

I N S I D E T H E M I N D S

Litigation Strategies for Intellectual Property Cases

*Leading Lawyers on Analyzing Key Decisions
and Effectively Litigating IP Cases*

2014 EDITION



ASPATORE

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Supercharging a Patent Case
with “Trial Vision,” a
Remedies Plan, and an
Invention Story

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Introduction

“We want damages and an injunction, and, by the way, we are not going to settle. This case is going to trial. So, file the complaint. Any problems with that?” That message from a client can be invigorating or a bit disconcerting. To succeed, you will need to supercharge your case.

Core Components of a Patent Case: Strategy, “Trial Vision,” Teamwork, and Recognizing the Judge’s Power

The core components of having a supercharged patent case include having a specific and tailored strategy, employing “trial vision,” working with a real team, and appreciating who holds the power.

Designing a Specific Strategy that Suits the Client’s Goals

Everyone says you should develop a strategy or think strategically, and clients love hearing the word “strategy.” The trick, however, is to understand what the client considers a “win” and then design your strategy to be specific.

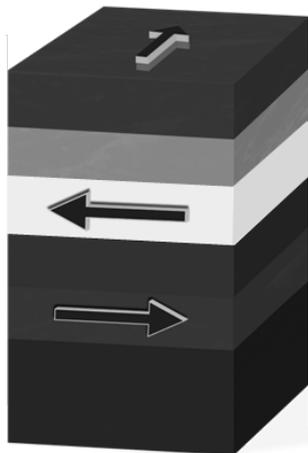
An effective strategy always takes into account the client’s ultimate goals. A “win” for the client could be settling early, buying time, sending a message by going to trial, or something else. The best way to understand what a “win” is for the client is to simply ask the client. The answer may surprise you. If you fail to ask the question, however, the strategy you develop for the case—and its cost—may be disconnected with the results the client wants. This may sound obvious, but lawyers sometimes (mistakenly) think they know the goal without having to ask. Always ask: what does the business consider a win in this case?

Once you know the goal, you can formulate the strategy. Litigation strategies, however, are often too generic to be meaningful. Declaring you will win non-infringement at summary judgment is great, but it is only a desired result, not a true strategy. The way in which you intend to achieve that result is the strategy. With this in mind, carefully consider how you can achieve the client’s goals. Involve the business or client in developing the

strategy. Once everyone is invested, cases are fun, clients are happy, and goals are achieved.

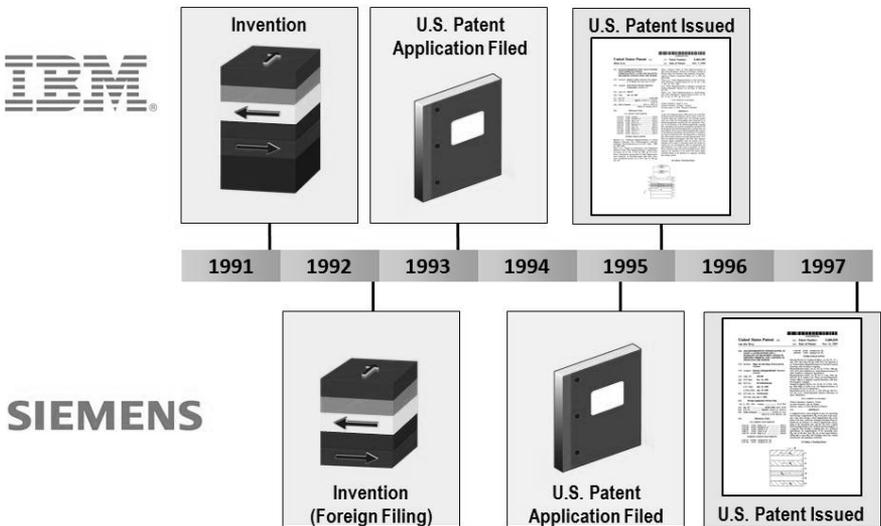
Employing “Trial Vision”

“Trial vision” is the ability to picture your themes playing out at trial—through witnesses, evidence, and graphics—and then having the courage at the beginning of the case to bring your vision to reality. Trial vision is something my mentor (and now partner), David Gross, has taught at our firm for many years. Trial vision does not just happen; you must gather the team and brainstorm about how themes will work at trial, and then adapt as things change during the case. For example, trial vision is necessary when, a month into your investigation of a case in which your client was sued, you uncover a promising prior invention defense, but the prior invention was by a third party who will not come to trial. My firm faced this situation in a real patent case. In 2006, Siemens, AG sued Seagate Technology, alleging that all of Seagate’s hard-disk drives going back to 2000 infringed a patent related to the giant magnetoresistance effect. Siemens wanted a substantial amount of money. IBM was the third-party prior inventor. Our strategy was simple but specific: show that IBM was first. The technology related to the read head of a hard-disk drive was extremely complicated, and involved Nobel Prize-winning physicists. From the beginning, we visualized a trial in which we explained the technology with Lego-style blocks, as represented in the following graphic:



The colored blocks represent the layers of a read head in a disk drive. From this, we had physical models of the colored blocks made so we could use them during the case, and witnesses could manipulate them at trial. We then created ways to visually tell the story that IBM was first at every single stage. The timeline below is one example.

U.S. Patent Timeline



We then were required to execute this trial vision during the case. Among other tactics, we made the IBM inventor's deposition look and feel the same as a direct exam at a live trial using many of these demonstratives as enlarged boards during the deposition.

Trial vision and strategy both require significant work and creativity, but developing an early vision of how things will work at trial will position your case for success—not only at trial, but also along the successive stages of litigation. And it works: Seagate won a complete defense verdict, with the jury finding the patent invalid based on prior invention and obviousness.

Developing a Real Team

Coach Norman Dale, from the movie *Hoosiers*,¹ preached the strength of a true team, telling (or yelling to) his players: “Five players on the floor functioning as one single unit: team, team, team—no one more important than the other.” He was right: teamwork matters.

A team of lawyers who know the strategy, understand the trial vision, and are motivated to win will be a handful for the other side. One way to start developing teamwork on a case is to have a case kickoff, in which all team members—from lead trial counsel on down the line—meet to talk about the strategy, themes, vision, and roles of team members. Everyone is then on the same page.

Strong teamwork results in many beneficial side effects, such as developing the same goal mindset, learning from shared experiences, helping (not competing with) team members, and learning to handle pressure within the safety net of the team. Developing teams is something that has certainly allowed our patent litigation group at FaegreBD to explode. When I was an associate, in the mid-to-late 2000s, I worked with a core group of colleagues—Ted Budd, Chris Burrell, Tim Grimsrud, Jim Poradek, and Kevin Wagner—figuring out cases, flying around the country taking depositions, and going to trial. I learned plenty from my teammates, and along the way developed an appreciation for the value of a team functioning as a single unit. We all became partners who teach the value of strategy, vision, and teams.

Recognizing the Real Power

A colleague at our firm, Lauren Frank, got me hooked on a recent television show on AMC called *Game of Arms*.² It was a reality show that followed teams of arm wrestlers from different cities. A left-handed puller from the Erie Wrecking Crew dominated every match, ending each with a statement

¹ HOOSIERS (Hemdale Pictures 1986).

² GAME OF ARMS (Undertow Films 2014).

along the lines of, “I’m too strong.” Everyone knew he held the power in his left arm when he walked in the room. In a patent infringement lawsuit, the person who holds the power is the judge (and, eventually, the jury). While the need to recognize the judge’s power to affect your case may seem obvious, successful lawyers understand how to tap into that power, thinking like a judge, and positioning cases or arguments to make it easy for the judge to exercise his or her power favorably. Judges are busy. Judges often may not enjoy patent cases. They want to trust counsel, and they do not want to be reversed. With this in mind, if you want to win summary judgment, for example, it will probably hurt your chances if you pull out the blunderbuss and make seven different arguments. In so doing, you force the judge to learn about many difficult areas of law. This not only prolongs the judge’s decision, but also puts you in the position of possibly making weak arguments and losing the judge’s trust. Additionally, you essentially ask the judge to step out onto the reversal limb by picking among seven arguments the judge frankly may not have time to fully understand. Any approach can *potentially* work, but the best approach is to stop, think, and tap into the judge’s motivations and align your case with the judge’s power.

Winning Your Desired Remedy at Trial

The remedy ultimately available after winning a patent infringement trial is one of the most challenging and fluctuating issues for a patent case. Trial lawyers focus on telling a simple story with a touch of drama—even in a patent case—and they certainly focus on finding as many ways as possible to teach the technology using graphics, animations, analogies, whiteboards, and even elementary school-type visuals. All of that is necessary and challenging, but the issues associated with remedies are becoming a much bigger challenge. Understanding these challenges will help you supercharge your patent case. What are some specific challenges with remedies?

Reasonable Royalties Are Receiving More Scrutiny

Reasonable royalty damages used to be a seemingly easy fallback position. The plaintiff often took the 25 percent rule-of-thumb, adjusted the

percentage up or down based on the *Georgia-Pacific*³ factors score card, and applied the rate to the infringing product. Arriving at a reasonable royalty rate and base has become a more rigorous process.

The 25 percent rule is dead.⁴ The rule was a starting point, but that starting point is no longer permitted. Therefore, royalty damages are more difficult to prove at trial because there is not an easy reference point—such as 25 percent—that jurors can consider from the beginning. That means you must develop, during discovery and with your expert, other understandable reference points for jurors, such as analogous licenses.

Licenses can be a helpful source for determining a royalty,⁵ but licenses are no meal ticket, either. You must be careful when trying to rely on a license to prove a reasonable royalty rate or lump sum amount. Think carefully about whether the license involved the patent-in-suit; involved multiple other patents not asserted; or was part of a cross-license effort. If the license did not involve the patent-in-suit, how similar is the technology? What witness will testify that the technology is similar, and did the expert sufficiently discuss the issue in the expert’s report? Finally, was the license part of a settlement of litigation? These issues—among others—must be considered and addressed early in the case. A good trial lawyer can pick apart non-analogous licenses in a way that is understandable to a jury. And if the jury does not catch on to your use of questionable licenses, the Federal Circuit has shown a willingness to take a deep dive into the use of licenses that do not add up.⁶

Simply tallying up the *Georgia-Pacific* score sheet does not work, either.⁷ Rather, the analysis of the factors and how they influence the hypothetical negotiation carries more weight.

³ *Georgia-Pac. Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970).

⁴ *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011) (“[T]he 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation.”).

⁵ *Apple Inc. v. Motorola, Inc.*, No. 2012-1548, 2014 WL 1646435, at *30 (Fed. Cir. Apr. 25, 2014) (“As we have held many times, using sufficiently comparable licenses is a generally reliable method of estimating the value of a patent.”).

⁶ E.g., *ResQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010); *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301 (Fed. Cir. 2009).

⁷ *Energy Transp. Grp., Inc. v. William Demant Holding A/S*, 697 F.3d 1342, 1357 (Fed. Cir. 2012) (“Once again, this court does not endorse *Georgia-Pacific* as setting forth a

Still further, limitations on damages for inventions that are mere components in a larger product are real. At bottom, damages for patent infringement must be “for the use made of the invention by the infringer.”⁸ The Federal Circuit has explained that when “small elements of multi-component products are accused of infringement,” there is “considerable risk that the patentee will be improperly compensated for non-infringing components of that product” if the royalty is calculated “on the entire product.”⁹ For this reason, royalties must be based on the “smallest salable patent-practicing unit,” not the entire product.

The entire market value rule is a way to escape the multi-component issue, but it is not easy. The entire market value rule “allows for the recovery of damages based on the value of an entire apparatus containing several features, when the feature patented constitutes the basis for customer demand.”¹⁰ The trenchant phrase “the basis” for customer demand presents a hurdle to using the entire market value rule.

Lost Profits to a Reasonable Probability

The lost profits world is a great place to be. In my experience, however, it does not necessarily take a golden ticket to enter that world. The lost profits factors of demand, alternatives, and capacity are all susceptible to fact issues under the right circumstances. Additionally, the Federal Circuit has repeatedly held that there must be only a “reasonable probability” the patentee lost profits,¹¹ and the “patentee is not obliged to negate every possibility that a purchaser might not have bought the patentee’s product instead of the infringing one, or might have foregone the purchase altogether.”¹²

test for royalty calculations, but only as a list of admissible factors informing a reliable economic analysis.”).

⁸ 35 USC § 284.

⁹ *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F.3d 51, 67 (Fed. Cir. 2012).

¹⁰ *Id.*

¹¹ *Lam, Inc. v. Johns-Manville Corp.*, 718 F.2d 1056, 1065 (Fed. Cir. 1983).

¹² *Del Mar Avionics, Inc v. Quinton Instrument Co.*, 836 F.2d 1320, 1326 (Fed. Cir. 1987).

Injunctions More Likely for Direct Competitors

The pendulum on permanent injunctions has swung back and forth a couple of times in the last decade, but the bottom line (for now) is that if the parties are direct competitors, the plaintiff has a good chance at an injunction.

Before the *eBay*¹³ decision, a permanent injunction following a verdict of infringement and no invalidity was the general rule.¹⁴ *eBay* told courts that patent cases are not special. Rather, patent cases, as other cases considering injunctions, must apply the traditional equity factors: irreparable injury; inadequate remedies at law (i.e., money); balance of hardships; and the public interest.¹⁵ Following *eBay*, cases started recognizing again that if the parties are competitors, the chances for an injunction are good.¹⁶ Recently, cases have inched toward requiring a closer nexus between the irreparable harm and the infringement.¹⁷

New Willfulness Approach

The landscape of willful infringement has changed, leaned, reversed course, or a little of all of the above in recent years. Most recently, the Federal Circuit held with respect to the “objective” prong of willfulness that “the ultimate legal question of whether a reasonable person would have considered there to be a high likelihood of infringement of a valid patent should always be decided as a matter of law by the judge.”¹⁸ This means, according to the decision in *Bard*, that at the end of the day, “the court should determine, ‘based on the record ultimately made in the infringement

¹³ *eBay Inc. v. MercExchange, LLC*, 547 US 388 (2006).

¹⁴ See, e.g., *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989) (“It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it.”).

¹⁵ *eBay Inc.*, 547 US at 391.

¹⁶ E.g., *Douglas Dynamics, LLC v. Buyers Products Co.*, 717 F.3d 1336, 1345 (Fed. Cir. 2013) (“Where two companies are in competition against one another, the patentee suffers the harm—often irreparable—of being forced to compete against products that incorporate and infringe its own patented inventions.”).

¹⁷ *Apple Inc. v. Samsung Electronics Co.*, 735 F.3d 1352, 1360 (Fed. Cir. 2013) (“[W]e hold that the district court was correct to require a showing of some causal nexus between Samsung’s infringement and the alleged harm to Apple as part of the showing of irreparable harm.”).

¹⁸ *Bard Peripheral Vascular, Inc. v. WL Gore & Associates, Inc.*, 682 F.3d 1003, 1008 (Fed. Cir. 2012).

proceedings,’ whether a ‘reasonable litigant could realistically expect’ [the asserted defenses] to succeed.”¹⁹ The *Bard* approach creates challenges when the defenses asserted are based on underlying findings of fact that the jury makes. Infringement, for example, is a question of fact, as is anticipation. Additionally, obviousness is based on underlying fact issues (the *Graham* factors). *Bard* says a district court may “allow the jury to determine the underlying facts relevant to the defense in the first instance, for example, the questions of anticipation or obviousness.”²⁰ While this is helpful, if the jury rejects the defendant’s factual defenses, there can be challenges regarding how the district court should approach willfulness in light of those defenses.

Furthermore, courts have recognized that the Federal Circuit itself is currently engaging in a “debate on the precedential value of *Bard*.”²¹ A prior Federal Circuit panel decision held that whether reliance on a factual issue or defense “was reasonable under the objective prong is properly considered by the jury.”²² Given this, Federal Circuit judges have explained that “*Bard*’s holding that the objective prong ‘*should always* be considered as a matter of law’ . . . cannot be reconciled with *Powell*,”²³ and Federal Circuit Judge Mayer has explained that *Bard* “is an outlier and of no precedential value.”²⁴ This will all get sorted out in time, but the newness of the willfulness approach presents practical challenges.

Prejudgment Interest Can Significantly Add to the Remedy

Do not forget about prejudgment interest. Developing evidence and a story to support prejudgment interest can add millions upon millions of dollars to your judgment. Prejudgment interest is important, not only in the hundred-million-dollar case, but also in the five-to-ten-million-dollar case.

¹⁹ *Id.* (citation omitted).

²⁰ *Id.*

²¹ *Carnegie Mellon Univ. v. Marvell Tech.*, No. 09-290, 2013 WL 5332108, at *39 n.89 (W.D. Pa. Sept. 23, 2013).

²² *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1236-37 (Fed. Cir. 2011).

²³ *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 701 F.3d 1351, 1358 n.1 (Fed. Cir. 2012) (five judges dissenting from denial of rehearing *en banc*).

²⁴ *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1321 (Fed. Cir. 2012) (Mayer, J., dissenting in part), *reversed by, Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S.Ct. 1744 (2014).

The Federal Circuit affords district courts “wide latitude in the selection of interest rates.”²⁵ Courts have utilized a variety of rates in patent cases, including statutory rates set by state statutes, the US Treasury bill rate, the prime rate, the prime rate plus a percentage, and a rate on borrowed funds.²⁶ Usually, the state statutory rate is on the higher side of potential rates. In addition, “the determination whether to award simple or compound interest similarly is a matter largely within the discretion of the district court.”²⁷ You must develop a story—with evidence—about why a particular rate should be used.

Set the Stage for the Remedy You Want

First of all, the mantra of “at the end, we’ll just put on our damages expert and we’re good” does not work. Having a solid remedy strategy requires work before filing, during discovery, and at trial. Set the stage for proving your remedies at trial by approaching the remedy you want from the beginning of the case in the same way, and with the same vigor, that you approach proving infringement. Create a remedies team, focus on remedies at depositions, and focus on producing your own helpful documents.

Focusing on remedies at depositions is a good example of an opportunity to set the stage at trial. In my experience, the depositions of business people often wander, and attorneys fail to ask the crucial questions about, for example, lost profits, or merely touch on them as an afterthought at the end of the deposition. This is a wasted opportunity. It is amazing what information a businessperson will provide at a deposition if you have a plan and ask the right questions. The same is true for discovery about an injunction. Have a plan to ask questions, for example, about building customer relationships and goodwill by selling the allegedly infringing product—intangibles that can be difficult to remedy with money. Witnesses often are not prepared to answer these types of questions in a “coached” manner, and they will not know what a good or bad answer is when caught off guard.

²⁵ *Uniroyal, Inc. v. Rudkin-Wiley Corp.*, 939 F.2d 1540, 1545 (Fed. Cir. 1991).

²⁶ *E.g.*, 7-20 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03.

²⁷ *Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 557 (Fed. Cir. 1984).

One additional issue not to overlook is having client buy-in for your discovery plan. It can be expensive to develop and execute a sophisticated, detailed discovery plan on remedies in a patent case. Clients want to know why and how you will execute a remedies plan, and they can help with the process. The business people employed by your client can be a fabulous source of evidence and ideas for proving damages or an injunction. They know the market, so get their buy-in and their help.

Creating a Supercharged Invention Story

The invention story is a positive part of the plaintiff's case at trial. The challenge is to not just have the invention story as a part of the case, but to have it be a difference maker by making it specific, visual, and engaging. If, for some reason, you do not have the inventor, that presents a challenge in itself, and your case loses an inherent advantage.

Most people start with a positive attitude about inventions until they are convinced otherwise. Thus, the plaintiff has a head start at trial. The challenge is to add a supercharger to your invention story so that the defendant can never catch up. Again, this is not something you can just say, "Well, we will put on the inventor, then maybe a business person, and then our expert. I think we'll be good."

Tap into the "Story" Part of the Invention

Inventors are human beings with varying personalities. They can be charming, quiet, or rigid. Some think their inventions are the greatest thing ever, while others are less excited about it. Similar to the judge's power, the key to creating a supercharged invention story is to tap into the "story" part of the invention.

First, focus on specifics. Specific details make the story vivid, real, and believable. The initial conversation with your inventor might go something like this:

Lawyer: Where were you when you thought about this idea?

Inventor: We were traveling back from Phoenix.

Lawyer: Okay, but where exactly where you?

Inventor: Like I said, we were traveling back from Phoenix, so I don't understand your question.

Lawyer: Were you on an airplane, then?

Inventor: Yes, yes. Sorry, we were on an airplane.

Lawyer: No problem. What airline?

Inventor: This was a while ago, so it was a TWA flight. I remember it was a late afternoon flight because it was hot and the plane had a problem with the air conditioning before we pushed off from the gate, so everyone was sweating.

Lawyer: I hate it when that happens. Who were you sitting with?

Inventor: Tom and I both had aisle seats across from each other. This was back in the day when planes were not so full.

As the story develops, the specific details bring to life what was happening and give the inventor an opportunity to connect with the jurors when the inventor testifies at trial.

Many people are visual-based learners. Visuals of concepts or elements of stories help people remember and understand. Therefore, once you have specific details, try to use visuals to bring to life the details of the invention story. Show a picture of the TWA plane, the laboratory, the old product, or the other details the inventor discusses.

Details and visuals make the story engaging, but there is more you can do. Try to find a way to get the inventor off the stand and moving around while explaining or telling the story. If the invention is such that it can be held, give it to the inventor to hold. If nothing else, have something on a big board so the inventor can point and explain important points. The objective is to do something to have the inventor *engage* with the jury, as opposed to simply testifying.

Conclusion

In the end, nothing about any of the points in this chapter is particularly easy to accomplish. Patent cases are among the most difficult to try to win; however, the points discussed in this article will put you on the path to a supercharged patent case.

Key Takeaways

- Always ask: what does the business consider a win in this case? If you fail to ask the question, the strategy you develop for the case—and its cost—may be disconnected with the results the client wants.
- Use trial vision to picture your themes playing out at trial—through witnesses, evidence, and graphics—and then at the beginning of the case execute a strategy to bring your vision to reality.
- Tap into the judge’s motivations and power to position your case or arguments to make it easy for the judge to exercise his or her power favorably.
- Set the stage for proving your remedies at trial by approaching the remedy you want from the beginning of the case in the same way, and with the same vigor, that you approach proving infringement.
- Create a supercharged invention story by tapping into the “story” part of the invention. Focus on specific details that make the story vivid, real, and believable, and try to get the inventor to engage with the jury, as opposed to simply testifying.

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