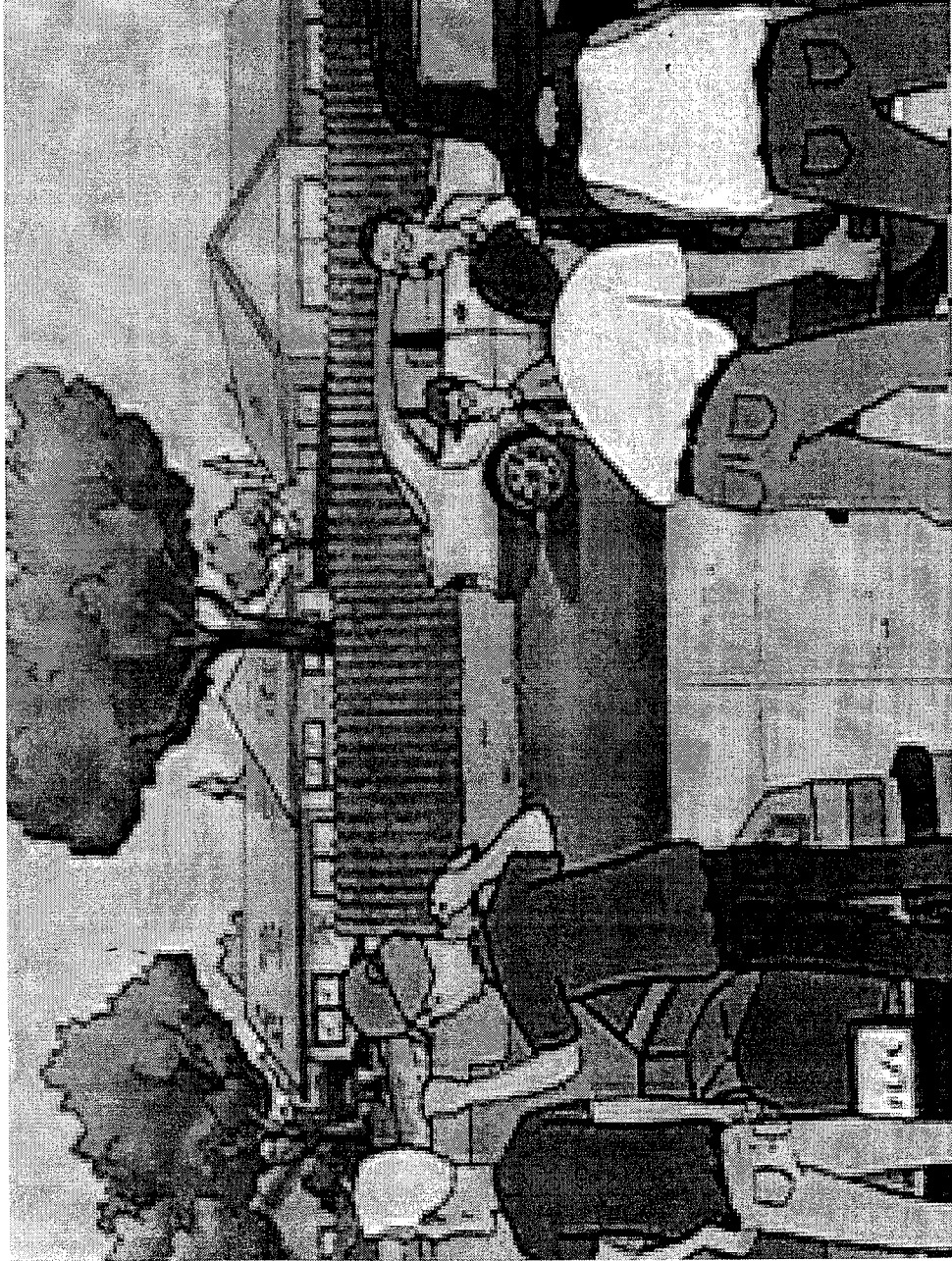
Dramatic Rise in Number of Patent Cases Since Creation of Federal Circuit



Kimberly A. Moore, *Judges, Juries, and Patent Cases—An Empirical Peek Inside the Black Box*, 11 Fed. Cir. B. J. 210, 231 (2001); <http://www.uscourts.gov/judbus2001/appendices/c02asep01.pdf>

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Patent Attorneys



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Due Diligence Considerations

- **Legal Considerations**
 - **Fed. R. Civ. P. 11**
 - **Exceptional Cases**
- **Practical Considerations**
 - **Procedural Issues**
 - **Potential Upside**
 - **Potential Defenses**
 - **Potential Downside**
- **Conclusions**

Rule 11

- (b) Representations to Court.** By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances,--
- it is not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation;
 - the claims, defenses, and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;
 - the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery; and
 - the denials of factual contentions are warranted on the evidence or, if specifically so identified, are reasonably based on a lack of information or belief.

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Rule 11

Thomas v. Capital Security Servs., 836 F.2d 866 (5th Cir. 1988) (en banc)

- **Reasonable Factual Inquiry Factors**
 - Time available to attorney;
 - Extent of attorney's reliance upon client for factual support;
 - Feasibility of a prefilng investigation;
 - Whether case was forwarded from another attorney;
 - Complexity of factual and legal issues; and
 - Extent to which development of claim requires discovery.
- **Reasonable Legal Inquiry Factors**
 - Time available to attorney to prepare document;
 - Plausibility of the legal view contained in the document;
 - Pro se status of a litigant; and
 - Complexity of legal and factual issues raised.

Rule 11

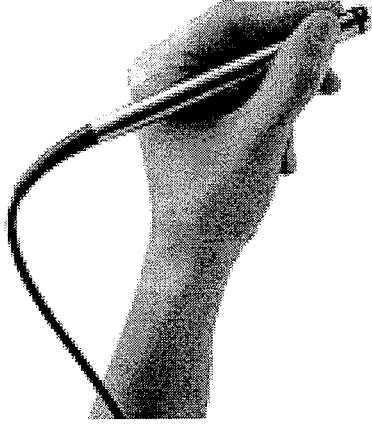
S. Bravo Sys., Inc. v. Containment Techs. Corp.,
96 F.3d 1372 (Fed.Cir.1996)

- **Invention: Fuel containment system for gas pumps with leak detector**
- **Accused Device: Fuel containment system w/o leak detector**
- **Fed. Cir.:** “The evidence of record indicates that Bravo’s attorneys relied on their client’s lay opinion that CTC’s devices infringed. Determining infringement, however, requires that the patent claims be interpreted and that the claims be found to read on the accused devices.”

Rule 11

Judin v. United States, 110 F.3d 780 (Fed. Cir. 1997)

- **Invention:** Method of micro-optical imaging using an optical fiber source transmitted through an optically uncorrected converging aspherical lens
- **Accused Device:** Bar code scanners used by Post Office lacking a fiber optic source and a converging aspherical lens



- **Fed. Cir.:** “There is no evidence that Judin or his attorneys ‘compared the accused devices with the patent claims’ No adequate explanation was offered for why they failed to obtain, or attempted to obtain, a sample of the accused device ... so that its actual design and functioning could be compared with the claims of the patent.”

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Rule 11

View Eng'g, Inc. v. Robotic Vision Sys., Inc.,
208 F.3d 981 (Fed. Cir. 2000)

- **Technology:**
 - 3D vision technology primarily used to ensure proper lead alignment of computer chips.
 - Accused device was not acquired because it “cost several hundred thousand dollars.”
- **Posture:**
 - View filed a DJ action on one of Robotic’s patents.
 - Robotic counterclaimed asserting 120 claims in eight patents.
 - Following initial document production, Robotic withdrew five.
 - Trial court sanctioned Robotic’s attorneys \$100K under Rule 11.
- **Issue:** Was a proper pre-filing investigation conducted with respect to infringement counterclaims?

Rule 11

View Eng'g, Inc. v. Robotic Vision Sys., Inc.,
208 F.3d 981 (Fed. Cir. 2000)

- **Holding: Robotic's attorney failed to conduct a reasonable pre-filing analysis.**
 - “Before filing counterclaims of patent infringement, Rule 11...must be interpreted to require the law firm to, at bare minimum, apply the claims of each and every patent that is being brought into the lawsuit to an accused device and conclude that there is a reasonable basis for a finding of infringement of at least one claim of each patent so asserted.”
 - “In bringing a claim of infringement, the patent holder, if challenged, must be prepared to demonstrate to both the court and the alleged infringer exactly why it believed before filing the claim that it had a reasonable chance of proving infringement. Failure to do so should ordinarily result in the district court expressing its broad discretion in favor of Rule 11 sanctions”
 - View's refusal to allow examination of the accused device and the high cost of its purchase were irrelevant.

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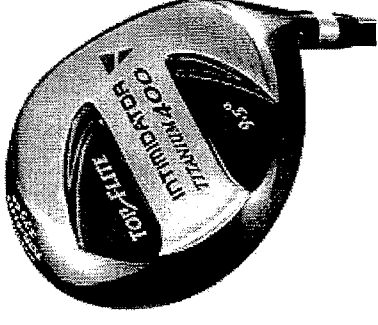
Rule 11

Hoffmann-La Roche Inc. v. Invamed Inc.,^N
213 F.3d 1359 (Fed. Cir. 2000)

- **Technology: Pharmaceutical manufacturing process**
- **Background:**
 - Roche unsuccessfully attempted to reverse engineer the pharmaceutical.
 - Roche also requested Invamed disclose their process subject to a confidentiality agreement—a request which was denied. Suit was brought and dropped following discovery.
- **Issue: Proper pre-filing investigation?**
- **Fed. Cir.: Roche made a reasonable pre-filing inquiry in light of the information available at the time of filing.**

Rule 11

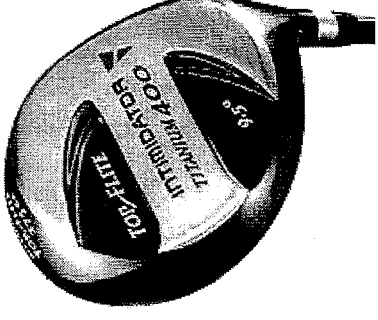
Antonious v. Spalding & Evenflo Cos.
275 F.3d 1066 (Fed. Cir. 2002)



- **Invention:**
 - Improved perimeter weighting structure for metal golf club heads.
 - Claim required that the hosel “extends into and connects with a portion of said peripheral mass.”
- **Background:**
 - Client cut open one accused club head and sent it to his attorney.
 - Patent attorney concluded that club infringed because the hosel “abuts” against peripheral mass.
 - Infringement suit filed on 20 additional club heads made by defendant, but not cut open.
- **Posture:**
 - District court granted sanctions against attorneys. McKool Smith, P.C.

Rule 11

Antonious v. Spalding & Evenflo Cos.
275 F.3d 1066 (Fed. Cir. 2002)



- **Legal Basis:**
 - Claim construction reasonable in light of dictionary definition of “into” (i.e., “against”) and passage in specification.
- **Factual Basis:**
 - “To be sure, when a number of different products are charged with infringement it is not always necessary for the plaintiff’s attorneys to inspect each product separately to verify the facts on which the plaintiff bases its infringement allegations.”
 - “At a minimum, however, the evidence uncovered by the patent holder’s investigation must be sufficient to permit a reasonable inference that all the accused products infringe.”
- **Result: Federal Circuit vacated and remanded for the trial court to determine if attorney’s inference was reasonable.**

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Exceptional Cases

- **35 U.S.C. § 285:**
 - “The court in exceptional cases may award reasonable attorney fees to the prevailing party.”
- **Exceptional Cases**
 - Frivolous Suit
 - Inequitable Conduct Before the PTO
 - Vexatious, Unjustified, and Otherwise Bad Faith Litigation
 - Willful Infringement

Exceptional Cases

Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.,
984 F.2d 1182 (Fed.Cir.1993)



- **Technology:** Orthotic Shoe Insert
- **Background:** Patentee was found to have sold 300 inserts prior to the critical date and to have submitted deceptive Rule 132 affidavits. The district court granted summary judgment for KLM declaring Paragon's patent invalid under the on sale bar and unenforceable due to inequitable conduct.

Exceptional Cases

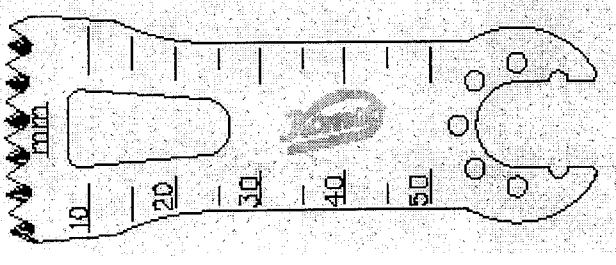
Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.,
984 F.2d 1182 (Fed.Cir.1993)



- **Fed. Cir.:** The Federal Circuit rejected Paragon's experimental use argument. The Court also stated that though summary judgment on inequitable conduct grounds was typically not appropriate, it was justified here. The case was remanded to rule on whether the case was exceptional.

Exceptional Cases

Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.,
267 F.3d 1370 (Fed.Cir.2001)

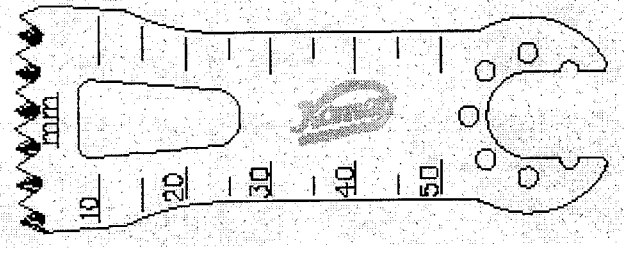


- **Technology:** Surgical saw blades
- **Background:** Patentee sold 3,250 blades. Over a year later, the patent attorney was told he had 3 days to file the application to beat the on sale bar. Without further inquiry, the application was quickly filed.

Exceptional Cases

Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.,
267 F.3d 1370 (Fed.Cir.2001)

- Issue: Is this case exceptional under 35 U.S.C. 285?
- Fed. Cir.: The Fed. Circuit affirmed the District Court's summary judgment declaring the case exceptional and awarding attorney's fees against the patentee for inequitable conduct in not disclosing pre-critical date sales. The Court found the award justified in light of the attorney's lack of good faith in failing to investigate the on sale activity.



Due Diligence Considerations

- **Legal Considerations**
 - **FRCP Rule 11**
 - **Substantive Patent Law**
- **Practical Considerations**
 - **Procedural Issues**
 - **Potential Upside**
 - **Potential Defenses**
 - **Potential Downside**
- **Conclusions**

Procedural Issues

- **Can you sue?**
- **Who do you sue?**
- **Where do you sue?**

Can you sue?

- **Ownership—Chain of Title**
- **Joinder of Owner/Licensees**
- **Proper Inventorship**

Who do you sue?

- **Acts of Infringement**
 - **Made, Used, Sold, Offered for Sale, or Imported in the United States**
- **Infringement Theories**
 - **Direct Infringement**
 - **Manufacturers**
 - **Users**
 - **Importers**

Who do you sue?

- **Infringement Theories**
- **Indirect Infringement**
 - **Contributory**
 - Knowledge of patent
 - No substantial non-infringing use
 - Non-staple article
 - Direct Infringement
 - **Inducement**
 - Specific Intent
 - Direct Infringement

Where to sue?

- **Personal Jurisdiction**
 - Place of incorporation
 - Principal place of business
 - Acts of Infringement
 - “Continuous & Systematic Contacts”
- **Venue**
 - Personal jurisdiction of defendants
 - Acts of infringement
 - Location of witnesses and documents

Potential Upside

- **Damages**
- **Volume of Sales**
 - **Units**
 - **Convoeyed sales**
- **Reasonable Royalty**
 - **Existing licenses**
 - **Settlement agreements**
- **Lost Profits**
- **Willfulness**
- **Injunction**

Potential Upside

- **Limitations on Damages**
- **Marking**
 - Patentee
 - Licensees
- **Laches**
 - Patentee has a duty to police
 - Unreasonable delay in filing suit
 - Prejudice to Defendant
 - Presumption of Laches after six year delay

Potential Defenses

- **Non-Infringement**
- **No literal infringement**
- **No equivalent infringement**
 - **Prosecution History Estoppel (i.e., *Festo*)**
 - **Disclosed but unclaimed subject matter (i.e., *J&J*)**
 - **Ensnares the Prior Art**
 - **Vitiates an element– (i.e. all-elements rule)**
 - **Substantially different (i.e., *Hilton Davis*)**
 - **“After Developed Technology”**

Potential Defenses

- **Non-statutory Subject Matter (i.e., §101)**
 - Abstract idea
 - Law of nature
 - Pure Mathematical Algorithm
- **Anticipation (i.e., § 102)**
 - **On Sale Bar – Pfaff Test**
 - Subject of a “commercial offer for sale,” and
 - “Ready for patenting”
 - **Public Use Bar**
 - Exception: Experimental Use
 - **Printed Publications**
 - Inventor publications

Potential Defenses

- **Obviousness (i.e., §103)**
- **References**
- **Teaching or suggestion to combine**
- **Secondary considerations – Indicia of Non-obviousness**

Potential Defenses

- **Defects in the Specification (i.e., §112, ¶11)**
 - **Lack of Enablement**
 - Undue experimentation
 - **Lack of Written Description**
 - Support in priority document
 - Compare claims as allowed to claims as filed
 - **Best Mode Violation**
 - Consider marketing brochures
- **Defects in the Claims (i.e., §112, ¶2)**
 - **Indefiniteness**

Potential Defenses

- **Estoppel**
 - **Misleading communications with defendant**
 - **Reliance**
 - **Material prejudice**
- **Licensed**
 - **Express**
 - **Implied**
- **Unenforceability**
 - **Inequitable Conduct**
 - **Patent misuse**
 - **Small entity status**
- **Improper Inventorship**

Potential Downsides

- **Patent Infringement**
- **Defendant's portfolio**
- **Coverage**
- **Antitrust**
- **Patent Misuse**
- **Walker Process**
- **Sham Litigation**
- **Unfair Competition**

Conclusion

- **Rule 11**
 - Obtain a copy of the accused product, if possible.
 - Construe the claims in light of the intrinsic evidence.
 - Prepare an infringement chart for at least one claim in each asserted patent.
- **Due Diligence**
 - Make sure there are no bars.
 - Make sure that all material prior art was disclosed.
- **Practical Considerations**
 - Determine the upside.
 - Consider the downside.

The End

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