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Ten Tips to Save Costs in Patent Litigation

By Joseph Drayton

Over the past 15 years, litigation costs have skyrocketed. According to American Intellectual Property Law Association (AIPLA), a patent infringement case with potential damages of \$10 million to \$25 million results in, on average, \$3.5 million in legal fees and expenses. With companies looking to save costs across the board, in-house counsel are faced with increasing pressure to manage litigation spend. To that end, below are 10 tips that can help corporate counsel reduce the cost—but not the quality—of patent litigation representation.

No. 1: Build a Strong Relationship with Outside Counsel

The first rule is the most natural one. Hire attorneys you trust and ones who will work in your company's best interest. Your outside counsel should appreciate and respect not just your pet peeves and your corporate protocol for litigation, but most importantly, the rationale supporting the parameters by which you manage litigation. Before outside counsel files the first pleading, make sure to communicate: (i) your preferences regarding how litigations are managed and tried; (ii) your company's culture and motivations generally driving the litigation decision-making process; (iii) your company's risk tolerances and approach to dispute resolution; and (iv) the impact of positive and negative outcomes on your company.

No. 2: Ensure Your Lead Trial Counsel Attorney Participates in Pretrial Activities

When establishing a trial team, the most central person to the team is the lead advocate who will be your speaking attorney for dispositive motions and at trial. Although several individuals will assist with a sound trial plan, the lead trial counsel is the architect of the plan. Where possible, your litigation strategies and priorities should be guided by the vision of your lead trial counsel. If so, the litigation team will be more proactive than reactive in their approach to handling the litigation, as well as more efficient.

No. 3: Create Your Trial Team Before Discovery Starts

Patent litigation has multiple phases and can span years if an early resolution cannot be negotiated or achieved in motion practice. As a result, members of the litigation team may change throughout the process. The time needed to get a new member up to speed adds up quickly. Additionally, the focus can quickly become managing the litigation on a day-to-day basis, without focusing on creating the strategic advantages that ensure your case is well positioned for both an early exit and trial. To circumvent these problems, establish your trial team early and try to maintain the team's makeup as much as possible. For a substantial patent litigation, the key players on a seasoned trial team will include two or three senior lawyers with roughly 10 or more years of experience, along with at least two midlevel and junior associates. With an early established, steady trial team, strategic goals can be created and tasks can be apportioned among different members, such that members will be more acutely aware of key issues as the case develops. The goal is the strategic use of each member of the team on an as needed basis throughout the pretrial phase of the

litigation, in order to create the foundation for an efficient workflow through trial.

No. 4: Invest to Save

Even before our most recent economic recession, managing litigation to a successful resolution at or below the allocated budget was the aim of in-house counsel. Today, with shrinking budgets, outside counsel must be empowered and encouraged to achieve the same results. Push your outside counsel to invest wisely and early in the most effective and promising avenues of patent litigation. Generally, in the infancy of the dispute, outside counsel should: (i) assess any exposure to the company; (ii) identify key business units relevant to trial; (iii) identify key sales, marketing, and engineering personnel likely to have information relevant to trial; and (iv) identify and assess any other potential witnesses. Early assessment of important documents and potential witnesses can clarify the likely trial issues and provide depth into the relevant technology. In patent trials, technical, marketing, and sales personnel are often key witnesses. With the resulting early insight, the trial team can develop sound non-infringement and invalidity positions, streamline discovery and prior art review, and ensure your most important witnesses are adequately prepared for depositions.

In many instances, a key strategic decision will be whether your invalidity defenses (*e.g.*, your team's collection of patents and printed publications that demonstrated the patents at issue are not novel) are strong enough to warrant petitioning the Patent Trial and Appeal Board (PTAB) for a covered business method review or *inter partes* review of the patent(s) in suit. You should include this decision in your early case assessment. Such parallel proceedings are significantly inexpensive compared to district court litigation. If a petition is successfully instituted, the district court proceeding may be stayed if, for example, the PTAB proceeding is outcome determinative. Such an investment can pay huge dividends by (i) allowing for more technical defenses to be adjudicated before a tribunal with both a legal and technical background, (ii) saving in overall litigation costs and (iii), if applicable, providing more time for you to create appropriate reserves for the litigation.

No. 5: Get to Know Your Adversary

By identifying your most challenging adverse witnesses as early as possible, your outside counsel will be able to focus discovery around knowledgeable witnesses and potential trial witnesses. To identify these witnesses as early as possible, use written discovery to your advantage. Study the initial disclosure pleadings, if required, and any organizational charts available and, thereafter, draft interrogatories to identify: (i) the custodians of the documents produced during document discovery; (ii) those involved in the development, marketing, and sales of the allegedly infringing or patented product; and (iii) those involved in the development, production, and marketing of any other relevant products or patents, such as prior art within your adversary's possession, *e.g.*, inventions that may predate the patent at issue.

No. 6: Don't Go Through the Motions

Oftentimes, lawyers believe that aggression is the key to an expedient resolution of a patent litigation. Thus, lawyers will take every chance to win—making motions ranging from a motion to dismiss to a motion to transfer—no matter how remote the possibility is of success. For instance, motions to dismiss, for summary judgment and for change of venue, are often made in certain patentee-friendly jurisdictions but rarely succeed. You can save substantial litigation costs by focusing on strategies that have a high probability of success. One method of gauging the strategic value of a motion is to use incentive-based alternative fee arrangements. For motions, an effective alternative fee arrangement will: (i) request budgets for every proposed motion; (ii) negotiate a lower fee for failed motions; and (iii) offer the full fee and a bonus incentive for successful motions.

No. 7: Retain an E-Discovery Partner

A substantial part of the cost of litigation is review, identification, and organization of documents produced by all parties. An experienced e-discovery vendor and/or in-house law firm technology staff can significantly reduce the cost associated with document production by, for example, using contract attorneys who have substantial experience reviewing technical and marketing documents, to conduct an initial review of all documents.

No. 8: Spend to Save, Invest in Markman

Similar to a motion to dismiss or a motion for summary judgment, the outcome of a *Markman* hearing often decides a patent case or creates a decisive advantage for one party over another. The interpretation of patent claims after a *Markman* hearing can create the basis for a motion for summary judgment of non-infringement, the basis for an invalidity defense, or the clarification of trial issues in ways that foretell the probable outcome of the litigation. Thus, it is important that your trial team devote significant resources to obtain a favorable outcome at a *Markman* hearing. Being prepared for success at a *Markman* hearing requires an understanding of the nuances of the patent, technology, and products at issue.

No. 9: Go for the Win-Win

Litigation is definitely an adversarial process, but it is also a means to an end. If you follow the preceding rules, you will have knowledgeable outside counsel and the relevant information to make an informed estimate of the settlement value of the litigation at the earliest possible juncture. With the facts uncovered from early investigation, have your team calculate a settlement value that avoids litigation and attempt to settle with your adversary. Don't be dissuaded if settlement seems unlikely. The benefits of early settlement discussions make the effort worthwhile: (i) the dispute may be resolved early, saving your corporation significant litigation costs; (ii) your trial team may learn material information regarding the strength of your adversary's case during talks; and, (iii) in a multi-defendant litigation, you can convey your reasonableness to your adversary early in the litigation process.

No. 10: Identify Your Winning Theme

If the case is not resolved in the early stages of the litigation, it is time to focus on preparing a winning trial strategy. The first step is having a theme that resonates with you, your legal team, and most importantly, potential jurors. The information gathered during your early assessment process should be sufficient to arrive at a winning theme. Both in-house and outside counsel should work in concert to craft a short story that supports the winning theme and conveys why you should win. The story should be

vetted to identify its strengths and weaknesses with respect to the elements of the claims to be proved at trial. Knowing your theme allows for heightened awareness and focus during document analysis. Such awareness improves the quality and speed of document review and deposition preparation, as well as the identification of key witnesses.

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