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The authors describe and invite stakeholder input on The Sedona Conference commentaries addressing concerns in Congress and elsewhere over “abuse” of the patent litigation system.

The Sedona Conference Releases Draft Commentaries on Patent Litigation Best Practices



By GARY M. HOFFMAN AND JIM W. KO

Two Sedona Conference Working Groups are publishing a series of non-partisan, consensus-based best practice commentaries addressing costs, delays and perceptions of “abuse” in the patent litigation system. The commentaries are designed to complement the 10-year Patent Pilot Program in the federal courts and help practitioners navigate the new relationship between federal litigation and administrative proceedings under the Patent Trials and Appeals Board (PTAB).

The Sedona Conference’s Working Group 10 on Patent Litigation Best Practices (WG10) and Working Group 9 on Patent Damages and Remedies (WG9) include over 100 patent litigators from both the plaintiff

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and defense sides, in-house counsel representing various types of industries, technical experts and over 20 federal judges. The groups have been working for more than two years on seven documents covering patent case management. The Introductory chapter is now complete and is available free for individual download.¹

Six additional chapters, in draft form and currently open for public comment, include:

- Case Management Issues from the Judicial Perspective
- Parallel USPTO Proceedings
- Discovery
- Summary Judgment
- Use of Experts, *Daubert*, and Motions *in Limine*
- Patent Damages and Remedies

An executive summary of these seven chapters, with the full text of each attached, is available.²

Judge Cathy Ann Bencivengo of the U.S. District Court for the Southern District of California, a member of the Sedona WG10 Steering Committee, presented the Introductory chapter and drafts to a group of 30 federal judges at the Ninth Circuit Judicial Conference in July, and Gary M. Hoffman, Senior Counsel at Pillsbury Winthrop Shaw Pittman LLP and Chair of Sedona WG10’s Steering Committee, led a panel of active members of WG10 presenting the same at the Federal Circuit Bench and Bar Conference in June, with over 200 individuals

¹ <https://thesedonaconference.org/download-pub/4281>.

² <https://thesedonaconference.org/sites/sedona.civicaactions.net/modules/civicrm/extern/url.php?u=1945&qid=1763594>.

in attendance. Over the next several months, Sedona WG9 and WG10 members will present the drafts—and solicit input—at the Intellectual Property Owners Association Annual Meeting, the Third Circuit Judicial Conference, the Eastern District of Texas Bench & Bar Conference, and the American Intellectual Property Law Association Annual Meeting.

These Sedona Working Group projects come at a time when there is a perception of increasing “abuse” of the patent litigation system, deterring the Constitutional goal of promoting “science and the useful arts” through the patent system. While the perception that litigation is stifling the growth of innovation may or may not reflect reality, there is little if any dispute that patent litigation has become extremely expensive, and that procedures need to be developed to simplify the process and control costs.

Andrea Weiss Jeffries, partner at WilmerHale, Chair of Sedona WG9’s Steering Committee and Vice Chair of Sedona WG10’s Steering Committee, said:

There are very real concerns about the way patent litigation is conducted today. While difficult to curb the abuses, WG10’s consensus view is that the judicial branch is better positioned to address many of the current problems with U.S. patent litigation than the legislative branch—what is needed is guidance for litigants and jurists to apply to the cases that come before them on a case-by-case basis as warranted, rather than broad sweeping one-size-fits-all rules and regulations. Over the past few years, we have seen the courts (including the Supreme Court) render decisions that have begun to advance this process, particularly in the area of patent damages. Continuing to allow the process to evolve in this way, where the courts have a reasonable degree of latitude and discretion to manage their cases, is key to fair and efficient litigation. And the best avenue for addressing the concerns about the high costs of patent litigation is through initiatives such as the Patent Pilot Program and the non-partisan development of best practice recommendations such as those presented by The Sedona Conference.

Numerous factors contribute significantly to increased litigation costs in patent cases spanning every phase of patent litigation, including pleadings standards, motion practice, initial contentions requirements, discovery issues, claim construction issues, expert disclosures and motions *in limine*, parallel proceedings and damages issues. All efforts to curb patent litigation costs center around the goal of requiring parties to focus on the substantive issues core to the resolution of the case, and to avoid unnecessary disputes that distract from the core issues. The Sedona Conference’s WG9 and WG10 have developed numerous best practice recommendations focused primarily on developing case management procedures structured to encourage parties to remain focused on the issues, as necessary to facilitate settlement discussions focused on the merits and not on the unrealistic expectations of one or both parties.

For example, one of the intractable issues in patent litigation is the process for narrowing the number of asserted patents and patent claims, asserted prior art and representative accused products. All parties understand that each must, as a practical matter, be narrowed for presentation at trial, and that there would be significant efficiencies to be gained by having such narrowing take place earlier in the litigation, such that discovery, claim construction and other issues can be streamlined. But how can this be done without unduly impinging on the

patent owner’s property rights, or without unfairly depriving the accused infringer of prior art whose significance or existence may reasonably not have been timely recognized and that might otherwise serve to invalidate the patents-in-suit?

The WG10 Commentary sets forth a series of best practice recommendations balancing all of the above issues while accommodating different types of patent cases that involve different technologies, for which a uniform set of rules may not work. For example, it sets forth the recommendations that a process and schedule for the narrowing of all of these issues should be addressed at the time of the case management conference, and if agreement cannot be attained by that time, then the parties should address what additional information and amount of time is needed to reach an agreement or resolution by the court.³ It further recommends that parties be required to prioritize by their relative importance the claim terms to be construed. When parties are forced in a joint submission to articulate the reasons that they are proposing terms for construction, the number of terms for which the parties request construction tends to dwindle. And requiring parties to provide an explanation for their prioritization also aids in framing the context for the claim construction process and helps avoid inconsistencies in the use of the adopted constructions at trial.⁴

The filing of summary judgment motions can be helpful in eliminating or narrowing issues for trial where relevant material facts are not in dispute. However, that utility is often lost due to the volume and the poor quality of some summary judgment motions filed today. WG10 calls for a fundamental re-think by the bar about the role and proper use of summary judgment.⁵ Summary judgment motions are to be filed for the sole purpose of eliminating issues where there are no reasonably disputed facts, and never as a discovery tool or to “educate” the court. Decisions to file summary judgment motions should be directly managed by the lead counsel with these principles in mind.

Another aspect of patent litigation that is particularly challenging relates to damages contentions and theories. Parties often value the case very differently—sometimes multiple orders of magnitude apart—at the outset of the case, with neither a procedural mechanism requiring the disclosure of the bases for their valuations, nor the exchange of documentation to support those valuations, until the exchange of damages expert reports relatively late in the discovery schedule.

To address this problem, the WG9 Commentary recommends a Preliminary Compensatory Damages Contentions (PCDCs) process, similar to the disclosures and document exchanges provided for by many local rules relating to initial infringement and invalidity contentions. The recommended PCDC process provides for early disclosure of damages theories and methodolo-

³ See The Sedona Conference, *Commentary on Patent Litigation Best Practices: Case Management Issues from the Judicial Perspective*, Oct. 2015, public comment version, at Best Practice Nos. 5-9, available at <https://thesedonaconference.org/download-pub/4013>.

⁴ See *id.*, at Best Practice No. 37.

⁵ See The Sedona Conference, *Commentary on Patent Litigation Best Practices: Summary Judgment Chapter* (Aug. 2014, public comment version), available at <https://thesedonaconference.org/download-pub/3960>.

gies as part of the initial disclosures, followed by document exchanges and detailed damages contentions along a set schedule following the exchange of infringement and invalidity contentions.⁶

In many instances, the initial infringement contentions of the patentee and the initial invalidity contentions of the accused infringer can be fairly easily derived by the other party based on the patent claim language or the prior art texts themselves. These initial contentions often largely parrot such language and thus do not significantly advance the substantive discussions between the parties. It is only in the responses by the other party to such initial contentions where the “rubber hits the road,” but responsive contentions (unlike initial contentions) are rarely required by local rules. Typically, the first occasion to raise them is with summary judgment motions, and after that, with the disclosure of expert reports. Both WG9 and WG10 recommend the additional requirement of disclosure of responsive contentions.⁷ It is the consensus of WG9 and WG10 that such a requirement is the optimal way to reasonably compel both parties to put their cards on the table earlier and to encourage meaningful settlement negotiations.

Ultimately, it is incumbent on lead counsel to identify and discuss candidly and early on with opposing counsel issues that may affect time and expense. Lead counsel for both parties should directly manage their respective litigation strategies and procedures from the start of the case, and ensure there is a close coordination between the issues the party is going to try and the preparations leading up to trial. But when the parties are unable to reach agreement, or if they are not conferring with one another as expected, it is important for the courts to engage the parties to proceed effectively in light of the particular challenges of a given case.

Craig Weinlein, Executive Director of The Sedona Conference, stressed the importance of public comment on the draft chapters. “The problems in the current patent litigation system were not created overnight and

cannot be resolved by a one-size-fits-all set of rules,” he said. “WG10 believes that the system can and must be improved, and is committed to continue ‘moving the law forward in a reasoned and just way,’” quoting The Sedona Conference’s well-known mission. He requests that public comments be sent to comments@sedonaconference.org or faxed to 602-258-2499. “All comments will be fully considered and incorporated as appropriate into the final post-public comment version of each publication, pursuant to The Sedona Conference’s Commentary drafting process,” he said.

Meanwhile, Working Group 10 is expanding the topics it is addressing and updating the proposals that it has already made. WG10 has formed new drafting teams to develop new chapters and make additions to existing chapters. Additional topics for the chapter on Case Management Issues from the Judicial Perspective will include heightened pleading standards; and the impacts of *Teva v. Sandoz* on the claim construction process,⁸ of *Alice v. CLS Bank* on addressing Section 101 patentability,⁹ and of *Octane Fitness/Highmark* on addressing fee-shifting motions.¹⁰ New chapters will include the use of mediators as a case management tool for narrowing the issues in dispute, and practice before the International Trade Commission.

In addition, The Sedona Conference will be hosting its 15th Annual Patent Litigation Conference: *Improving the Efficiency of Handling Patent Litigation*, on Oct. 19-20 in Reston, Va., focusing on case management issues in light of patent reform efforts and recent Supreme Court cases, FRAND (fair, reasonable and non-discriminatory licensing) and standard essential patent issues, and improving coordination of parallel proceedings in the district courts and the PTAB.¹¹

⁸ *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 113 U.S.P.Q.2d 1269 (2015) (89 PTCJ 737, 1/23/15).

⁹ *Alice Corp. Pty Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2014 BL 170103, 110 U.S.P.Q.2d 1976 (2014) (88 PTCJ 513, 6/20/14).

¹⁰ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 2014 BL 118431, 110 U.S.P.Q.2d 1337 (2014) (88 PTCJ 28, 5/2/14); *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 2014 BL 118430, 110 U.S.P.Q.2d 1343 (2014) (88 PTCJ 28, 5/2/14).

¹¹ For more details and to join the dialogue, go to <https://thesedonaconference.org/conference/2015/15th-annual-sedona-conference-patent-litigation-improving-efficiency-handling-patent>.

⁶ See The Sedona Conference, *Commentary on Patent Damages and Remedies* (Jun. 2014, public comment version), at Sec. III (Pretrial Principles and Best Practices), available at <https://thesedonaconference.org/download-pub/3827>.

⁷ See *id.*, at Best Practice No. 9; and The Sedona Conference, *Commentary on Patent Litigation Best Practices: Discovery* (Oct. 2014, public comment version), at Best Practice Nos. 15, 17-19, available at <https://thesedonaconference.org/download-pub/3958>.